

**EXPLANATORY MEMORANDUM TO
THE CHILD BENEFIT (GENERAL) AND TAX CREDITS (MISCELLANEOUS
AMENDMENTS) REGULATIONS 2014**

2014 No. 2924

1. This explanatory memorandum has been prepared by HM Revenue & Customs (HMRC) on behalf of HM Treasury (HMT) and is laid before Parliament by Command of Her Majesty. This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1. The purpose of this instrument is to make changes to regulations, by the end of November 2014, to achieve the following outcomes for tax credit purposes:

2.1.1. to replace HMRC's existing definition of 'blind' so as to align HMRC's rules with those of the Department for Work and Pensions (DWP);

2.1.2. to include in a table of payments disregarded for tax credit purposes, a certain bonus paid to employees by Employee Ownership Trusts, which are exempt from income tax by virtue of an income tax exemption introduced this year; and

2.1.3. to correct minor omissions in the Child Benefit (General) Regulations 2006 (S.I. 2006/223) and Child Tax Credit Regulations 2002 (S.I. 2002/2007) in respect of relevant academic courses.

2.2. These changes are being made following the introduction of a new income tax exemption in the Finance Act 2014, to bring references in tax credits regulations to the definition of 'blind' in line with similar references in regulations made by DWP, and to correct minor omissions found in S.I. 2014/1231.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1. None.

4. Legislative Context

4.1. This instrument amends the Tax Credits (Definition and Calculation of Income) Regulations 2002 (S.I. 2002/2006) ("the Income Regulations"), the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002 (S.I. 2002/2005) ("the Working Tax Credit Regulations"), the Child Benefit (General) Regulations 2006 (S.I. 2006/223) ("the Child Benefit Regulations") and the Child Tax Credit Regulations 2002 (S.I. 2002/2007) ("the Child Tax Credit Regulations") in order to achieve the outcomes listed in paragraph 2.1.

5. Territorial Extent and Application

5.1. This instrument applies to the whole of the United Kingdom.

6. European Convention on Human Rights

6.1. As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

Amendment to the Tax Credits (Definition and Calculation of Income) Regulations 2002

7.1. The Finance Act 2014 created an exemption from income tax where a company that is an Employee Ownership Trust pays a bonus to an employee. Employees who qualify for the bonus are able to receive a tax exempt bonus of up to £3,600 per year per employer. A small change is being made to the Income Regulations to include this bonus in Table 1, regulation 4(4) (which lists payments which are to be disregarded in the calculation of employment income for tax credit purposes).

Child Tax Credit Regulations 2002 and Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002

7.2. DWP are revising their regulations to replace the existing definition of ‘blind’, and references to being ‘registered’ as blind, after realising that changes to legislation cross-referred to in their regulations omitted certain groups of individuals who are certified as being blind. HMRC’s definition of ‘blind’ aligns with that of DWP. Accordingly, this instrument amends regulation 8(2) Child Tax Credit Regulations and regulations 9(1) and 14(3) of the Working Tax Credit Regulations to bring HMRC’s definition of ‘blind’ in line with the DWP’s definition.

Child Benefit (General) Regulations 2006 and the Child Tax Credit Regulations 2002

7.3. The Child Benefit Regulations and the Child Tax Credit Regulations were amended by S.I. 2014/1231 to allow young people in England on a ‘16-19 year old study programme’ to be treated as having met the ‘full-time non-advanced education criteria’ for entitlement to Child Benefit and Child Tax Credit as a qualified young person. S.I. 2014/1231 contained two minor errors. The first was that in the Child Benefit Regulations, the word ‘above’ was omitted in defining the level of courses, including the courses ‘ordinary national diploma, a national diploma or national certificate of Edexcel’. The second was that in the course of redefining full-time education in the Child Tax Credit Regulations to include the ‘16-19 study programmes’ in England, it omitted the following part of the existing definition: ‘and shall include gaps between the ending of one course and the commencement of another, where the person enrolls on and commences the latter course’. This instrument corrects the Child Benefit Regulations and the Child Tax Credit Regulations by including the relevant academic courses and correcting the definition of full-time education for purposes of child tax credit respectively.

8. Consultation outcome

8.1. There is no statutory requirement to consult on these Regulations. However, the Social Security Advisory Committee has considered these regulatory changes under its Memorandum of Understanding with HMT and HMRC.

9. Guidance

9.1. The provisions of these amending Regulations will be reflected in the Tax Credits Technical Manual. This is available on the HMRC website at www.hmrc.gov/taxcredits/manuals/tctmanual/index.htm.

10. Impact

- 10.1. The impact on business, charities or voluntary bodies is nil.
- 10.2. The impact on the public sector is nil.
- 10.3. An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

- 11.1. The legislation does not apply to small business.

12. Monitoring and review

- 12.1. These changes implement either Budget announcements or are consequential and technical and do not require further review.

13. Contact

Jacqueline Latter at HMRC, Tel: 03000 586748 or email: jacqueline.latter@hmrc.gsi.gov.uk can answer any queries regarding the instrument.