

HM Treasury

## **Annual review of certain tax credits monetary amounts under Section 41 Tax Credits Act 2002**

### **Report required under section 41 of the Tax Credits Act 2002. Laid before Parliament pursuant to Section 41(5) of the Tax Credits Act 2002**

Section 41 of the Tax Credits Act 2002, requires a review, each tax year, of certain monetary amounts that are prescribed in regulations, to see whether they have retained their value in relation to prices. A report of that review must be laid before each House of Parliament, stating what each amount would have been, if it had retained its value against prices.

The requirement applies to any monetary amount prescribed under the following provisions:

- The income thresholds at which each tax credit will start to be withdrawn: these are prescribed under section 7(1)(a) of the Act.
- The income threshold at which the family element of the child tax credit will start to be withdrawn: this is prescribed under section 31(2) of the Act.
- Any thresholds relating to changes in income between the current tax year and the previous tax year as prescribed under section 7(3).
- The amounts for the various elements of child tax credit as prescribed under section 9 and for those of working tax credit under section 11 of the Act.

The overall level of prices as measured by the change in the Consumer Price Index from September 2013 to September 2014 has increased by 1.2 per cent. However, some monetary amounts have been increased by 1 per cent and others have been increased in relation to the general level of prices in the United Kingdom. The table attached shows:

- a) The current rate (2014-15 tax year) of each element/threshold;
- b) The rate of each element/threshold for the new tax year (2015-16), as announced by the Chancellor in his Autumn Statement 2012;
- c) The difference between the current rates and the proposed new rates announced in the Autumn Statement; and
- d) The amount of each element/threshold if the rate had been changed in line with the change in the general level of prices.

**REPORT REQUIRED UNDER SECTION 41 OF THE TAX CREDITS ACT 2002**

Section 11 Tax Credits Act 2002 -The Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002)	2014-15 Rates (£)	2015-16 Rates announced at Autumn Statement (£)	Change (£)	Rate if changed in line with prices (£)
Basic Element Schedule 2	1,940	1,960	+20	1,965
Second Adult Element Schedule 2	1,990	2,010	+20	2,015
Lone Parent Element Schedule 2	1,990	2,010	+20	2,015
30 Hour Element Schedule 2	800	810	+10	810
Disability Element Schedule 2	2,935	2,970	+35	2,970
Severe Disability Element Schedule 2	1,255	1,275	+20	1,275
50 + Element (16-29 hours) Schedule 2	Removed	-	-	
50 + Element (30+ hours) Schedule 2	Removed	-	-	
<b>Section 9 Tax Credits Act 2002 -The Child Tax Credit Regulations 2002</b>				
Family Element Reg 7(3)	545	545	0	555
Child Element Reg 7(4)(c)	2,750	2,780	+30	2,785
Disabled Child Element Reg 7(4)(a)	5,850	5,920	+70	5,925
Severely Disabled Child Element Reg 7(4)(b)	7,105	7,195	+90	7,200
Disabled Young Person Reg 7(4)(d)	5,850	5,920	+70	5,925
Severely Disabled Young Person Reg 7(4)(e)	7,105	7,195	+90	7,200
Qualifying Young Person Reg 7(4)(f)	2,750	2,780	+30	2,785
<b>Section 7(1) and 13 Tax Credits Act 2002 – The Tax Credits (Income Thresholds and Determination Rates) Regs 2002</b>				
First Income Threshold Reg 3(2) and (7)(3)	6,420	6,420	0	6,500
Second Income Threshold for those entitled to CTC only Reg 3(3) and 8(3)	16,010	16,105	+95	16,130
Second Income Threshold Reg 8(3)	Withdrawn	Withdrawn	-	-
Income Rise Disregard Reg 5	5,000	5,000	-	-