

**EXPLANATORY MEMORANDUM TO
THE WORKING TAX CREDIT (ENTITLEMENT AND MAXIMUM RATE)
(AMENDMENT) REGULATIONS 2015**

2015 No. 605

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and 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 This instrument introduces the initiative announced by the Government in the Autumn Statement 2014, to tighten up the eligibility conditions for those claiming working tax credit on the basis of self-employment, with effect from 6 April 2015, the instrument changes to the first condition of what constitutes qualifying remunerative work, one of the eligibility criteria to Working Tax Credit (WTC).

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

None.

4. **Legislative Context**

4.1 Regulation 3 substitutes a new definition of "self-employed" into regulation 2 of the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002 (S.I. 2002/2005) (Working Tax Credit Regulations 2002) so that for the purposes of those Regulations "self-employed" means carrying on a trade, profession or vocation on a commercial basis and with a view to the realisation of profits either on one's own account or as a member of a business partnership and the trade, profession or vocation is organised and regular.

4.2 Regulation 4 amends the "First condition" in regulation 4(1) of the Working Tax Credit Regulations 2002 which needs to be satisfied for a person to be in qualifying remunerative work for WTC purposes. The amendment clarifies that the person must be employed or self-employed (as defined in regulation 2).

4.3 Regulation 5 adds a new paragraph (6) into regulation 4 of the Working Tax Credit Regulations 2002 so as to ensure that references in that regulation to "work" and "working" are to be construed as references to any work undertaken as a person who is employed or self-employed or both.

5. **Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

- *What is being done and why*

7.1 To claim WTC, a person or persons, in a joint claim, must be working a prescribed number of hours per week for payment or in expectation of payment.

7.2 Following the amendments to the Working Tax Credit Regulations 2002 made by these Regulations, a person claiming WTC will have to be working a prescribed number of hours as an employed person, a self-employed person or by a combination of these for payment or in expectation of payment.

- Consolidation

7.3 None.

8. Consultation outcome

8.1 There has been no formal consultation.

9. Guidance

9.1 The provisions of these amending regulations will be reflected in the Tax Credits Manual and the Tax Credits Technical Manual. These are available on the GOV.UK website.

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 & review

12.1 These changes are consequential or technical and do not require further review.

13. Contact

Phillip Dearne at the HMRC Tel: 03000 586535 or email:
phillip.dearne@hmrc.gsi.gov.uk can answer any queries regarding the instrument