

**EXPLANATORY MEMORANDUM TO**  
**THE TAX CREDITS (DEFINITION AND CALCULATION OF INCOME)**  
**(AMENDMENT) REGULATIONS 2016**

**2016 No. 978**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs ("HMRC") on behalf of HM Treasury and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

- 2.1 The statutory instrument amends the Tax Credits (Definition and Calculation of Income) Regulations 2002 (SI 2002/2006) to provide for the treatment of certain new welfare payments being introduced by the Northern Ireland Assembly as income for the purposes of tax credits.

**3. Matters of special interest to Parliament**

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

- 3.1 None.

*Other matters of interest to the House of Commons*

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

**4. Legislative Context**

- 4.1 Sections 7(8) and 65(1) of the Tax Credits Act 2002 confer powers on HM Treasury to make regulations which define income to be used for the purposes of establishing entitlement to tax credits. The Tax Credits (Definition and Calculation of Income) Regulations (as amended) specify relevant income and how it is treated in a tax credits assessment.

**5. Extent and Territorial Application**

- 5.1 The extent of this instrument is the United Kingdom.  
5.2 The territorial application of this instrument is the United Kingdom.

**6. European Convention on Human Rights**

- 6.1 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 Under the Stormont House Agreement, the Northern Ireland Executive will implement welfare reform in Northern Ireland in line with welfare reform established in the rest of the UK. The Northern Ireland Assembly has created a new set of payments for individuals whose benefit entitlement will be lower as a result of welfare reform. These are referred to in Northern Ireland legislation as “welfare supplementary payments”.
- 7.2 This Statutory Instrument amends the Tax Credits (Definition and Calculation of Income) Regulations 2002 to provide that the new welfare supplementary payments are treated for tax credits purpose in the same way as the benefits which are no longer payable.

### *Consolidation*

- 7.3 There is no current plan to consolidate the tax credits regulations amended by the SI.

## **8. Consultation outcome**

- 8.1 HMRC has not formally consulted before introducing the amendment regulations. [However, the Social Security Advisory Committee (SSAC) has considered these regulatory changes under its Memorandum of Understanding with HMT and HMRC.]

## **9. Guidance**

- 9.1 HMRC will publish guidance to coincide with the introduction of the Northern Ireland Supplementary Payments Schemes.

## **10. Impact**

- 10.1 There is no impact on business, charities or voluntary bodies.
- 10.2 The impact on the public sector is negligible.
- 10.3 An Impact Assessment has not been prepared for this instrument.

## **11. Regulating small business**

- 11.1 The legislation does not apply to activities that are undertaken by small businesses.

## **12. Monitoring & review**

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

## **13. Contact**

- 13.1 Mick Ney at Her Majesty’s Revenue and Customs e mail:  
[mick.ney@hmrc.gsi.gov.uk](mailto:mick.ney@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.