
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Income Tax (Definition and Calculation of Income) Regulations 2002 (S. I. 2002/2006) (the principal Regulations) which define what is income for the purposes of child tax credit and working tax credit under the Tax Credits Act 2002 (c. 21).

Regulation 1 provides for citation, commencement and effect and regulation 2 introduces the amendments to the principal Regulations.

Regulation 3 amends regulation 4 of the principal Regulations which sets out the extent to which a claimant's employment income is to be taken into account for the purposes of regulation 3 of the principal Regulations. Where a claimant receives a benefit and that benefit is provided pursuant to optional remuneration arrangements (defined in new paragraph (6)), the amount of the earnings to be taken into account will be an amount which includes the value of the earnings that have been given up as a consequence of optional remuneration arrangements (the relevant amount, defined in new paragraph 7). The payments and benefits listed in Table 1 in regulation 4(4) of the principal Regulations are disregarded in calculating employment income. The Regulations amend regulation 4(4) so that where the benefit or payment is provided pursuant to optional remuneration arrangements, it is taken into account unless it is a special case benefit (identified in new paragraph (8)) or an excluded benefit (identified in new paragraph (9)).

Regulation 4 amends Table 4 in regulation 10 of the principal Regulations which sets out the extent to which a claimant's investment income is to be disregarded in the calculation of investment income for the purposes of regulation 3 of the principal Regulations. The regulation inserts a reference to the government bonus paid under section 1 of the Savings (Government Contributions) Act 2017 (c. 2).

Regulation 5 amends regulation 11 of the principal Regulations which sets out the extent to which a claimant's income from property is to be taken into account for the purposes of regulation 3 of the principal Regulations. The regulation disapplies the restrictions in section 272A of the Income Tax (Trading and Other Income) Act 2005 (c. 5) and in section 399A of the Income Tax Act 2007 (c. 3) on the deduction of finance costs related to residential properties.

A full impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.