

HM Treasury

Annual review of certain tax credits monetary amounts under Section 41 of the Tax Credits Act 2002 for the tax year 2020-21

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(1) of the Tax Credits Act 2002 (the Act)¹, requires a review, each tax year, of certain monetary amounts set out in section 41(2), to determine whether they have retained their value in relation to prices in the United Kingdom in such manner as the Treasury consider appropriate. 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- The income thresholds at which each tax credit will start to be withdrawn: these are prescribed under section 7(1)(a) of the Act.
- Any thresholds relating to changes in income between the current tax year and the previous tax year as prescribed under section 7(3)(a)-(d).
- The maximum rates 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 (CPI) from September 2018 to September 2019 was 1.7 per cent.

The Government implemented a number of changes to the welfare system in the Welfare Reform and Work Act (2016): principally the four-year restriction on benefit uprating up to 2019/20. 2020/21 will be the first year uprating of most elements and thresholds will resume.

The table attached shows:

- a) The current rate (2019-20 tax year) of each element/threshold reviewed;
- b) The rate of each element/threshold for the new tax year (2020-21), in line with proposals set out by the Chief Secretary to the Treasury in the Written Ministerial Statement (WMS) published on 4 November 2019;
- c) The difference between the current rates and the proposed new rates; 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.

¹ Part 1 of the Tax Credits Act 2002 has been repealed by Welfare Reform Act 2012 with effect from 1 February 2019. Part 1 includes section 41. However, by The Welfare Reform Act 2012 (Commencement No 32 and Savings and Transitional Provisions) Order 2019, section 3(1), Part 1 of the TCA 2002 shall be treated as though it is still in force in relation to certain categories of cases. Those categories are set out in full in section 3(2)-(5) and (9) of the 2019 order.

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	2019-20 Annual rates (£)	2020-21 Annual rates announced by WMS (£)	Change (£)	Rate if changed in line with prices (£)
Basic Element	1,960	1,995	35	1,995
Couple and Lone Parent Element	2,010	2,045	35	2,045
30 hour Element	810	825	15	825
Disability Element Schedule 2	3,165	3,220	55	3,220
Severe Disability Element Schedule 2	1,365	1,390	25	1,390
Section 9 Tax Credits Act 2002 -The Child Tax Credit Regulations 2002				
Family Element Reg 7(3)	545	545	0	555
Child Element	2,780	2,830	50	2,830
Child or qualifying young person is disabled Reg 7(5)(a)	3,355	3,415	60	3,415
Child or qualifying young person severely disabled Reg 7(5)(b)	4,715	4,800	85	4,800
Sections 7(1) & (3) and 13 Tax Credits Act 2002 – The Tax Credits (Income Thresholds and Determination Rates) Regulations 2002				
Income Disregard Reg 5	2,500	2,500	0	2,545
First Income Threshold Working Tax Credit Reg 3(2) and (7)(3)	6,420	6,530	110	6,530
First Income Threshold Child Tax Credit Reg 3(3) and 8(3)	16,105	16,385	280	16,385