

2012 No. 849

TAX CREDITS

The Tax Credits Up-rating Regulations 2012

Made - - - - *14th March 2012*

Coming into force - - *6th April 2012*

Following a review in the tax year 2011-12 of the amounts specified in section 41(2) of the Tax Credits Act 2002(a), the Treasury have determined that Regulations should be made prescribing increases in some of those amounts.

A draft of these Regulations was laid before Parliament in accordance with section 66(1) and (2)(a) of that Act and approved by resolution of each House of Parliament.

The Treasury make the following Regulations in the exercise of the powers conferred by sections 7(1)(a), 9, 11 to 13, 65(1) and 67 of that Act(b).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Tax Credits Up-rating Regulations 2012 and come into force on 6th April 2012.

(2) These Regulations have effect in relation to awards of tax credits for the tax year beginning on 6th April 2012 and subsequent tax years.

Amendment of the Child Tax Credit Regulations 2002

2.—(1) Regulation 7 of the Child Tax Credit Regulations 2002(c) (determination of the maximum rate) is amended as follows.

(2) In paragraph (4)—

- (a) in sub-paragraph (a) for “£5,355” substitute “£5,640”;
- (b) in sub-paragraph (b) for “£6,485” substitute “£6,830”;
- (c) in sub-paragraph (c) for “£2,555” substitute “£2,690”;
- (d) in sub-paragraph (d) for “£5,355” substitute “£5,640”;
- (e) in sub-paragraph (e) for “£6,485” substitute “£6,830”;
- (f) in sub-paragraph (f) for “£2,555” substitute “£2,690”.

(a) 2002 c. 21.

(b) Section 67 provides that “prescribed” means “prescribed by regulations”.

(c) S.I. 2002/2007; the last relevant amending instrument is S.I. 2011/1035, which made amendments in relation to awards of tax credits for the year beginning on 6th April 2011. See regulation 5 of this instrument.

Amendment of the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002

3.—(1) The Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002(a) are amended as follows.

(2) For the Table in Schedule 2 (maximum rates of the elements of a working tax credit)(b) substitute—

<i>“Relevant element of working tax credit</i>	<i>Maximum annual rate</i>
1. Basic element	£1,920
2. Disability element	£2,790
3. 30 hour element	£790
4. Second adult element	£1,950
5. Lone parent element	£1,950
6. Severe disability element	£1,190”

Amendment of the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002

4.—(1) The Tax Credits (Income Thresholds and Determinations of Rates) Regulations 2002(c) are amended as follows.

(2) In the heading before regulation 5 (income test: relevant income) for “Amounts prescribed for the purposes of section 7(3)(a) and (b) of the Act” substitute “Amounts prescribed for the purposes of section 7(3) of the Act”.

(3) For regulation 5 substitute—

“5. The amount prescribed—

- (a) for the purposes of section 7(3)(a) and (b) of the Act is £10,000; and
- (b) for the purposes of section 7(3)(c) and (d) of the Act is £2,500.”.

(4) In regulation 7(3) (determination of rate of working tax credit) in Step 5 for “39%” substitute “41%”(d).

(5) In regulation 8(3) (determination of rate of child tax credit)—

- (a) in each of the headings before Steps 5, 6 and 7, and in Steps 6 and 7, omit “(other than the family element)”;
- (b) omit Steps 8, 9 and 10;
- (c) in consequence of the amendments made by paragraph (b), Step 11 is renumbered as “Step 8” and for the words from “Add together” to “This is the rate for the relevant period.” substitute—

“The rate for the relevant period is the total of the amounts found under Step 2 for the elements of the tax credit after any reduction in accordance with Step 6 or Step 7.”.

(a) S.I. 2002/2005; the last relevant amending instrument is S.I. 2011/1035.

(b) The 50 plus element of working tax credit is withdrawn by a separate instrument with effect from 6th April 2012.

(c) S.I. 2002/2008; relevant amending instruments are S.I. 2010/751 and S.I. 2010/981.

(d) The Welfare Reform Bill 2010-11, introduced to Parliament on 16th February 2011, was amended in the House of Lords at Committee stage by the addition of Clause 75 which provides that, in relation to awards of working tax credit for whole or part of the year beginning on 6th April 2011, Step 5 in regulation 7(3) has effect as if the percentage were 41% (instead of 39%).

The Tax Credits Up-rating Regulations 2011: continuance of effect

5. The amendments made by the following provisions of the Tax Credits Up-rating Regulations 2011^(a) continue to have effect in relation to awards of tax credits for the tax year beginning on 6th April 2012 and subsequent tax years—

- (a) Regulation 2(2) (amendment of the Child Tax Credit Regulations 2002: family element);
- (b) Regulation 3(2) (amendment of the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002: child care element);
- (c) Regulation 4(2), (4), (5)(a) and (b) (amendment of the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002: income thresholds and rates of tax credits).

*Michael Fabricant
James Duddridge*

14th March 2012

Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 41 of the Tax Credits Act 2002 (c. 21) requires the Treasury, in each tax year, to—

- (d) review the amounts referred to in subsection (2) of that section;
- (e) prepare a report of each review, including a statement of what each amount would be if it had fully retained its value; and
- (f) publish the report and lay a copy of it before each House of Parliament.

The Treasury's report of the review in respect of the tax year 2011-12 was laid before Parliament on 1st February 2012 and published.

In consequence of the review the Treasury has made these Regulations, which come into force on 6th April 2012 and have effect in relation to awards of tax credits for the year beginning on 6th April 2012 and subsequent tax years, prescribing increases in certain of the sums required to be reviewed under section 41. These amounts were last amended by the Tax Credits Up-rating Regulations 2011 (S.I. 2011/1035) ("the 2011 Regulations"). In addition to increasing certain amounts, these Regulations confirm other amounts which were amended by the 2011 Regulations (and remain unchanged), to ensure that they continue to have effect in respect of the tax year beginning on 6th April 2012 and subsequent tax years.

Regulation 2 amends regulation 7(4) of the Child Tax Credit Regulations 2002 (S.I. 2002/2007) so as to increase the maximum rates of the individual elements of child tax credit.

Regulation 3 substitutes a new table for the table in Schedule 2 (prescribing the maximum rates for the elements of working tax credit other than the child care element) of the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002 (S.I. 2002/2005).

Regulation 4 amends the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002 (S.I. 2002/2008). Paragraphs (2) and (3) amend regulation 5 of S.I. 2002/2008 (amounts prescribed for sections 7(3)(a) and (b) of the Tax Credits Act 2002) to introduce a new income disregard of £2,500 for falls in income. Paragraph (4) amends the percentage to be applied under step 5 of regulation 7(3) of S.I. 2002/2008 (determination of rate of working tax credit) in finding the amount of the reduction. Paragraph (5) amends regulation 8(3) (determination of rate of child tax credit) to remove steps 8, 9 and 10 so to taper the family element immediately after the child element.

(a) S.I. 2011/1035.

Regulation 5 provides for certain amendments made by the Tax Credits Up-rating Regulations 2011 (whose effect was limited to the tax year beginning 6th April 2011) to have effect in relation to awards of tax credits for the tax year beginning on 6th April 2012 and subsequent tax years.

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

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£4.00

E3025 03/2012 123025T 19585

