

## SCHEDULE

Regulation 17(2)

### MODIFICATIONS TO TAX CREDITS LEGISLATION

#### Modifications to the Tax Credits Act 2002

1. Paragraphs 2 to 14 prescribe modifications to the application of the Tax Credits Act 2002 where regulation 17 applies.

2. In section 7—

(a) in subsection (3), before “current year income” in each place where it occurs, insert “notional”;

(b) in subsection (4)—

(i) for “current year” substitute “current part year”;

(ii) in paragraphs (a) and (b), before “tax year” insert “part”;

(c) after subsection (4), insert—

“(4A) In this section “the notional current year income” means—

(a) in relation to persons by whom a joint claim for a tax credit is made, the aggregate income of the persons for the part tax year to which the claim relates, divided by the number of days in that part tax year, multiplied by the number of days in the tax year in which the part tax year is included and rounded down to the next whole number of pence, and

(b) in relation to a person by whom a single claim for a tax credit is made, the income of the person for that part tax year, divided by the number of days in that part tax year, multiplied by the number of days in the tax year in which the part tax year is included and rounded down to the next whole number of pence.”.

3. In section 17—

(a) in subsection (1)(a), before “tax year” insert “part”;

(b) in subsection (3), before “tax year” insert “part”;

(c) in subsections (4)(a) and (4)(b), for “current year” in both places where it occurs, substitute “current part year”;

(d) in subsection (5)(a) for “current year” in both places where it occurs, substitute “current part year”;

(e) omit subsection (8).

4. In section 18—

(a) in subsection (1), before “tax year” insert “part”;

(b) omit subsections (6) to (9);

(c) in subsection (10), for “subsection (1), (5), (6) or (9)” substitute “subsection (1) or (5)”;

(d) in subsection (11)—

(i) after “subsection (5)” omit “or (9)”;

(ii) omit paragraph (a);

(iii) in paragraph (b) omit “in any other case.”;

(iv) before “tax year” in each place where it occurs, insert “part”.

5. In section 19—

(a) in subsection (1)(a) and (b), before “tax year” insert “part”;

- (b) in subsection (3), before “tax year” insert “part”;
  - (c) for subsection (5) substitute—
    - “(5) “The relevant section 18 decision” means the decision under subsection (1) of section 18 in relation to the person or persons and the part tax year.”;
  - (d) for subsection (6) substitute—
    - “(6) “The relevant section 17 date” means the date specified for the purposes of subsection (4) of section 17 in the notice given to a person or persons under that section in relation to the part tax year.”;
  - (e) in subsection (11), before “tax year” insert “part”;
  - (f) in subsection (12), before “tax year” in each place where it occurs, insert “part”.
- 6.** In section 20—
- (a) in subsection (1), before “tax year” insert “part”;
  - (b) in subsection (4)(a), before “tax year” insert “part”;
  - (c) in subsection (5)(b), before “tax year” insert “part”;
  - (d) in subsection (6)—
    - (i) before “tax year” insert “part”;
    - (ii) in paragraph (a), for “section 18(1), (5), (6) or (9)” substitute “section 18(1) or (5)”;
  - (e) in subsection (7), before “tax year” in each place where it occurs, insert “part”.
- 7.** In section 21, for “18(1), (5), (6) or (9)” substitute “18(1) or (5)”.
- 8.** In section 23—
- (a) in subsection (1), for “18(1), (5), (6) or (9)” substitute “18(1) or (5)”;
  - (b) in subsection (3)—
    - (i) after “18(1)” omit “or (6)”;
    - (ii) for paragraph (b) substitute—
      - “(b) the notice of the decision under subsection (1) of section 18,”.
- 9.** In section 28—
- (a) in subsection (1)—
    - (i) after “tax year” in both places where it occurs, insert “or part tax year”;
    - (ii) at the end, insert “or treated as an overpayment of universal credit”;
  - (b) in subsections (3) and (4), after “repaid” insert “to the Board or, as the case may be, to the Secretary of State”;
  - (c) omit subsection (5);
  - (d) in subsection (6) omit “(apart from subsection (5))”.
- 10.** In section 29(4), for “any tax credit” substitute “universal credit”.
- 11.** In section 30(1), before “tax year” in each place where it occurs, insert “part”.
- 12.** In section 38—
- (a) in subsection (1)(b), before “tax year” insert “part”;
  - (b) for subsection (2), substitute—
    - “(2) “The relevant section 18 decision” means the decision under subsection (1) of section 18 in relation to the person or persons and the tax credit for the part tax year.”.

13. In section 48, after the definition of “overpayment”, insert—

““part tax year” means a period of less than a year beginning with 6<sup>th</sup> April and ending with the date on which the award of a tax credit terminated.”.

14. In Schedule 2, in paragraph 6(1)(a) and (c) and (2)(a), after the words “for the tax year”, insert “or part tax year”.

### **Modifications to the Tax Credits (Definition and Calculation of Income) Regulations 2002**

15. Paragraphs 16 to 28 prescribe modifications to the application of the Tax Credits (Definition and Calculation of Income) Regulations 2002(1) where regulation 17 applies.

16. In regulation 2(2), after the definition of “the Macfarlane Trusts” insert—

““part tax year” means a period of less than a year beginning with 6<sup>th</sup> April and ending with the date on which the award of a tax credit terminated.”.

17. In regulation 3(2)—

(a) in paragraph (1)—

(i) before “tax year” insert “part”;

(ii) in Steps 1 and 2, after “of the claimant, or in the case of a joint claim, of the claimants” insert “received in or relating to the part tax year”;

(iii) for the first sentence of Step 4, substitute “Where a claimant was entitled to a tax credit and an award of universal credit is made to that person, calculate the trading income (as defined in regulation 6) of the claimant, or in the case of a joint claim, of the claimants, in accordance with regulations 6A and 6B.”;

(iv) in the second and third sentences of Step 4, before “year” insert “part”;

(b) in paragraph (6A), for the words from “ending on 31<sup>st</sup> March” to the end, substitute “ending on the last day of the month immediately preceding the month in which the claimant’s award of a tax credit terminated”;

(c) in paragraph (8)(b), before “year” insert “part”.

18. In regulation 4(3)—

(a) in paragraph (1)(a), before “tax year” insert “part”;

(b) in paragraph (1)(b), (c), (d), (e), (g) and (k), before “year” insert “part”;

(c) in paragraph (1)(f), after “ITEPA” insert “which is treated as received in the part tax year and in respect of which the charge arises in the part tax year”;

(d) in paragraph (1)(h), after “week” insert “in the part tax year”;

(e) in paragraph (1)(i), after “ITEPA” insert “which is treated as received in the part tax year”;

(f) in paragraph (1)(j), after “applies” insert “received in the part tax year”;

(g) in paragraph (1)(l), after “ITEPA” insert “in respect of which the charge arises in the part tax year”;

(h) in paragraph (1)(m), after “paid” insert “in the part tax year”;

(i) in paragraph (4), after “employment income” in both places where it occurs, insert “received in the part tax year”;

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(1) S.I. 2002/2006.

(2) Reg 3 was amended by S.I. 2003/732, 2003/2815, 2006/745, 2006/766, 2007/824 and 2007/1305.

(3) Reg 4 was amended by S.I. 2003/732, 2003/2815, 2004/762, 2004/2663, 2006/766, 2007/824, 2008/604, 2008/2169, 2009/2887, 2010/2494 and 2012/848.

- (j) in paragraph (5), after “calculating earnings” insert “received in the part tax year”.
- 19.** In regulation 5(4)—
- (a) in paragraph (1)(o), after “applies” insert “received in or relating to the part tax year”;
  - (b) in paragraph (2) after “pension income” in both places where it occurs, insert “received in or relating to the part tax year”;
  - (c) in paragraph (3), after “income tax purposes”, insert “in relation to the part tax year”.
- 20.** In regulation 6(5)—
- (a) after “claimant’s trading income is” insert “, subject to regulations 6A and 6B”;
  - (b) in paragraph (a), before “tax year” insert “part”;
  - (c) in paragraph (b), before “year” insert “part”.
- 21.** After regulation 6 insert—

**“Trading Income: in-year finalisation**

**6A.** This regulation applies where—

- (a) an award of universal credit is made to a person who was previously entitled to a tax credit;
- (b) the award of that tax credit has terminated;
- (c) the date on which the award terminated falls in the tax year to which that award relates (“the relevant tax year”); and
- (d) the claimant carried on a trade, vocation or profession during the part tax year.

**6B.—**(1) Where regulation 6A applies, a claimant’s trading income for the purposes of the first paragraph in Step 4 in regulation 3(1) is the claimant’s actual or estimated taxable profits attributable to the part tax year (“the relevant trading income”).

(2) The relevant trading income is to be calculated by reference to the basis period ending during the relevant tax year.

(3) The basis period is to be determined by reference to the rules in Chapter 15 of Part 2 of ITTOIA.

(4) The relevant trading income is calculated by—

- (a) taking the figure for the actual or estimated taxable income earned in the basis period;
- (b) dividing that figure by the number of days in the basis period to give the daily figure; and
- (c) multiplying the daily figure by the number of days in the part tax year on which the trade, profession or vocation was carried on.”.

**22.** In regulation 7(6)—

- (a) in paragraph (1), after “social security income” insert “received in the part tax year”;
- (b) in paragraph (3), after “social security income” in both places where it occurs, insert “received in the part tax year”.

(4) Reg 5 was amended by [S.I. 2003/732](#), [2006/745](#), [2006/766](#), [2008/604](#) and [2010/2914](#).

(5) Reg 6 was amended by [S.I. 2006/766](#).

(6) Reg 7 was amended by [S.I. 2003/732](#), [2003/2815](#), [2008/1879](#), [2009/697](#) and [2010/2494](#).

**23.** In regulation 8(7), after “in relation to a student” insert “, any of the following which is received in the part tax year”.

**24.** In regulation 10(8)—

- (a) in paragraph (1), after “gross amount” insert “received in the part tax year”;
- (b) in paragraph (1)(e), before “year” insert “part”;
- (c) in paragraph (2), after “investment income” in both places where it occurs, insert “received in the part tax year”.

**25.** In regulation 11(1)(9)—

- (a) omit “annual”;
- (b) after “taxable profits” insert “for the part tax year”.

**26.** In regulation 12(1)(10), before “year” insert “part tax”.

**27.** In regulation 13, after “means income” insert “received in the part tax year”.

**28.** In regulation 18(11), after “means income” insert “received in the part tax year”.

### **Modifications to the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002**

**29.** Paragraphs 30 to 32 prescribe modifications to the application of the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002(12) where regulation 17 applies.

**30.** In regulation 2 (interpretation)—

- (a) after the definition of “the income threshold” insert—
  - ““part tax year” means a period of less than a year beginning with 6<sup>th</sup> April and ending with the date on which the award of a tax credit terminated,”;
- (b) in the definition of “the relevant income” insert “as modified by the Universal Credit (Transitional Provisions) Regulations 2013” at the end.

**31.** In regulation 7(3)(13)—

- (a) in Step 1, in the definition of “MR”, after “maximum rate” insert “(determined in the manner prescribed at the date on which the award of the tax credit terminated)”;
- (b) in Step 3—
  - (i) in the definition of “I”, before “tax year” insert “part”;
  - (ii) in the definition of “N1”, before “tax year” insert “part”.

**32.** In regulation 8(3)(14)—

- (a) in Step 1, in the definition of “MR”, after “maximum rate” insert “(determined in the manner prescribed at the date on which the award of the tax credit terminated)”;
- (b) in Step 3—
  - (i) in the definition of “I”, before “tax year” insert “part”;

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(7) Reg 8 was amended by S.I. 2003/2815, 2006/766, 2008/2169 and 2012/848.

(8) Reg 10 was amended by S.I. 2003/732, 2003/2815, 2006/766, 2007/824 and 2010/751.

(9) Reg 11(1) was amended by S.I. 2003/2815 and 2006/766.

(10) Reg 12(1) was amended by S.I. 2006/766.

(11) Reg 18 was amended by S.I. 2006/766.

(12) S.I. 2002/2008.

(13) Reg 7(3) was amended by S.I. 2008/796, 2011/1035 and 2012/849.

(14) Reg 8(3) was amended by S.I. 2011/1035 and 2012/849.

(ii) in the definition of “N1”, before “tax year” insert “part”.

### **Modifications to the Tax Credits (Claims and Notifications) Regulations 2002**

**33.** Paragraphs 34 to 42 prescribe modifications to the application of the Tax Credits (Claims and Notifications) Regulations 2002(15) where regulation 17 applies.

**34.** In regulation 4, omit paragraph (b)(16).

**35.** Omit regulation 10.

**36.** Omit regulation 11(17).

**37.** Omit regulation 12(18).

**38.** In regulation 13—

(a) in paragraph (1)(19), after “prescribed by paragraph” omit “(2) or”;

(b) omit paragraph (2)(20).

**39.** In regulation 15(1)(c), for “section 18(1), (5), (6) or (9)” substitute “section 18(1) or (5)”.

**40.** In regulation 21(1A)(21), for “regulation 27(2), (2A) or (3)” substitute “regulation 27(2A) or (3)”.

**41.** In regulation 27—

(a) in paragraph (1)(22), after “prescribed by paragraphs” omit “(2),”;

(b) omit paragraph (2).

**42.** In regulation 33(23)—

(a) in paragraph (a), for the words from “not later than 31<sup>st</sup> July” to “if later”, substitute “not less than 28 days after the date on which the notice is given”;

(b) omit paragraph (b) and the “and” which precedes it.

### **Modification to the Tax Credits (Payment by the Commissioners) Regulations 2002**

**43.** Paragraph 44 prescribes a modification to the application of the Tax Credits (Payment by the Commissioners) Regulations 2002(24) where regulation 17 applies.

**44.** Omit regulation 7(25).

### **Modification to the Tax Credits (Residence) Regulations 2003**

**45.** Paragraph 46 prescribes a modification to the application of the Tax Credits (Residence) Regulations 2003(26) where regulation 17 applies.

(15) S.I. 2002/2014.

(16) Reg 4(b) was amended by S.I. 2009/697.

(17) Reg 11 was amended by S.I. 2004/762, 2008/604, 2009/697 and 2010/751.

(18) Reg 12 was amended by S.I. 2010/751 and 2010/2914.

(19) Reg 13(1) was amended by S.I. 2005/2919 and 2008/2169.

(20) Reg 13(2) was amended by S.I. 2005/2919 and 2010/751.

(21) Para (1A) was inserted by S.I.2003/723 and amended by S.I. 2006/2689.

(22) Reg 27(1) was amended by S.I. 2003/723 and 2006/2689.

(23) Reg 33 was substituted by S.I. 2004/762 and amended by S.I. 2007/824.

(24) S.I. 2002/2173.

(25) Reg 7 was amended by S.I. 2005/2200.

(26) S.I. 2003/654.

46. In regulation 3(5)(a)(27), omit the words in brackets after “child tax credit”.

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(27) Reg 3(5) was substituted by [S.I. 2004/1243](#).