



Tax Credits Act 2002

2002 CHAPTER 21

PART 1

TAX CREDITS

General

1 **Introductory**

- (1) This Act makes provision for—
 - (a) a tax credit to be known as child tax credit, and
 - (b) a tax credit to be known as working tax credit.
- (2) In this Act references to a tax credit are to either of those tax credits and references to tax credits are to both of them.
- (3) The following (which are superseded by tax credits) are abolished—
 - (a) children's tax credit under section 257AA of the Income and Corporation Taxes Act 1988 (c. 1),
 - (b) working families' tax credit,
 - (c) disabled person's tax credit,
 - (d) the amounts which, in relation to income support and income-based jobseeker's allowance, are prescribed as part of the applicable amount in respect of a child or young person, the family premium, the enhanced disability premium in respect of a child or young person and the disabled child premium,
 - (e) increases in benefits in respect of children under sections 80 and 90 of the Social Security Contributions and Benefits Act 1992 (c. 4) and sections 80 and 90 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7), and
 - (f) the employment credit under the schemes under section 2(2) of the Employment and Training Act 1973 (c. 50) and section 1 of the Employment

Status: This is the original version (as it was originally enacted).

and Training Act (Northern Ireland) 1950 (c. 29 (N.I.)) known as “New Deal 50plus”.

2 Functions of Board

- (1) Tax credits are to be under the care and management of the Board.
- (2) Section 10 of the Exchequer and Audit Departments Act 1866 (c. 39) (gross revenues to be paid to Exchequer) is to be construed as allowing the Board to deduct payments for or in respect of tax credits before causing the gross revenues of their department to be paid to the account mentioned in that section.
- (3) For the purposes of the Inland Revenue Regulation Act 1890 (c. 21) the definition of “inland revenue” in section 39 of that Act is to be taken to include tax credits.
- (4) The reference in section 4(1) of that Act (appointment of collectors, officers and other persons) to collecting, receiving, managing and accounting for inland revenue is to be taken to include a reference to paying and managing tax credits.
- (5) The duties of the Board under section 13 of that Act (Board to keep accounts) are to include a duty to set forth in the accounts mentioned in that section—
 - (a) the amounts of the several payments made by them of or in respect of tax credits,
 - (b) the amounts of the expenses of paying and managing tax credits, and
 - (c) the amounts received by them in respect of tax credits,distinguishing in each case between amounts relating to child tax credit and amounts relating to working tax credit.
- (6) In any declaration for the purposes of section 6 of the Taxes Management Act 1970 (c. 9) (declarations on taking office), whether made before or after the commencement of this section, the reference to an offence relating to inland revenue is to be taken to include a reference to an offence relating to a tax credit.

3 Claims

- (1) Entitlement to a tax credit for the whole or part of a tax year is dependent on the making of a claim for it.
- (2) Where the Board—
 - (a) decide under section 14 not to make an award of a tax credit on a claim, or
 - (b) decide under section 16 to terminate an award of a tax credit made on a claim,(subject to any appeal) any entitlement, or subsequent entitlement, to the tax credit for any part of the same tax year is dependent on the making of a new claim.
- (3) A claim for a tax credit may be made—
 - (a) jointly by the members of a married couple or unmarried couple both of whom are aged at least sixteen and are in the United Kingdom, or
 - (b) by a person who is aged at least sixteen and is in the United Kingdom but is not entitled to make a claim under paragraph (a) (jointly with another).
- (4) Entitlement to a tax credit pursuant to a claim ceases—
 - (a) in the case of a joint claim, if the persons by whom it was made could no longer jointly make a joint claim, and

- (b) in the case of a single claim, if the person by whom it was made could no longer make a single claim.
- (5) In this Part “married couple” means a man and woman who are married to each other and are neither—
 - (a) separated under a court order, nor
 - (b) separated in circumstances in which the separation is likely to be permanent.
- (6) In this Part “unmarried couple” means a man and a woman who are not a married couple but are living together as husband and wife.
- (7) Circumstances may be prescribed in which a person is to be treated for the purposes of this Part as being, or as not being, in the United Kingdom.
- (8) In this Part—
 - “joint claim” means a claim under paragraph (a) of subsection (3), and
 - “single claim” means a claim under paragraph (b) of that subsection.

4 Claims: supplementary

- (1) Regulations may—
 - (a) require a claim for a tax credit to be made in a prescribed manner and within a prescribed time,
 - (b) provide for a claim for a tax credit made in prescribed circumstances to be treated as having been made on a prescribed date earlier or later than that on which it is made,
 - (c) provide that, in prescribed circumstances, a claim for a tax credit may be made for a period wholly or partly after the date on which it is made,
 - (d) provide that, in prescribed circumstances, an award on a claim for a tax credit may be made subject to the condition that the requirements for entitlement are satisfied at a prescribed time,
 - (e) provide for a claim for a tax credit to be made or proceeded with in the name of a person who has died,
 - (f) provide that, in prescribed circumstances, one person may act for another in making a claim for a tax credit,
 - (g) provide that, in prescribed circumstances, a claim for a tax credit made by one member of a married couple or an unmarried couple is to be treated as also made by the other member of the married couple or unmarried couple, and
 - (h) provide that a claim for a tax credit is to be treated as made by a person or persons in such other circumstances as may be prescribed.
- (2) The Board may supply to a person who has made a claim for a tax credit (whether or not jointly with another)—
 - (a) any information relating to the claim, to an award made on the claim or to any change of circumstances relevant to the claim or such an award,
 - (b) any communication made or received relating to such an award or any such change of circumstances, and
 - (c) any other information which is relevant to any entitlement to tax credits pursuant to the claim or any such change of circumstances or which appeared to be so relevant at the time the information was supplied.

5 Period of awards

- (1) Where a tax credit is claimed for a tax year by making a claim before the tax year begins, any award of the tax credit on the claim is for the whole of the tax year.
- (2) An award on any other claim for a tax credit is for the period beginning with the date on which the claim is made and ending at the end of the tax year in which that date falls.
- (3) Subsections (1) and (2) are subject to any decision by the Board under section 16 to terminate an award.

6 Notifications of changes of circumstances

- (1) Regulations may provide that any change of circumstances of a prescribed description which may increase the maximum rate at which a person or persons may be entitled to a tax credit is to do so only if notification of it has been given.
- (2) Regulations under subsection (1) may—
 - (a) provide for notification of a change of circumstances given in prescribed circumstances to be treated as having been given on a prescribed date earlier or later than that on which it is given,
 - (b) provide that, in prescribed circumstances, a notification of a change of circumstances may be given for a period wholly or partly after the date on which it is given, and
 - (c) provide that, in prescribed circumstances, an amendment of an award of a tax credit in consequence of a notification of a change of circumstances may be made subject to the condition that the requirements for entitlement to the amended amount of the tax credit are satisfied at a prescribed time.
- (3) Regulations may require that, where a person has or persons have claimed a tax credit, notification is to be given if there is a change of circumstances of a prescribed description which may decrease the rate at which he is or they are entitled to the tax credit or mean that he ceases or they cease to be entitled to the tax credit.
- (4) Regulations under this section may—
 - (a) require a notification to be given in a prescribed manner and within a prescribed time,
 - (b) specify the person or persons by whom a notification may be, or is to be, given, and
 - (c) provide that, in prescribed circumstances, one person may act for another in giving a notification.

7 Income test

- (1) The entitlement of a person or persons of any description to a tax credit is dependent on the relevant income—
 - (a) not exceeding the amount determined in the manner prescribed for the purposes of this paragraph in relation to the tax credit and a person or persons of that description (referred to in this Part as the income threshold), or
 - (b) exceeding the income threshold by only so much that a determination in accordance with regulations under section 13(2) provides a rate of the tax credit in his or their case.

- (2) Subsection (1) does not apply in relation to the entitlement of a person or persons to a tax credit for so long as the person, or either of the persons, is entitled to any social security benefit prescribed for the purposes of this subsection in relation to the tax credit.
- (3) In this Part “the relevant income” means—
 - (a) if an amount is prescribed for the purposes of this paragraph and the current year income exceeds the previous year income by not more than that amount, the previous year income,
 - (b) if an amount is prescribed for the purposes of this paragraph and the current year income exceeds the previous year income by more than that amount, the current year income reduced by that amount,
 - (c) if an amount is prescribed for the purposes of this paragraph and the previous year income exceeds the current year income by not more than that amount, the previous year income,
 - (d) if an amount is prescribed for the purposes of this paragraph and the previous year income exceeds the current year income by more than that amount, the current year income increased by that amount, and
 - (e) otherwise, the current year income.
- (4) In this Part “the 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 tax year to which the claim relates, 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 tax year.
- (5) In this Part “the previous 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 tax year preceding that to which the claim relates, 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 preceding tax year.
- (6) Regulations may provide that, for the purposes of this Part, income of a prescribed description is to be treated as being, or as not being, income for a particular tax year.
- (7) In particular, regulations may provide that income of a prescribed description of a person for the tax year immediately before the preceding tax year referred to in subsection (5) is to be treated as being income of that preceding tax year (instead of any actual income of that description of the person for that preceding tax year).
- (8) Regulations may for the purposes of this Part make provision—
 - (a) as to what is, or is not, income, and
 - (b) as to the calculation of income.
- (9) Regulations may provide that, for the purposes of this Part, a person is to be treated—
 - (a) as having income which he does not in fact have, or
 - (b) as not having income which he does in fact have.
- (10) The Board may estimate the amount of the income of a person, or the aggregate income of persons, for any tax year for the purpose of making, amending or terminating an award of a tax credit; but such an estimate does not affect the rate at which he is, or they are, entitled to the tax credit for that or any other tax year.