

CHILDCARE PAYMENTS ACT 2014

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Special Rules Affecting Tax Credit and Universal Credit Claimants

Section 30: Termination of tax credit awards

137. **Section 30** automatically terminates a person's tax credit award, or a tax credit award made to their partner (whether as a result of a joint or single claim), when they make a valid declaration of eligibility under the scheme. This prevents anyone from receiving support under both tax credits and the new scheme. The automatic termination means a person who is on tax credits who decides to move to the new scheme does not need to do anything in relation to their tax credit award: the award will simply terminate when they move across.
138. Subsections (1) to (3) set out how a person's, or their partner's, tax credits award is to cease in relation to their entitlement under the new scheme. If the person is opening a new childcare account their tax credits award will cease with effect from the day before their first entitlement period begins. If they already have a childcare account, and have a new partner who is on tax credits, the partner's tax credits award will cease immediately before the first entitlement period that starts after they become the person's partner (or, if the person does not make a timely declaration of eligibility for that entitlement period, the day before the person makes their declaration of eligibility).
139. Subsections (4) and (5) provide that if a person makes a valid declaration of eligibility for more than one entitlement period during the period when they are waiting for their or their partner's tax credit claim to be decided, the tax credit award will cease immediately before the first entitlement period for which a declaration of eligibility was made (or if later, the day before the person made their declaration of eligibility for that period).
140. Subsections (6) and (7) deal with cases where a person or their partner appeals against, or seeks a review of, a decision relating to their entitlement to tax credits. In these circumstances the usual rule in subsections (1) to (3) that the person's or their partner's tax credit award will cease immediately before the first entitlement period (or the day before the person makes their declaration of eligibility for that period) will not apply in relation to any entitlement period beginning before the person is notified of the outcome of their tax credit appeal or review.
141. Subsection (8) requires HMRC to notify a person if their tax credit award is terminated by virtue of this section. The tax credits legislation will apply to the person, subject to any modifications made in regulations to deal with the consequences of terminating a tax credit award under this section. This is to ensure that a person's entitlement to tax credits ceases at the appropriate time and their tax credit award is calculated correctly.
142. Subsections (9) and (10) allow for further provision to be made by regulations to deal with payments that relate to tax credits, such as provisional payments made after the end of the tax year where a person is entitled to make a tax credit claim for the new year, but has yet to do so. Regulations may modify the application of tax credits legislation

*These notes refer to the Childcare Payments Act 2014
(c.28) which received Royal Assent on 17 December 2014*

and the provisions of this section to deal with the consequences of ceasing entitlement under this provision. This is to ensure that a person's entitlement to these payments ceases at the appropriate time and their award is calculated correctly.

143. Subsection (11) provides that where a declaration of eligibility under the Act is subsequently found to be invalid, this does not affect anything done under this section as a result of the making of that declaration.
144. Subsection (13) provides that this section will cease to have effect when Part 1 of the Tax Credits Act 2002 is repealed by Schedule 14 to the Welfare Reform Act 2012. This is because this section will be unnecessary when tax credits have been replaced by universal credit.