

**EXPLANATORY MEMORANDUM TO
THE TAX CREDITS UP-RATING REGULATIONS 2007**

2007 No. 828

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. **Description**

These Regulations increase, from 6th April 2007, various monetary elements and thresholds within the Child and Working Tax Credits, as set out in the Pre-Budget Report on 6th December 2006.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

None.

4. **Legislative Background**

These Regulations are the annual uprating of various monetary elements and thresholds within the Child and Working Tax Credit as announced by the Chancellor in the 2006 Pre-Budget Report.

5. **Territorial Extent and Application**

This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

The Paymaster General, Dawn Primarolo, has made the following statement regarding Human Rights:

In my view the provisions of the Tax Credits Up-rating Regulations 2007 are compatible with the Convention rights.

7. **Policy background**

Section 41 of the Tax Credits Act 2002 requires the Treasury, in each tax year, to review certain elements of tax credits. In consequence of that review, which was published on 31 January 2007 and laid before each House of Parliament on 30 January 2007, the Chancellor in his 2006 Pre Budget Report announced tax credits rates and thresholds for 2007-08. The Treasury have made these Regulations, which amend the rates of certain elements and thresholds within tax credits as follows:

- The child element of Child Tax Credit (CTC) increases in line with average earnings.
- The disabled child element and severely disabled element rise with inflation (the figures in these Regulations include the child element so, for example, the disabled

child element in Regulation 2(2)(a) of £4285 is the total of the £1845 (child element) and the £2440 (disabled element)).

- The Working Tax Credit (WTC) elements in the schedule have increased in line with prices or remain the same.
- The income threshold for CTC only rises to £14,495 per year. It is set to ensure that someone not in work gets the same amount of CTC as someone who is in work with entitlement to WTC in the most basic case.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 The estimated cost of the increases to rates and thresholds, which was included in the Budget 2006 forecast, is £990 million.

9. Contact

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