

**EXPLANATORY MEMORANDUM TO
THE WORKING TAX CREDIT (ENTITLEMENT AND MAXIMUM RATE)
(AMENDMENT) REGULATIONS 2009**

2009 No. 1829

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

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Purpose of the instrument**

2.1 This statutory instrument makes changes to the Working Tax Credit (Entitlement and Maximum Rates) Regulations 2002 (S.I. 2002 No. 2005). It clarifies the entitlement to Working Tax Credit of a person who has time off in connection with maternity, paternity and adoption, has periods of illness or incapacity for work, works seasonally, is on strike, is suspended from work, or receives pay in lieu of notice. It also clarifies and extends the continuing entitlement to Working Tax Credit of a person in the four week period after a reduction in working hours (“the four week run on”).

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

3.1 None

4. **Legislative Context**

4.1 The amendments to the Working Tax Credit (Entitlement and Maximum Rate) Regulations extend entitlement to the four week run on for Working Tax Credit to a person whose working hours drop from 30 hours or more per week to 16 hours or more per week.

4.2 The remaining amendments clarify the extent of the entitlement to the four week run on for Working Tax Credit where a person’s working hours drop from 16 hours or more per week to less than 16 hours per week, and the extent of a person’s entitlement to Working Tax Credit during time off work in connection with maternity, paternity, adoption, during periods of illness or incapacity for work, when working seasonally, on strike, suspended from work or in receipt of pay in lieu of notice.

5. **Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

7.1 The amended regulations clarify entitlement to Working Tax Credit from 31 July 2009 when a person has time off in connection with maternity, paternity and adoption, has periods of illness or incapacity for work, works seasonally, is on strike, is suspended from work or receives pay in lieu of notice. Where a person is treated as being in qualifying remunerative work during these periods so as to be entitled to Working Tax Credit, their entitlement will extend to all elements of Working Tax Credit to which the individual or couple claiming were formerly entitled. This will include the childcare element where the other conditions for entitlement to that element are met.

7.2 The amended regulations clarify that from 31 July 2009, where a person who has been entitled to Working Tax Credit stops working or reduces their working hours below 16 hours per week, and thus loses their entitlement to the basic element of Working Tax Credit, there will be a four week run on of all elements of Working Tax Credit which the individual or couple lose as a result. This will include the childcare element where the other conditions of entitlement to that element are met. Where one member of a couple, both of whom are working and are entitled to the childcare element of Working Tax Credit, stops working or reduces their hours below 16 hours per week, the four week continuation will apply to all elements of Working Tax Credit which the couple lose (including the childcare element where the other conditions of entitlement to that element are met) even though there is no loss of entitlement to the basic element of Working Tax Credit.

7.3 The amended regulations also extend entitlement to the four week run on of Working Tax Credit from 31 July to situations where a person who has been entitled to Working Tax Credit reduces their working hours from 30 hours or more per week to 16 hours or more per week with the result that the individual or couple lose entitlement to the basic element of Working Tax Credit. In this situation the 4 week run on will extend to all elements of Working Tax Credit to which the individual or couple were previously entitled including the childcare element where the other conditions of entitlement to that element are met.

- *Consolidation*

7.4 HMRC publishes a consolidated version of the Working Tax Credit (Entitlement and Maximum Rate) regulations 2002 on their website. These will be made available as soon as possible after the Statutory Instrument is published.

8. Consultation outcome

8.1 There is no statutory requirement to consult on these regulations. These regulatory changes have been considered by the Social Security Advisory Committee

(SSAC) under our joint memorandum of understanding. SSAC has confirmed that they will not be carrying out a formal review of these regulatory changes.

9. Guidance

9.1 HMRC will publish these changes in the Tax Credits renewals packs, the Tax Credits claim packs and in associated articles on their website.

10. Impact

10.1 This instrument has no impact on business, charities or voluntary bodies.

10.2 The estimated cost to the Exchequer of these regulations is £5 million in 2009-10 and £10 million in 2010-11. This is included in the updated public finance projections given in the 2009 Budget.

10.3 An Impact Assessment has not been prepared for this instrument as no impact on the private or voluntary sector is foreseen.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 These changes are mainly technical and do not require further review.

13. Contact

David Skinner at HM Revenue and Customs, Benefits and Credits Group Tel: 020 7147 2507 or email: david.skinner1@hmrc.gsi.gov.uk can answer any queries regarding the instrument.