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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

Section 41 of the Tax Credits Act 2002 (c. 21) requires the Treasury, in each tax year to—

- (a) review the amounts referred to in subsection (2) of that section,
- (b) prepare a report of each review; including a statement of what each of the amounts would be if it had fully retained its value; and
- (c) publish the report and lay a copy of it before each House of Parliament.

The Treasury's report of the review in respect of the tax year 2005-06 was published and laid before Parliament on [date].

In consequence of the review the Treasury have made these Regulations, prescribing increases in certain of the sums required to be reviewed under section 41.

Regulation 1 provides for the citation, commencement and effect of these Regulations, and defines some terms used in them.

Regulation 2 amends regulation 7(4) of the Child Tax Credit Regulations 2002 (S.I.2002/2007), increasing the maximum rate of the elements of a child tax credit.

Regulation 3 increases the maximum rate of the child care element of working tax credit. The Schedule amends Schedule 2 to the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002 (S.I. 2002/2005) by substituting a new Table prescribing the maximum rates for the elements of working tax credit other than the child care element.

Regulation 4 increases the first income thresholds for those entitled to child tax credit in regulation 3(3) of the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002 (S.I. 2002/2008) and the threshold amount shown at step 4 in regulation 8(3) of the above mentioned regulations. It also increases the amount prescribed for the purposes of section 7(3)(a) and (b) of the Tax Credits Act 2002 from £2,500 to £25,000.

These Regulations impose no new costs on business.