

Annual review of certain tax credits monetary amounts under Section 41 Tax Credits Act 2002

Report required under section 41 of the Tax Credits Act 2002. Laid before Parliament pursuant to Section 41(5) of the Tax Credits Act 2002

Section 41(1) of the Tax Credits Act 2002 (“the Act”), requires a review, each tax year, of certain monetary amounts set out in section 41(2), to determine whether they have retained their value in relation to prices in the United Kingdom in such manner as the Treasury consider appropriate. A report of that review must be laid before each House of Parliament, stating what each amount would have been, if it had retained its value against prices.

The requirement applies to any monetary amount prescribed under the following provisions:

- The income thresholds at which each tax credit will start to be withdrawn: these are prescribed under section 7(1)(a) of the Act.
- Any thresholds relating to changes in income between the current tax year and the previous tax year as prescribed under section 7(3)(a)-(d).
- The amounts for the various elements of child tax credit as prescribed under section 9 and for those of working tax credit under section 11 of the Act.

The overall level of prices as measured by the change in the Consumer Price Index (CPI) from September 2015 to September 2016 was 1.0 per cent.

As announced in the Summer Budget 2015 and provided for in section 12 and Schedule 1, paragraph 2, of the Welfare Reform and Work Act 2016, the majority of tax credits will not be uprated and will be frozen at their current rates for four years from 2016/17 to 2019/20. Exempt from this freeze are the disability related elements of tax credits and the family element of child tax credit (CTC) and child care element of working tax credit (WTC).

The disabled and severely disabled amounts of CTC currently form part of the individual (child) element. However, from 2017/18 onwards the disabled and severely disabled amounts will together be a separate disability element in law for the first time. This separate disabled element in CTC can vary upwards if the child or qualifying young person is severely disabled. The purpose of this policy is to limit support to families with more than two children if they are born after 6 April 2017 but ensure that the government recognises the need for support to disabled children and the additional costs of raising a child with disabilities. This will apply to the individual (child) element of CTC from 2017/18 onwards.

This is as a consequence of changes made to the structure of CTC by section 13 of the Welfare Reform and Work Act 2016 which amended section 9 of the Act (as announced at Summer Budget).

The table attached shows:

- a) The current rate (2016-17 tax year) of each element/threshold reviewed;
- b) The rate of each element/threshold for the new tax year (2017-18), as set out by the Chancellor in the Autumn Statement 2016;
- c) The difference between the current rates and the rate set out in the Autumn Statement;
and
- d) The amount of each element/threshold if the rate had been changed in line with the change in the general level of prices.

REPORT REQUIRED UNDER SECTION 41 OF THE TAX CREDITS ACT 2002

Section 11 Tax Credits Act 2002 -The Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002)	2016-17 Rates (£)	2017-18 Rates announced at Autumn Statement (£)	Change (£)	Rate if changed in line with prices (£)
Disability Element Schedule 2	2,970	3,000	30.0	3,000
Severe Disability Element Schedule 2	1,275	1,290	15.0	1,290
Section 9 Tax Credits Act 2002 - The Child Tax Credit Regulations 2002				
Family Element Reg 7(3)	545	545	0	555
Disabled Child Element Reg 7(4)(a)	3,140	3,175	35.0	3,175
Severely Disabled Child Element Reg 7(4)(b)	1,275	1,290	15.0	1,290
Disabled Young Person Reg 7(4)(d)	3,140	3,175	35.0	3,175
Severely Disabled Young Person Reg 7(4)(e)	1,275	1,290	15.0	1,290
Sections 7(1) & (3) and 13 Tax Credits Act 2002 – The Tax Credits (Income Thresholds and Determination Rates) Regs 2002				
Income Disregard Reg 7(3)	2500	2500	0	2525
First Income Threshold WTC (7)(3)	6,420	6,420	0	6485
First Income Threshold CTC 8(3)	16,105	16,105	0	16270