

HM Treasury

## **Annual review of certain tax credits monetary amounts under Section 41 of the Tax Credits Act 2002 for the tax year 2018-19**

### **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- The income thresholds at which each tax credit will start to be withdrawn: these are prescribed under section 7(1)(a) of the Act.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 2016 to September 2017 was 3.0 per cent.

The Government implemented a number of changes to the welfare system in the Welfare Reform and Work Act 2016. Already implemented is the four year uprating freeze (tax years 2016/17 to 2019/20 inclusive). By virtue of section 12 and Schedule 1, paragraph 2, of the Welfare Reform and Work Act 2016, the majority of tax credits elements have been frozen at their current rates for four tax years and will not be uprated during that period. Exempt from this freeze are the disability elements of both tax credits and the family element of Child Tax Credit.

The table attached shows:

- a) The current rate (2017-18 tax year) of each element/threshold reviewed;
- b) The rate of each element/threshold for the new tax year (2018-19), as set out by the Chancellor in the Autumn Budget 2017;
- c) The difference between the current rates and the rate set out in the Budget; 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)	2017-18 Rates (£)	2018-19 Rates announced at Autumn Statement (£)	Change (£)	Rate if changed in line with prices (£)
Disability Element Schedule 2	3,000	3,090	90	3,090
Severe Disability Element Schedule 2	1,290	1,330	40	1,330
<b>Section 9 Tax Credits Act 2002 - The Child Tax Credit Regulations 2002</b>				
Family Element Reg 7(3)	545	545	0	565
Child or qualifying young person is disabled Reg 7(5)(a)	3,175	3,275	100	3,275
Child or qualifying young person severely disabled Reg 7(5)(b)	4,465	4,600	135	4,600
<b>Sections 7(1) &amp; (3) and 13 Tax Credits Act 2002 – The Tax Credits (Income Thresholds and Determination Rates) Regs 2002</b>				
Income Disregard Reg 7(3)	2,500	2,500	0	2,575
First Income Threshold WTC (7)(3) Reg 3(2) and	6,420	6,420	0	6,615
First Income Threshold CTC 8(3) Reg 3(3) and	16,105	16,105	0	16,590