

# CHILD TRUST FUNDS ACT 2004

---

## EXPLANATORY NOTES

### COMMENTARY

#### *Section 9: Supplementary contributions by Inland Revenue*

40. This section sets out the conditions for eligibility for the additional Government contribution for children in families on lower incomes. It applies only to children who are eligible by virtue of a child benefit award (children in care will receive a higher initial contribution under section 8). *Subsection (1)* imposes a duty on the Inland Revenue to inform the provider with whom the child's CTF account is held that the child is entitled to the supplementary contribution. The Inland Revenue will have this information because eligibility is linked to child tax credit.
41. *Subsection (2)* imposes a duty on the Inland Revenue to pay to the provider the amount set out in regulations following a claim. The amount will be £250 with higher amounts for eligible children born before the launch of accounts in 2005. A claim is required because the CTF account may have been transferred from one CTF provider to another.
42. *Subsection (4)* defines the children eligible for a supplementary contribution under this section. These are children who have a CTF account, were first eligible for a CTF account because of a child benefit award and satisfy the test set out in subsection (5) of this section.
43. *Subsection (5)* provides that there are two conditions for eligibility for the supplementary contribution. The first is that a person is entitled to child tax credit in respect of the child when child benefit is first paid for that child (described as the "child benefit commencement date"). The second is that either the household income does not exceed the income threshold for child tax credit or a member of the household was receiving a social security benefit prescribed under section 7(2) of the Tax Credits Act 2002, i.e. income support or income-based job seekers' allowance.
44. This qualification for the supplementary contribution will not work for all children in the transitional group born between 31 August 2002 and 6 April 2005. There are two reasons for this. Because child tax credit was first introduced on 6 April 2003, subsection (5) cannot be satisfied if the child benefit commencement date is before 6 April 2003. This is addressed in subsection (9). The second reason is that parents claiming some other benefits will not transfer to child tax credit until a process to do that is carried out during the tax year 2004-05. This is addressed in subsections (7) and (8).
45. *Subsection (7)* provides for children in the transitional group to qualify for the supplementary contribution if the condition in subsection (8) is satisfied even though subsection (5) is not satisfied. *Subsection (8)* sets out how children in some families without a claim for child tax credit can qualify for the supplementary contribution. The child will have to be in a household in receipt of one of the following benefits when child benefit was first paid for that child: the child and young person's credit in working families' tax credit or disabled person's tax credit; or the children's allowance within income support or jobseeker's allowance (income based).

*These notes refer to the Child Trust Funds Act 2004  
(c.6) which received Royal Assent on 13 May 2004*

46. The effect of *subsection (9)* is that if child benefit is first paid for a child before 6 April 2003, whether the child is eligible for the supplementary contribution will be determined by entitlement to child tax credit in the 2003-04 financial year (instead of the date when child benefit is first paid). This will ensure that children born between 1 September 2002 and 5 April 2003 do not miss out on the supplementary contribution simply because child tax credit had not been introduced when their parents first claimed child benefit for them.