

Annual review of certain tax credits monetary amounts under Section 41 of the Tax Credits Act 2002 for the tax year 2022-23

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)¹, 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- The income thresholds at which each tax credit will start to be withdrawn: these are prescribed under section 7(1)(a) of the Act.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 maximum rates 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 2020 to September 2021 was 3.1%.

The Chancellor announced in the March 2021 Budget that working households receiving TC would receive a one-off payment of £500 separately from their annual entitlement in 2021/22 to provide extra support to help with the continued economic impacts of Coronavirus. This one-off payment is not a payment of tax credits and does not need to be considered as part of the annual review. This followed the end of the temporary increase to the Working Tax Credit (WTC) basic element on 05/04/21 which was introduced for one year only in the Coronavirus Act 2020.

The table attached shows:

- a) The current rate (2021-22 tax year) of each element/threshold reviewed;
- b) The rate of each element/threshold for the new tax year (2022-23), in line with proposals set out by the Chief Secretary to the Treasury by Written Ministerial Statement published on 25th November 2021²;
- c) The difference between the current rates and the proposed new rates; 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.

¹ Part 1 of the Tax Credits Act 2002 has been repealed by Welfare Reform Act 2012 with effect from 1 February 2019. Part 1 includes section 41. However, by The Welfare Reform Act 2012 (Commencement No 32 and Savings and Transitional Provisions) Order 2019, section 3(1), Part 1 of the TCA 2002 shall be treated as though it is still in force in relation to certain categories of cases. Those categories are set out in full in section 3(2)-(5) and (9) of the 2019 order.

² <https://questions-statements.parliament.uk/written-statements/detail/2021-11-25/hcws419>

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 | 2021-22 Annual rates (£) | 2022-23 Annual rates (£) | Change (£) | Rate if changed in line with prices (£) |
|---|--------------------------|--------------------------|------------|---|
| Basic Element | 2,005 | 2,070 | 65 | 2,070 |
| Couple and Lone Parent Element | 2,060 | 2,125 | 65 | 2,125 |
| 30-hour Element | 830 | 860 | 30 | 860 |
| Disability Element Schedule 2 | 3,240 | 3,345 | 105 | 3,345 |
| Severe Disability Element Schedule 2 | 1,400 | 1,445 | 45 | 1,445 |
| Section 9 Tax Credits Act 2002 -The Child Tax Credit Regulations 2002 | | | | |
| Family Element Reg 7(3) | 545 | 545 | 0 | 565 |
| Child Element | 2,845 | 2,935 | 90 | 2,935 |
| Child or qualifying young person is disabled Reg 7(5)(a) | 3,435 | 3,545 | 110 | 3,545 |
| Child or qualifying young person severely disabled Reg 7(5)(b) | 4,825 | 4,975 | 150 | 4,975 |
| Sections 7(1) & (3) and 13 Tax Credits Act 2002 – The Tax Credits (Income Thresholds and Determination Rates) Regulations 2002 | | | | |
| Income Disregard Reg 5 | 2,500 | 2,500 | 0 | 2,580 |
| First Income Threshold Working Tax Credit Reg 3(2) and (7)(3) | 6,565 | 6,770 | 205 | 6,770 |
| First Income Threshold Child Tax Credit | 16,480 | 17,005 | 525 | 17,005 |

Reg 3(3) and 8(3)

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