

EXPLANATORY MEMORANDUM TO
THE TAX CREDITS (INCOME THRESHOLDS AND DETERMINATION OF
RATES) (AMENDMENT) REGULATIONS 2024

2024 No. 510

1. Introduction

- 1.1 This explanatory memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) on behalf of His Majesty's Treasury and is laid before Parliament by Command of His Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments in paragraph 11.1.

2. Declaration

- 2.1 The Rt Hon Laura Trott MBE MP, Chief Secretary to the Treasury, confirms that this Explanatory Memorandum meets the required standard.
- 2.2 James Knipe, Deputy Director for Welfare Policy in HMRC, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

- 3.1 Mandy Clark, Policy Lead for Welfare Policy in HMRC email: bcpolicyinbox@hmrc.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

- 4.1 The instrument corrects a typographical error in a formula at Step 4 of regulation 7(3) of The Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002 (S.I. 2002/2008) (the Threshold Regulations).

Where does the legislation extend to, and apply?

- 4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.
- 4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

- 5.1 This instrument corrects an error in the Working Tax Credit income threshold figure used in the formula at Step 4 of regulation 7(3) of the Threshold Regulations. The formula determines how to calculate an income threshold for a relevant tax credits period. The figure used in this formula should mirror the figure in regulation 3(2) of the Threshold Regulations, which prescribes the income threshold in accordance with

the Tax Credits Act 2002. This instrument replaces the erroneous figure in Step 4 of regulation 7(3) in the Threshold Regulations (£7,995) to match the correct figure of £7,955, as prescribed by regulation 3(2).

What was the previous policy, how is this different?

- 5.2 There is no change in policy: the Government had determined, as previously announced to Parliament on 28 November 2023 and during passage of uprating regulations in February 2024, that the Working Tax Credit income threshold from 6 April 2024 would be £7,955. This correct threshold is prescribed, in accordance with the Tax Credits Act 2002, in regulation 3(2) of the Threshold Regulations.

6. Legislative and Legal Context

How has the law changed?

- 6.1 This instrument corrects an error in legislation: from 6 April 2024, the Threshold Regulations have used two different figures when citing the Working Tax Credit income threshold.

Why was this approach taken to change the law?

- 6.2 This is the only possible approach to remove the unintended error to clarify the policy intent and put the correct Working Tax Credit income threshold figure beyond doubt.

7. Consultation

Summary of consultation outcome and methodology

- 7.1 No consultation was carried out as there has been no change in policy.

8. Applicable Guidance

- 8.1 Current and past rates are published on GOV.UK¹.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

- 9.1 A Tax Information and Impact Note has not been prepared for this instrument because it does not represent a change in policy, and therefore no impacts are foreseen.

Impact on businesses, charities and voluntary bodies

- 9.2 There is no, or no significant, impact on business, charities or voluntary bodies.
9.3 The legislation does not impact small or micro businesses.
9.4 There is no, or no significant, impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

- 10.1 The rates of tax credits are subject to review each tax year by the Treasury in accordance with section 41 of the Tax Credits Act 2002.

¹ Current and past rates: <https://www.gov.uk/government/publications/rates-and-allowances-tax-credits-child-benefit-and-guardians-allowance/tax-credits-child-benefit-and-guardians-allowance>

- 10.2 The instrument does not include a statutory review clause as it does not make regulatory provision in respect of a business.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

- 11.1 This instrument breaches the 21-day rule, which is of special interest to the Joint Committee on Statutory Instruments. This is because it seeks to correct an unintended contradiction in law which has potential to cause confusion to claimants. The Tax Credits, Child Benefit and Guardian’s Allowance Up-Rating Regulations 2024 (S.I. 2024/247) (the Up-Rating Regulations), which gave rise to this error, came into force on 6 April 2024. This instrument comes into force as soon as possible to ensure that the contradiction between the two figures is eliminated at the earliest opportunity and gives clarity to tax credits claimants as to the correct threshold.
- 11.2 As this instrument corrects an error introduced by regulation 4(3) of the Up-Rating Regulations, it is to be issued free of charge to all known recipients of those Regulations.

12. European Convention on Human Rights

- 12.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

- 13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).