EXPLANATORY MEMORANDUM TO

THE CHILD BENEFIT AND GUARDIAN'S ALLOWANCE UP-RATING ORDER 2025

2025 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) and on behalf of His Majesty's Treasury is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 The Rt Hon Darren Jones MP, Chief Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 James Knipe, Deputy Director for Welfare Policy at HMRC, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Mandy Clark, Welfare Policy Lead at HMRC, telephone 03000 544321 email: mandy.clark@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 This Order sets the weekly rate of Child Benefit and Guardian's Allowance from 7 April 2025. These rates were announced by Written Ministerial Statement on 30 October 2024.

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, except for article 3 which applies to England, Scotland and Wales, and article 4 which applies to Northern Ireland. The extent of the provisions of the enabling Acts under which the instrument is made are found within section 192 of the Social Security Administration Act 1992 and section 168 of the Social Security Administration (Northern Ireland) Act 1992.

5. Policy Context

What is being done and why?

5.1 Following reviews of Child Benefit and Guardian's Allowance, the Treasury has determined that the overall level of prices has increased by 1.7% as measured by the change in Consumer Prices Index (CPI) from September 2023 to September 2024.

5.2 The Order increases the weekly rate of Child Benefit by 1.7% rounded to the nearest 5 pence. This means that, from 7 April 2025, the weekly rate for the eldest child will increase from £25.60 to £26.05, and the rate for any subsequent children will increase from £16.95 to £17.25.

5.3 The Order increases the weekly rate of Guardian's Allowance by 1.7% rounded to the nearest 5 pence. This means that, from 7 April 2024, the weekly rate of Guardian's Allowance will increase from £21.75 to £22.10.

What was the previous policy, how is this different?

5.4 There is no change in the policy.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 150(1)(a)(i) of the Social Security Administration Act 1992 (SSAA) requires the amount of Guardian's Allowance to be reviewed in each tax year to determine whether it has retained its value in relation to the general level of prices in Great Britain. Section 150(2)(a) SSAA provides that Guardian's Allowance (amongst other benefits) shall be up-rated in line with the increase in the general level of prices. Section 132(1) of the Social Security Administration (Northern Ireland) Act 1992 (SSANIA) allows corresponding provisions for Northern Ireland to be made.

6.2 Section 150(1)(i) SSAA requires the rates of Child Benefit to be reviewed each tax year.

6.3 Sections 49(3) and (4) of the Tax Credits Act 2002 (TCA) transferred the functions under section 150 SSAA and section 132 SSANIA, so far as relating to Child Benefit and Guardian's Allowance, from the Northern Ireland Department to the Treasury.

6.4 Section 41 TCA requires the Treasury to review certain elements of tax credits in each tax year in order to determine whether those elements have retained their value in relation to the general level of prices in the United Kingdom. The Treasury has carried out this review and determined that there is no need to change the rates of tax credits in the tax year 2025-26 because there will be no tax credits awards after 5 April 2025.

Why was this approach taken to change the law?

6.5 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 No consultation was carried out as this Order forms part of the annual legal requirement for Treasury to review the rates of Child Benefit and Guardian's Allowance.

8. Applicable Guidance

8.1 Current and past rates are published on the GOV.UK website[1].

[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

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because no, or no significant, impact on the private or voluntary sectors are foreseen.

9.2 The impact on individuals and families is that all customers receiving Child Benefit and have not opted out of payments due to the High-Income Child Benefit Charge will see a rise of 45p per weeks for the first child (over £23 per year) and 30p per week (over £15 per year) for each subsequent child. The overall average annual increase is £34.55.

Impact on businesses, charities and voluntary bodies

9.3 There is no, or no significant impact on business, charities or voluntary bodies.

9.4 The legislation does not impact small or micro businesses.

9.5 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 Child Benefit and Guardian's Allowance are subject to review each tax year in accordance with section 150 of the Social Security Administration Act 1992, and section 132 of the Social Security Administration (Northern Ireland) Act 1992.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Rt Hon Darren Jones MP, Chief Secretary to the Treasury has made the following statement regarding Human Rights:

"In my view the provisions of the Child Benefit and Guardian's Allowance Up-rating Order 2025 are compatible with the Convention rights."

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").