EXPLANATORY MEMORANDUM TO

THE TAX CREDITS AND GUARDIAN'S ALLOWANCE UP-RATING ETC. REGULATIONS 2018

2018 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Revenue and Customs ("HMRC") on behalf of HM Treasury ("HMT") and is laid before Parliament by Command of Her Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 These regulations set the rates of the disability elements of Child Tax Credit ("CTC") and Working Tax Credit ("WTC") from 6 April 2018, and the weekly rate of Guardian's Allowance ("GA") from 9 April 2018, as published alongside Autumn Budget 2017.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 This instrument relies on section 105 of the Deregulation Act 2015 to make a single instrument rather than separate instruments each making a relatively small number of changes. Regulation 5 is made under order-making powers in section 132(1) of the Social Security Administration (Northern Ireland) Act 1992 ("Northern Ireland Administration Act"). Section 105 of the Deregulation Act 2015 has not been cited in the preamble to the instrument on the basis that it is materially parallel to provisions in the Interpretation Act 1978.

Other matters of interest to the House of Commons

3.2 Disregarding minor or consequential changes, the territorial application of this instrument varies between provisions.

4. Legislative Context

4.1 Section 41 of the Tax Credits Act 2002 ("TCA") requires HMT 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 as estimated by HMT in such manner as it considers appropriate. The elements that must be reviewed are set out in section 41(2) TCA but some of those elements are not required to be reviewed in the tax years ending 5 April 2017 – 5 April 2020 by virtue of section 12 of the Welfare Reform and Work Act 2016 ("WRAW"). A copy of the review is attached as an annex to this memorandum.

4.2 Section 150(1)(a)(i) of the Social Security Administration Act 1992 ("Great Britain Administration Act"), and section 49(3) of the TCA, requires HMT in each tax year to review the amount of GA to determine whether it has retained its value in relation to

the general level of prices in Great Britain. Section 150(2)(a) of the Great Britain Administration Act provides that GA (amongst other benefits) shall be up-rated in line with the increase in the general level of prices. Section 132(1) of the Northern Ireland Administration Act, and section 49(4) of the TCA, allows HMT to make corresponding provision for Northern Ireland.

4.3 Section 150(1)(i) of the Great Britain Administration Act, and section 49(3) of the TCA, require the rates of Child Benefit to be reviewed each tax year, however this is not being done for this tax year as section 11 of the WRAW provides that the rates of Child Benefit need not be reviewed in the tax years ending 5 April 2017 – 5 April 2020.

5. Extent and Territorial Application

5.1 The extent of this instrument is the United Kingdom.

5.2 The territorial application of this instrument varies between provisions.

6. European Convention on Human Rights

6.1 The Chief Secretary to the Treasury, The Rt Hon Elizabeth Truss MP, has made the following statement regarding Human Rights:

"In my view the provisions of the Tax Credits and Guardian's Allowance Up-rating etc. Regulations 2018 are compatible with the Convention rights."

7. Policy background

What is being done and why

7.1 Following the reviews of tax credits and GA referred to in paragraphs 4.1-4.2 above, HMT has determined that the overall level of prices has increased by 3.0 per cent as measured by the change in the Consumer Price Index (CPI) from September 2016 to September 2017.

7.2 These Regulations increase the rates of the disability elements of WTC and CTC by 3.0 per cent, rounded up to the nearest £5.00. Regulation 2 increases the maximum rate of the disabled and severely disabled elements of WTC from £3,000 and £1,290 to £3,090 and £1,330 respectively. Regulation 3 increases the maximum rate of the disabled element of CTC from £3,175 to £3,275 in respect of a disabled child or qualifying young person and from £4,465 to £4,600 in respect of a severely disabled child or qualifying young person. Regulations 4 and 5 increase the weekly rate of GA by 3% rounded to the nearest £0.05 from £16.70 to £17.20.

Consolidation

7.3 There are no plans to consolidate the legislation.

8. Consultation outcome

8.1 No consultation was undertaken for this instrument.

9. Guidance

9.1 At Autumn Budget 2017, HM Treasury published "Policy paper – Annex A: rates and allowances" https://www.gov.uk/government/publications/autumn-budget-2017-overview-of-tax-legislation-and-rates-ootlar/annex-a-rates-and-allowances#personal-

tax-and-benefits. Section "Working and Child Tax Credits, Child Benefit and Guardians Allowance" of this paper details the rates for the tax year ended 5 April 2019. Other publications will be up-dated to reflect the new rates in due course.

10. Impact

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

10.2 There is no impact on the public sector.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small businesses.

12. Monitoring & review

12.1 The rates will be reviewed in accordance with section 41 of the TCA, section 150 of the Great Britain Administration Act and sections 11 & 12 of the WRAW.

13. Contact

13.1 Philip Hogan at HMRC, on Telephone: 03000 586534 or email Philip.Hogan@hmrc.gsi.gov.uk, who can answer any queries regarding the instrument on behalf of HMT.