EXPLANATORY MEMORANDUM TO

THE TAX CREDITS, CHILD BENEFIT AND GUARDIAN'S ALLOWANCE UP-RATING REGULATIONS 2023

2023 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by His Majesty's Revenue and Customs 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.

2. Purpose of the instrument

2.1 These regulations set the annual rates of Working Tax Credit and Child Tax Credit from 6 April 2023, and the weekly rate of Child Benefit and Guardian's Allowance from 10 April 2023. These rates were announced by Written Ministerial Statement on 17 November 2022. The individual tax credits elements and thresholds to be uprated are set out in paragraphs 7.3, 7.4, 7.5 and 7.6 below.

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 7 is made under order-making powers in section 132(1) of the Social Security Administration (Northern Ireland) Act 1992. As is customary, Section 105 of the Deregulation Act 2015 has not been cited in the preamble to the instrument.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom, except for regulation 6 which applies to England, Scotland and Wales, and regulation 7 which applies to Northern Ireland. The extent provisions of the enabling Acts under which the instrument is made are section 69 of the Tax Credits Act 2002, section 192 of the Social Security Administration Act 1992 and section 168 of the Social Security Administration (Northern Ireland) Act 1992.

5. European Convention on Human Rights

5.1 The Rt Hon John Glen MP, Chief Secretary to the Treasury, has made the following statement regarding Human Rights:

"In my view the provisions of the Tax Credits, Child Benefit and Guardian's Allowance Up-rating Regulations 2023 are compatible with the Convention rights."

6. Legislative Context

6.1 Section 41 of the Tax Credits Act 2002 (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 have measured price inflation based on the increase in the Consumer Prices Index (CPI) between September 2021 and September 2022. The elements that must be reviewed are set out in section 41(2) TCA.

6.2 Section 150(1)(a)(i) of the Social Security Administration Act 1992 (SSAA), and section 49(3) TCA, require the Treasury in each tax year to review the amount of Guardian's Allowance 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, and section 49(4) TCA, allow the Treasury to make corresponding provision for Northern Ireland.

6.3 Section 150(1)(i) SSAA, and section 49(3) TCA, require the rates of Child Benefit to be reviewed each tax year.

7. Policy background

What is being done and why?

7.1 Following the reviews of tax credits, Child Benefit and Guardian's Allowance, the Treasury has determined that the overall level of prices has increased by 10.1% as measured by the change in CPI from September 2021 to September 2022.

7.2 These regulations increase rates of certain elements of Child Tax Credit and Working Tax Credit by 10.1% rounded up to the nearest £5.00.

7.3 This means that the annual rates of Working Tax Credit elements will increase from 6 April 2023 as follows: the basic element will increase from £2,070 to £2,280; the couple and lone parent element will increase from £2,125 to £2,340; the 30-hour element will increase from £860 to £950; the disabled worker element will increase from £3,345 to £3,685; the severe disability element will increase from £1,445 to £1,595.

7.4 The annual rates of Child Tax Credit elements will increase from 6 April 2023 as follows: the child element will increase from £2,935 to £3,235; the disabled child rate will increase from £3,545 to £3,905; the severely disabled child rate will increase from £4,975 to £5,480.

7.5 The Working Tax Credit income threshold will increase from £6,770 to £7,455.

7.6 The income threshold for those entitled to Child Tax Credit only will increase from £17,005 to £18,725. The calculation of this figure depends on other rounded elements.

7.7 The regulations increase the weekly rate of Child Benefit by 10.1%, rounded to the nearest 5 pence. This means that, from 10 April 2023, the weekly rate for the eldest child will increase from £21.80 to £24.00, and the rate for any subsequent children will increase from £14.45 to £15.90.

7.8 The regulations increase the weekly rate of Guardian's Allowance by 10.1% rounded to the nearest 5 pence. This means that, from 10 April 2023, the weekly rate of Guardian's Allowance will increase from £18.55 to £20.40.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 These regulations are remade in their entirety each tax year; therefore, consolidation is not appropriate.

10. Consultation outcome

10.1 No consultation was carried out as these regulations form part of the annual legal requirement for the Treasury to review the rates of tax credits, Child Benefit and Guardian's Allowance.

11. Guidance

11.1 Current and past rates are published on GOV.UK at:

https://www.gov.uk/government/publications/rates-and-allowances-tax-credits-child-benefit-and-guardians-allowance/tax-credits-child-benefit-and-guardians-allowance

12. Impact

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

12.2 There is no, or no significant, impact on the public sector.

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

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The rates of tax credits, Child Benefit and Guardian's Allowance are subject to review each tax year by the Treasury in accordance with section 41 of the Tax Credits Act 2002, section 150 of the Social Security Administration Act 1992, and section 132 of the Social Security Administration (Northern Ireland) Act 1992.

15. Contact

15.1 Kay Sayer, Policy Lead in His Majesty's Revenue and Customs (kay.sayer@hmrc.gov.uk), can be contacted with any queries regarding the instrument.

15.2 James Knipe, Deputy Director for Tax Credits and Child Benefit Policy in His Majesty's Revenue and Customs, can confirm that this Explanatory Memorandum meets the required standard.

15.3 The Rt Hon John Glen MP, Chief Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.