EXPLANATORY MEMORANDUM TO

THE INCOME TAX (EXEMPTION OF SOCIAL SECURITY BENEFITS) REGULATIONS 2026

2026 No. 211

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs ("HMRC") and is laid before the House of Commons by Command of His Majesty.

2. Declaration

2.1 Dan Tomlinson MP, Exchequer Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Gareth Cooper, Deputy Director for Income Tax Policy, at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Ffion Jones at HMRC can be contacted by email at the following address with any queries regarding the instrument: incometaxstructuremailbox@hmrc.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Department of Work and Pensions has recently established the Crisis and Resilience Fund ("CRF") to provide crisis support to families most at risk of poverty, replacing the previous Household Support Fund. The purpose of the instrument is to exempt payments made by Local Authorities under the CRF from income tax liability. It includes payments made from corresponding schemes and grants in Northern Ireland, Scotland and Wales. The exemption will apply from 1 April 2026 which is the earliest date which payments begin.

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 Social security payments are administered by a number of different government departments and the devolved governments in the United Kingdom.

5.2 In the Spending Review 2025, the UK Government announced the establishment of the new Crisis and Resilience Fund, to replace the Household Support Fund. The CRF provides vulnerable households with crisis support, for example assisting with food, water, energy, and housing costs.

5.3 The CRF will be made available to Local Authorities in England, under section 31 of the Local Government Act 2003. Funding has been provided to the devolved governments in Scotland, Wales and Northern Ireland to fund corresponding schemes. Payments under the scheme begin on 1 April 2026.

5.4 The tax treatment of social security payments is legislated for in income tax legislation, and the tax treatment of each new payment should be confirmed when introduced.

5.5 Although payments made through the CRF and corresponding schemes are unlikely to be taxable, the Government is clarifying the tax treatment of the payments so that individuals know that they do not need to report receipt of payments to HMRC.

5.6 The exemption applies equally to any schemes or grants in the devolved governments that correspond to the CRF, when the purpose of the assistance aligns with the criteria set out in paragraph 5.2 above.

What was the previous policy, how is this different?

5.7 The existing Household Support Fund was introduced in October 2020 to support vulnerable households with food, clothing, energy and water costs.

5.8 Payments made under the Household Support Fund, and any scheme in Scotland, Wales or Northern Ireland corresponding to the Household Support Fund, have no liability to income tax.

5.9 The instrument continues the existing policy whereby crisis social security benefits are wholly exempt from tax by extending the tax exemption to the new CRF, which replaces the Household Support Fund.

5.10 There are no substantial changes to welfare policy made by this instrument.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 13 of the Finance Act 2020 contains a power for the Treasury, by regulations, to amend Chapter 4 or 5 of Part 10 of Income Tax (Earnings and Pensions) Act 2003 ("ITEPA 2003"), so as to provide that no liability to Income Tax arises on social security benefits of a description specified in the regulations (section 13(1)).

6.2 The instrument will modify Chapter 5 of Part 10 of ITEPA 2003 so that it has effect as if payments made under the Crisis and Resilience Fund, and payments made under schemes corresponding to the Crisis and Resilience Fund in Scotland, Wales or Northern Ireland, is inserted into Part 1 of Table B in section 677. The amendment will have the effect of wholly exempting this social security benefit from income tax.

Why was this approach taken to change the law?

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

7. Consultation

Summary of consultation outcome and methodology

7.1 No formal consultation exercise has been held as these are minor changes which are wholly relieving to the taxpayer.

8. Applicable Guidance

8.1 HMRC will update the guidance on non-taxable social security benefits in line with the changes made by the instrument. That guidance can be found on the gov.uk website.[1]

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 contains no substantive changes to tax policy.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because it contains no substantive changes to tax policy.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because it contains no substantive changes to tax policy.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 There are no plans to monitor or review the instrument, as it affects a small number of individuals. Previous statutory instruments to exempt payments under related crisis relief schemes have been positively received.

10.2 The instrument does not include a statutory review clause because it does not make or amend regulatory provisions that relate to business activity.

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 Exchequer Secretary to the Treasury has made the following statement regarding Human Rights:

"In my view the provisions of the Income Tax (Exemption of Social Security Benefits) Regulations 2026 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").

[1] Guidance on Non-Taxable Social Security Benefits: https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim76100