Draft Regulations laid before Parliament under section 66(1) and (2)(a) of the Tax Credits Act 2002, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2012 No.

TAX CREDITS

The Tax Credits Up-rating Regulations 2012

Made - - - -	***
Coming into force - -	*6th April 2012*

Following a review in the tax year 2011-12 of the amounts specified in section 41(2) of the Tax Credits Act 2002(**1**), the Treasury have determined that Regulations should be made prescribing increases in some of those amounts.

A draft of these Regulations was laid before Parliament in accordance with section 66(1) and (2)(a) of that Act and approved by resolution of each House of Parliament.

The Treasury make the following Regulations in the exercise of the powers conferred by sections 7(1)(a), 9, 11 to 13, 65(1) and 67 of that Act(**2**).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Tax Credits Up-rating Regulations 2012 and come into force on 6th April 2012.

(2) These Regulations have effect in relation to awards of tax credits for the tax year beginning on 6th April 2012 and subsequent tax years.

Amendment of the Child Tax Credit Regulations 2002

2.—(1) Regulation 7 of the Child Tax Credit Regulations 2002(**3**) (determination of the maximum rate) is amended as follows.

(2) In paragraph (4)—

(a) in sub-paragraph (a) for "£5,355" substitute "£5,640";

(b) in sub-paragraph (b) for "£6,485" substitute "£6,830";

(c) in sub-paragraph (c) for "£2,555" substitute "£2,690";

(**1**) 2002 c. 21.
(**2**) Section 67 provides that "prescribed" means "prescribed by regulations".
(**3**) S.I. 2002/2007; the last relevant amending instrument is S.I. 2011/1035, which made amendments in relation to awards of tax credits for the year beginning on 6th April 2011. See regulation 5 of this instrument.

(d) in sub-paragraph (d) for "£5,355" substitute "£5,640";

(e) in sub-paragraph (e) for "£6,485" substitute "£6,830";

(f) in sub-paragraph (f) for "£2,555" substitute "£2,690".

Amendment of the Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002

3.—(1) The Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002(**4**) are amended as follows.

(2) For the Table in Schedule 2 (maximum rates of the elements of a working tax credit)(**5**) substitute—

"Relevant element of working tax credit	*Maximum annual rate*
1. Basic element	£1,920
2. Disability element	£2,790
3. 30 hour element	£790
4. Second adult element	£1,950
5. Lone parent element	£1,950
6. Severe disability element	£1,190"

Amendment of the Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002

4.—(1) The Tax Credits (Income Thresholds and Determinations of Rates) Regulations 2002(**6**) are amended as follows.

(2) In the heading before regulation 5 (income test: relevant income) for "Amounts prescribed for the purposes of section 7(3)(a) and (b) of the Act" substitute "Amounts prescribed for the purposes of section 7(3) of the Act".

(3) For regulation 5 substitute—

"**5.** The amount prescribed—

(a) for the purposes of section 7(3)(a) and (b) of the Act is £10,000; and

(b) for the purposes of section 7(3)(c) and (d) of the Act is £2,500.".

(4) In regulation 7(3) (determination of rate of working tax credit) in Step 5 for "39%" substitute "41%"(**7**).

(5) In regulation 8(3) (determination of rate of child tax credit)—

(a) in each of the headings before Steps 5, 6 and 7, and in Steps 6 and 7, omit "(other than the family element)";

(b) omit Steps 8, 9 and 10;

(c) in consequence of the amendments made by paragraph (b), Step 11 is renumbered as "Step 8" and for the words from "Add together" to "This is the rate for the relevant period." substitute—

(**4**) S.I. 2002/2005; the last relevant amending instrument is S.I. 2011/1035.
(**5**) The 50 plus element of working tax credit is withdrawn by a separate instrument with effect from 6th April 2012.
(**6**) S.I. 2002/2008; relevant amending instruments are S.I. 2010/751 and S.I. 2010/981.
(**7**) The Welfare Reform Bill 2010-11, introduced to Parliament on 16th February 2011, was amended in the House of Lords at Committee stage by the addition of Clause 75 which provides that, in relation to awards of working tax credit for whole or part of the year beginning on 6th April 2011, Step 5 in regulation 7(3) has effect as if the percentage were 41% (instead of 39%).