

HM TREASURY

**Annual review of certain tax credits monetary
amounts under Section 41 of the Tax Credits Act 2002**

15 February 2011

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**Presented to Parliament by the Treasury, pursuant to Section 41(5) of the Tax
Credits Act 2002**

15 February 2011

Report required under section 41 of the Tax Credits Act 2002

Section 41 of the Tax Credits Act 2002, requires a review, each tax year, of certain monetary amounts that are prescribed in regulations, to see whether they have retained their value in relation to prices. A report of that review must be laid before each House of Parliament, stating what each amount would have been, if it had retained its value against prices.

The requirement applies to any monetary amount prescribed under the following provisions:

- The income thresholds at which each tax credit will start to be withdrawn: these are prescribed under section 7(1)(a) of the Act.
- The income threshold at which the family element of the child tax credit will start to be withdrawn: this is prescribed under section 13(2) of the Act.
- Any thresholds relating to changes in income between the current tax year and the previous tax year as prescribed under section 7(3).
- The amounts for the various elements of child tax credit as prescribed under section 9 and for those of working tax credit under section 11 of the Act.

The overall level of prices as measured by the change in the Consumer Price Index from September 2009 to September 2010 has increased by 3.1 per cent. Not all of the monetary amounts have retained or increased their value in relation to the general level of the prices in the United Kingdom. The table attached shows:

- (a) the current rate (2010-11 tax year) of each element/threshold;
- (b) the proposed rate of each element/threshold for the new tax year (2011-12), as announced in the June 2010 Budget and the 22 October 2010 Spending Review;
- (c) the difference between the current rates and the proposed new rates announced in the Budget and the Spending Review and published in the "Annual uprating of certain tax and tax credits rates and thresholds"; and
- (d) the amount of each element/threshold if the rate had been changed in line with the change in the general level of prices.

Report required under Section 41 of the Tax Credits Act 2002

Section 11 Tax Credits Act 2002 (The Working Tax Credit (Entitlement and Maximum Rate) Regulations 2002)		2010-11 RATES (£)	2011-12 RATES ANNOUNCED AT Budget and Spending Review (£)	CHANGE (£)	RATE IF CHANGED IN LINE WITH PRICES (£)
Basic Element	Schedule 2	1920	1920	(0)	1980
Second Adult Element	Schedule 2	1890	1950	(+60)	1950
Lone Parent Element	Schedule 2	1890	1950	(+60)	1950
30 Hour Element	Schedule 2	790	790	(0)	815
Disability Element	Schedule 2	2570	2650	(+80)	2650
Severe Disability Element	Schedule 2	1095	1130	(+35)	1130
50 + Element (16-29 hours)	Schedule 2	1320	1365	(+45)	1365
50 + Element (30+hours)	Schedule 2	1965	2030	(+65)	2030
Section 9 Tax Credits Act 2002 (The Child Tax Credit Regulations 2002)					
Family Element (Normal)	Reg 7(3)(b)	545	545	(0)	565
Family Element (Baby Addition)	Reg 7(3)(a)	1090	0	(0)	*1
Child element	Reg 7(4)(c)	2300	2555	(+255)	2375
Disabled Child element	Reg 7(4)(a)	5015	5355	(+340)	5175
Severely Disabled Child Element	Reg 7(4)(b)	6110	6485	(+375)	6305
Disabled young person	Reg7(4)(d)	5015	5355	(+340)	5175
Severely disabled young person	Reg7(4)(e)	6110	6485	(+375)	6305
Any other qualifying young person	Reg7(4)(f)	2300	2555	(+255)	2375
Section 7(1)(a) and 13 Tax Credits Act 2002 (The Tax Credits (Income Thresholds and Determination of Rates) Regulations 2002)					
WTC (First Income Threshold)	Reg 3(2)	6420	6420	(0)	6620

¹ As announced in the June Budget 2010, the Family Element (Baby Addition) will be removed from April 2011.

CTC (First Income Threshold)	Reg 3(3)	<u>16190</u>	15,860	(-330)	16210
Second Income Threshold	Reg 7 (3)	50000	40000	(-10000)	51530
Income Rise Disregard	Reg (5)	25000	10000	(-15000)	25765