

**EXPLANATORY MEMORANDUM TO THE
TAX CREDITS ACT 2002 (COMMENCEMENT No. 4, TRANSITIONAL
PROVISIONS AND SAVINGS) (AMENDMENT) ORDER 2005**

2005 No. 1106 (C.45)

1. This explanatory memorandum has been prepared by the Treasury.

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

2. **Description**

- 2.1 This Order deals with the migration of families with children from child premiums paid with Income Support and income-based Jobseekers' Allowance to Child Tax Credit.
- 2.2 The order extends the period for which the Department of Work and Pensions can continue to pay the child premium element of Income Support and income-based Jobseekers' Allowance until 31 December 2006

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

- 3.1 This instrument is required to be laid before Parliament after being made but there is no provision for further parliamentary proceedings.

4. **Legislative Background**

- 4.1 This order is made under the powers contained within section 61 Tax Credits Act 2002.
- 4.2 This provision is an amendment to the original Tax Credits Act (Commencement No.4, Transitional Provisions and Savings) Order 2003 and provides for the extension of the period during which the Department of Work and Pensions can continue to pay child premiums to Income Support and income-based Jobseekers' Allowance recipients until 31 December 2006.
- 4.3 The original Order provided for child premium payments to cease on 5 April 2005.

5. **Extent**

- 5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

This order is a transitory modification and does not amend primary legislation. Accordingly a certificate that the order is compatible with Convention rights is not required.

7. Policy background

- 7.1 When Child Tax Credit was introduced in April 2003 some individuals and couples who were entitled to receive Child Tax Credit, but were at that time in receipt of child premiums in respect of their Income Support or income-based Jobseekers' Allowance claims.
- 7.2 The child premiums payable by the Department of Work and Pensions were increased to reflect the amount that would be received if the claimant had claimed Child Tax Credit.
- 7.3 Once the new Tax Credits system was established and Child Tax Credit in payment to those families not in receipt of Income Support or income-based Jobseekers' Allowance it was the intention to migrate those in receipt of the child premium element of these benefits to Child Tax Credit by 5 April 2005.
- 7.4 In October 2004 the Paymaster General took the decision that, to safeguard the continuity of support for children in this vulnerable group, the migration should be deferred to 2005-06
- 7.5 In accordance with this decision this Orders and the Tax Credits Act 2002 (Transitional Provisions) Order 2005 have been prepared to enable the Department of Work and Pensions to continue making child premium payments until families have their claims migrated to Child Tax Credit.
- 7.6 It is intended to complete the migration exercise by 31 December 2006, the date referred to in this order.

8. Impact

- 8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies
- 8.2 There is no new or foreseeable impact on the public sector.

9. Contact

Andrea Brindley at Inland Revenue Personal Tax, Tax Credits & Child Benefit Policy Team (tel: 020-7147-2478 or e-mail Andrea.Brindley@ir.gsi.gov.uk who can answer any queries about the order.