



Tax Credits Act 2002

2002 CHAPTER 21

[^{F1}PART 1

TAX CREDITS

General

[^{F17} **Income test**

- (1) The entitlement of a person or persons of any description to a tax credit is dependent on the relevant income—
 - (a) not exceeding the amount determined in the manner prescribed for the purposes of this paragraph in relation to the tax credit and a person or persons of that description (referred to in this Part as the income threshold), or
 - (b) exceeding the income threshold by only so much that a determination in accordance with regulations under section 13(2) provides a rate of the tax credit in his or their case.
- (2) Subsection (1) does not apply in relation to the entitlement of a person or persons to a tax credit for so long as the person, or either of the persons, is entitled to any social security benefit prescribed for the purposes of this subsection in relation to the tax credit.
- (3) In this Part “the relevant income” means—
 - (a) if an amount is prescribed for the purposes of this paragraph and the current year income exceeds the previous year income by not more than that amount, the previous year income,
 - (b) if an amount is prescribed for the purposes of this paragraph and the current year income exceeds the previous year income by more than that amount, the current year income reduced by that amount,
 - (c) if an amount is prescribed for the purposes of this paragraph and the previous year income exceeds the current year income by not more than that amount, the previous year income,

Changes to legislation: Tax Credits Act 2002, Section 7 is up to date with all changes known to be in force on or before 28 March 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (d) if an amount is prescribed for the purposes of this paragraph and the previous year income exceeds the current year income by more than that amount, the current year income increased by that amount, and
 - (e) otherwise, the current year income.
- (4) In this Part “the current year income” means—
- (a) in relation to persons by whom a joint claim for a tax credit is made, the aggregate income of the persons for the tax year to which the claim relates, and
 - (b) in relation to a person by whom a single claim for a tax credit is made, the income of the person for that tax year.
- (5) In this Part “the previous year income” means—
- (a) in relation to persons by whom a joint claim for a tax credit is made, the aggregate income of the persons for the tax year preceding that to which the claim relates, and
 - (b) in relation to a person by whom a single claim for a tax credit is made, the income of the person for that preceding tax year.
- (6) Regulations may provide that, for the purposes of this Part, income of a prescribed description is to be treated as being, or as not being, income for a particular tax year.
- (7) In particular, regulations may provide that income of a prescribed description of a person for the tax year immediately before the preceding tax year referred to in subsection (5) is to be treated as being income of that preceding tax year (instead of any actual income of that description of the person for that preceding tax year).
- (8) Regulations may for the purposes of this Part make provision—
- (a) as to what is, or is not, income, and
 - (b) as to the calculation of income.
- (9) Regulations may provide that, for the purposes of this Part, a person is to be treated—
- (a) as having income which he does not in fact have, or
 - (b) as not having income which he does in fact have.
- (10) The Board may estimate the amount of the income of a person, or the aggregate income of persons, for any tax year for the purpose of making, amending or terminating an award of a tax credit; but such an estimate does not affect the rate at which he is, or they are, entitled to the tax credit for that or any other tax year.]

Textual Amendments

- F1** Pt. 1 repealed (1.2.2019 with savings in relation to specified cases in [art. 3](#) of the commencing S.I.) by [Welfare Reform Act 2012 \(c. 5\)](#), s. 150(3), [Sch. 14 Pt. 1](#); S.I. 2019/167, arts. 2, 3

Modifications etc. (not altering text)

- C1** S. 7 functions made exercisable concurrently (10.1.2018) by [The Transfer of Functions \(International Development\) Order 2017 \(S.I. 2017/1283\)](#), arts. 1(2), [2\(c\)](#) (with art. 3)
- C2** S. 7 modified (E.W.S.) (29.4.2013) by [The Universal Credit \(Transitional Provisions\) Regulations 2013 \(S.I. 2013/386\)](#), regs. 1(2), [Sch. para. 2](#)

Commencement Information

- II** S. 7 wholly in force at 6.4.2003; s. 7 not in force at Royal Assent, see s. 61; s. 7(1)-(5) in force for certain purposes at 9.7.2002, 1.8.2002 and 1.1.2003 and otherwise in force at 6.4.2003, s. 7(6)-(9) in

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force at 9.7.2002 and s. 7(10) in force at 1.8.2002 by S.I. 2002/1727, **art. 2** (with **art. 3** (as substituted (20.8.2002) by S.I. 2002/2158, **art. 2**))

Changes to legislation:

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Changes and effects yet to be applied to :

- specified provision(s) amendment to earlier commencing SI 2003/962 by [S.I. 2008/3151 art. 3\(2\)](#) (art. 3(2) revoked (14. 7.2014) by S.I. 2014/1848)
- specified provision(s) amendment to earlier commencing SI 2003/962 art. 2(5) by [S.I. 2011/2910 art. 2](#) (Order revoked (14. 7.2014) by S.I. 2014/1848)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 35(2)-(12) substituted for s. 35(2) by [2012 c. 5 s. 124](#)
- s. 35(9) words substituted by [2020 c. 17 Sch. 24 para. 443\(1\)](#) (This amendment not applied to legislation.gov.uk. The substitution of s. 35(2)-(12) for s. 35(2) by 2021 c. 5, s. 124 is not yet in force)
- s. 36(10) words repealed by [2012 c. 5 Sch. 14 Pt. 12](#)