

January 2013: Child Benefit changes

Child benefit is a payment that is aimed at helping parents cope with the cost of bringing up children. It is normally tax free. Those with responsibility for children can claim £20.30 a week for a first child and £13.40 a week for each subsequent child. The payments are made to families with children up to the age of 16, or up to age 20 where the young person is relevant training or education.

What's changed?

Child Benefit was formerly a universal benefit, available to all families with children. From 7th January 2013, Child Benefit will be means tested for those with individual incomes of over £50,000.

A Child Benefit claimant, or their partner, who earns over £50,000, has two options:

1. Opt out of receiving Child Benefit payments
2. Continue to receive payment of Child Benefit, some or all of which will be recouped through the Self Assessment system at a later date.

What income is taken into account?

'Adjusted net income' is taken into account in determining whether the income threshold has been reached. This is the total taxable income from all sources, minus some deductions. The deductions include salary sacrifice schemes, trading losses, some charitable donations and some pension contributions.

How much is the charge?

The Child Benefit high income charge is 1% of the amount of child benefit for each £100 of income beyond £50,000.

1% of the amount of Child Benefit for each £100 of income over £50,000 means that:

Income £52,000 will result in a charge of 20% of the Child Benefit amount.
Income £54,000 will result in a charge of 40% of the Child Benefit amount.
Income £56,000 will result in a charge of 60% of the Child Benefit amount.
Income £58,000 will result in a charge of 80% of the Child Benefit amount.
Income £60,000 will result in a charge of 100% of the Child Benefit amount.

Will my Child Benefit stop?

All current Child Benefit claimants will continue to receive payment of Child Benefit, unless they have informed HMRC that they wish to opt out. The deadline for opting out before the changes took effect was 6th January 2013. Claimants who missed the deadline but wish to opt out should contact the Child Benefit helpline as soon as possible on 0845 302 1444.

Are there any problems with this change?

Aside from the financial loss to families, there are three key issues with this change:

1. Unfairness: whereby a one parent family earning £60,000 will lose the benefit but a two parent family each earning £49,000 will retain the benefit.
2. Members of the public who have no previous experience of the Self Assessment system will be required to follow Self Assessment registration procedures, complete tax returns and adhere to strict deadlines. Late returns will be subject to heavy penalties.
3. There may be an issue of taxpayer confidentiality. Couples will be expected to share information on income and HMRC will be able to provide basic information to each partner about the other partner's income. This is counter to the general principle of taxpayer confidentiality although HMRC maintain that they are committed to taxpayer confidentiality.

Where can I get more advice and information?

Contact the Advice NI Tax and Benefits service by telephoning 0800 988 2377 or emailing tax@adviceni.net