

Child Benefit Tax Charge

This came into effect in 2013 but it still catches people unawares now. There has been little publicity by the government around this additional tax charge and it's not surprising that people are often unaware when it applies to them and just what is required.

Who is affected by it?

Currently, if you have an individual income over £50,000 (£60,000 from 6th April 2024) in a tax year and either:

- You or your partner get Child Benefit
- Someone else gets Child Benefit for a child living with you. It does not matter if the child living with you is not your own child and that your partner is receiving the benefit.

It's the partner whose income is more than £50,000 (£60,000 from 6th April 2024) that pays the tax, and this may not be the person who receives the child benefit!

The government announced in the March 2024 budget that they are committed to removing the unfairness surrounding this and will move to a system that is based on household income rather than individual incomes by April 2026.

What counts as income?

To work out if your income is over the threshold, you'll need to work out your "adjusted net income". It's your total taxable income before you take off your personal allowance. This can be reduced though by pension contributions and gift aid donations.

How is it calculated?

Currently, the tax charge is gradually increased for taxpayers with adjusted net incomes between £50,000 and £60,000, so that once your adjusted net income reaches £60,000 you have repaid in full any child benefit received. The tax charge is equal to 1% of a family's Child Benefit for every £100 of income that is over £50,000.

However, from 6th April 2024 the tax charge will gradually increase with adjusted net incomes between £60,000 and £80,000, so that once your adjusted net income reaches £80,000, you have repaid in full any child benefit received.

Taxpayers who know that their adjusted net income for the tax year will exceed £60,000 (or £80,000 from 6th April 2024) may want to consider stopping the child benefit entirely to avoid the tax charge. However, our advice is that if you are eligible to claim then you should but put the money to one side so that if you do have to repay it then you will have the funds to do so. If you stop claiming your child benefit and then decide to reclaim it, the reclaim cannot be backdated and it can be difficult to predict what your income will be!

How do I pay the tax?

The only way that this tax can be paid is through the self-assessment tax return. This means that people may need to register for self-assessment for no other reason than to be able to pay this tax.

Note that under the self-assessment system it is your responsibility to know that this tax is owed and to register for self-assessment when required. Should HMRC catch up with you before you have taken any action then they may apply penalties and interest in relation to your failure to comply.

Contact Us

If you need help or advice with the High-Income Child Benefit Tax Charge, please get in touch.

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