

High Income Child Benefit Tax Charge

This additional tax came into effect in 2013 but it still catches people unawares now. It hasn't been very widely publicised by the government and it's not surprising that people are often unaware of when it applies to them and just what is required of them.

Who is affected by it?

If you have an individual income over £50,000 in a tax year and either:

- You or your partner get Child Benefit or
- Someone else gets Child Benefit for a child living with you and they contribute at least an equal amount towards the child's upkeep.

It does not matter if the child living with you is not your own child or that your partner is the one receiving the benefit

It's the partner whose income is more than £50,000 that pays the tax, and this may not be the person who receives the child benefit!

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 is then reduced by pension contributions and gift aid donations to arrive at your adjusted net income figure.

How is it calculated?

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.

Taxpayers who know that their individual adjusted net income for the tax year will exceed £60,000 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 the Child Benefit 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!

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 the UK tax system is all based on self-assessment. It is, therefore, the responsibility of the taxpayer 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 you may be required to pay penalties and interest in addition to the tax owed. Ignorance is not an excuse in the eyes of HMRC!

Contact Us

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

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