

MANY COUPLES MAY NEED TO RESTART CHILD BENEFIT CLAIMS

The changes to the High Income Child Benefit Charge (HICBC) announced in the Spring Budget have now been incorporated into the latest Finance Bill and are scheduled to take effect from 6 April 2024. The increase in the threshold for the tax charge was good news, although many were lobbying for the charge to be removed completely. HICBC is intended to claw back child benefit where the higher earner in a relationship has adjusted income in excess of £60,000 (£50,000 up to 2023/24). The claw back rate will then be 1% for every £200 of net income in excess of £60,000 with full recovery of child benefit where net income is £80,000 or more.

Rather than pay the tax charge, many couples have chosen not to claim child benefit in recent years. It is estimated that some 180,000 couples eligible for child benefit will no longer be caught by the HICBC and should restart their claims from 6 April 2024. This can be done by using an online claim form.

Example

Fred and Wilma have 2 children for whom they are eligible for child benefit. Fred is the higher earner and his income was £68,000 in 2023/24, which is scheduled to increase to £70,000 in 2024/25. In 2023/24 the HICBC would have been 100% of the child benefit received. Their child benefit for 2024/25 is £25.60 for the first child, then £16.95 for each additional child = £42.55 x 52 = £2,212.60 p.a.

Based on Fred's £70,000 net income there would be a 50% HICBC for 2024/25 of £1,106.30.

Planning

An individual's pension contributions and payments to charity under Gift Aid have the effect of reducing net income for the purposes of HICBC. Salary sacrifice arrangements agreed with the employer can also be effective in reducing net income for HICBC purposes.