

HIGH INCOME CHILD BENEFIT CHARGE

The new High Income Child Benefit Charge has now become law, meaning there will be some difficult and possibly quite awkward questions to ask when compiling information for your self-assessment tax return.

Some people may already feel that we know too much information about your personal affairs and financial position in order to complete your self-assessment, however these questions are vital in order to complete your tax return in an accurate and tax efficient way. The information we need to know for your self-assessment may be about to get a lot more personal, if you are earning more than £50,000 per year.

The introduction of the 'High Income Child Benefit Charge', which claws back child benefit from those earning over £50,000, will require tax advisors to fully understand the situation of their clients in relation to both their own and possibly others' children. This is because the legislation applies the charge to the highest earner that has "responsibility" for a child. This could therefore include not only the child's parents but also step-parents and live-in partners. A lodger is not relevant in relation to these rules, under the legislation, but if you are in a live-in personal relationship with someone, they may be liable to pay the claw-back if they earn above the £50,000. The Institute of Chartered Accountants in England & Wales has expressed concern that these changes could result in a "practical disaster", we certainly agree.

These are the questions your tax advisor will be required to ask in order to ensure that your tax return is correct;

- When did your new boyfriend/girlfriend move in to your house?
- Are you still with the same partner as last year? If not,

did you have any others in between?

- Do you have any illegitimate children?
- Have you stopped claiming child benefit for any of your children who are no longer in full-time education?
- Are you and your housemate "just friends"?
- Did you live with more than one man or woman at any point in the tax year?

Of course, we will try to find a more comfortable way for everybody in phrasing these questions and join with all other professional bodies in the hope that policy makers see sense and reverse this legislation. Please bear with us in the meantime.

KEY FACTS

- The charge will claw back child benefit paid where a person with "responsibility" for a child, earns more than £50,000 per year.
- The claw back is 1% of the child benefit received for every £100 of earnings over £50,000, (reducing the child benefit to nil where the earnings are £60,000 or more).
- It affects Child Benefit payments made on or after 7 January 2013.

You may be able to avoid the charge by:

- Equalising incomes between couples so neither earns more than £50,000.
- Making additional pension contributions to reduce income to £50,000 or less.
- Not claiming the benefit

