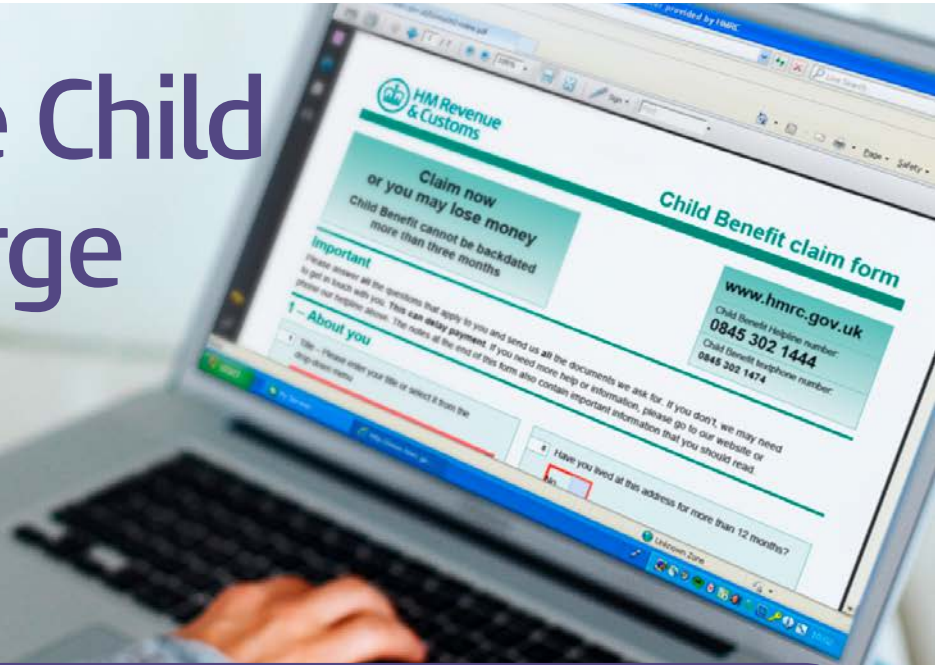


High Income Child Benefit Charge



From 7 January 2013, any taxpayer with income above £50,000 in a tax year who receives Child Benefit, or whose partner receives Child Benefit, will be liable to incur a new income tax charge. This briefing explains who will be affected, how the charge will work and how we will administer it, including the information we will provide to customers affected by the changes.

Who the charge will affect

Approximately one million taxpayers will be affected by the charge, out of the eight million taxpayers who currently claim Child Benefit. A taxpayer will be liable to pay the charge if any of the following apply to them:

- they have an individual income of more than £50,000 in a tax year and receive Child Benefit, or
- they have an individual income of more than £50,000 in a tax year and live or lived with a partner receiving Child Benefit, or
- where partners each have individual incomes of more than £50,000 and one partner is receiving Child Benefit, the partner with the higher income will be liable to pay the charge.

Taxpayers will also be affected during a tax year if:

- they have an individual income of more than £50,000 in a tax year, and
- someone else receives Child Benefit for a child living with the taxpayer and that person contributes an

amount at least equivalent to Child Benefit towards the child's upkeep to the taxpayer.

Taxpayers do not have to pay the charge where:

- they and their partner each have individual incomes below £50,000 in a tax year, or
- they or their partner are not entitled to Child Benefit.

How the charge will work

Anyone who has to pay the charge will need to pay an amount equivalent to some or all of the Child Benefit that they or their partner is entitled to receive. The amount of the charge depends upon the level of their 'adjusted net income', and the amount of Child Benefit that the claimant is entitled to receive.

For those with income between £50,000 and £60,000, the tax charge will be less than the Child Benefit entitlement. They will pay one per cent of the Child Benefit entitlement for every £100 of their income above £50,000.

Example

Threshold for application of charge	Income	Income above threshold	Percentage of charge applicable = income above threshold/100	Child Benefit for two children	Tax charge = percentage of charge applicable x amount of Child Benefit (35% x £1,752.40)
£50,000	£53,550	£3,550	35%*	£1,752.40	£613**

* rounded down to the nearest whole percentage

** rounded down to the nearest whole pound

What taxpayers need to do

Those affected by the charge have two options:

- **keep receiving** the Child Benefit payments and declare them for income tax purposes, or
- **stop receiving** Child Benefit payments, which would mean that they would not have to pay the income tax charge. They would be able to restart their payments if their circumstances change. Only the Child Benefit claimant can ask to have the payments stopped.

If a taxpayer's income is between £50,000 and £60,000, the tax charge will always be less than the amount of Child Benefit and the claimant might wish to keep getting Child Benefit payments. Those with income above £60,000 will be charged the full amount of the Child Benefit entitlement and might wish to stop receiving Child Benefit payments. Customers will also be able to change their mind about which option they choose.

If customers choose to **keep receiving** the Child Benefit payments they will need to declare the amount of Child Benefit which they or their partner are entitled to receive, by registering for Self Assessment by 5 October 2013 (if they are not already registered) and filling in a tax return each year.

Claimants who choose to keep receiving Child Benefit payments and want to complete a Self Assessment form, can download it at hmrc.gov.uk/sa1 or call the Self Assessment Helpline on 0845 900 0444.

If customers choose to **stop receiving** payment of Child Benefit, they need to let us know before 7 January 2013. They can use a simple online form at hmrc.gov.uk/stopchbpayments, or phone the Child Benefit Helpline on 0845 302 1444. Alternatively, they can write to: Child Benefit Office, Waterview Park, Mandarin Way, Washington NE38 8QG.

What will happen in 2012-13 tax year?

The charge only applies from 7 January to 5 April 2013 for the 2012-13 tax year. The charge will apply to the amount of Child Benefit which they were entitled to receive from 7 January 2013 to 5 April 2013, unless they choose to stop the Child Benefit payments.

How the charge will be implemented

We will be writing to taxpayers who are likely to have income over £50,000 to explain the changes and tell them what they need to do if they are affected. They will be directed to our website for more detailed information about the new charge and how to choose whether to stop receiving Child Benefit payments, or to register for Self Assessment and send us a tax return.

If possible, partners should discuss and jointly decide what they wish to do. Those who are unable to discuss the matter with their partner and who are unable to establish whether they need to pay the charge will be able to ask us for limited information about their partner's income and/or entitlement to Child Benefit. We will be able to tell someone whether their partner's income was higher than theirs, or whether Child Benefit was paid, but we will not be able to tell them the exact amount.

Those who pay income tax via PAYE can choose to have the underpayment for 2012-13 and their ongoing in-year liability collected through their tax code in 2014-15. However, they must still complete a Self Assessment return. You can find more information at hmrc.gov.uk/sa

To find out more

Please visit our website at hmrc.gov.uk/childbenefitcharge