



# High Income Child Benefit Tax Charge

Year ended 5th April 2021

Grants Accountants & Tax Advisors

April 2021

## **Explanatory notes: 6<sup>th</sup> April 2020 to 5<sup>th</sup> April 2021**

We have prepared brief notes to allow you to consider whether these rules will affect you and/or your partner.

### **Who is affected by the High Income Child Benefit charge (HICBC)?**

The HICBC will affect taxpayers if any of the following applies:-

- you have an individual income that exceeds £50,000 in a tax year and are entitled to receive Child Benefit;
- you have an income that exceeds £50,000 and live (or have lived) with a partner who is entitled to receive child benefit; or
- if you and your partner both have an income that exceed £50,000, the charge will apply to the partner who receives the highest income

### **Definition of Partner**

A partner comprises:

- a married couple living together;
- civil partners living together;
- a man and a woman who are not married to each other but who are living together; or
- a man living with a man or a woman living with a woman who are living together as if they were civil partners.

### **Definition of Income**

Adjusted net income will generally be the total of your taxable income before your personal allowance less: specified allowable deductions, e.g. losses, gross pension contributions, gross gift aid payments.

### **Who isn't affected**

You won't be affected if:

- both you and your partner have an individual income below £50,000 for a tax year;
- neither you or your partner are entitled or have been entitled to receive Child Benefit.

### **Tax Return – year ended 5<sup>th</sup> April 2021**

On the assumption that you did not inform the Child Benefit office that you wished to put a stop to your payments before 5<sup>th</sup> April, it is likely you will be liable to the HICBC for the year ended 5<sup>th</sup> April 2021.

***Please, therefore, complete question two of our Tax Return questionnaire to allow us to work out the relevant tax charge.***

For reference the 2020/21 rates of child benefit are as follows:-

Child Benefit Rates	Amount Per week	Annual Amount
	From 6 April 2020	Received
Eldest/only child	£21.05	£1,094.60
Additional Children	£13.95	£ 725.40

### **How the tax charge works**

Anyone who has to pay the charge will need to pay an amount equivalent to some or all of their Child Benefit entitlement.

For taxpayers whose income is between £50,000 and £60,000, the tax charge will always be less than the Child Benefit entitlement. The amount of the charge is 1% of the amount of Child Benefit for every £100 of income over £50,000.

A taxpayer whose income exceeds £60,000 will be liable to the tax charge on the full amount of child benefit received.

### **How to Pay the High Income Child Benefit Charge**

If you are liable for the HICBC in 2020/21, this will be due for payment on 31<sup>st</sup> January 2022.

Instead, you may be able to choose to pay the charge through your tax code from 6 April 2022. We will advise if this is possible when preparing your Tax Return.

### **Moving forward**

You will need to choose to do one of the following:

- Keep receiving Child Benefit payments
- Tell the Child Benefit Office that you want to stop receiving Child Benefit payments - in which case you won't be liable for the tax charge

If you or your partner choose to keep receiving child benefit, you will need to pay the HICBC through the Tax Return of the highest earning partner.

Unfortunately, this means if your partner earns more than you and isn't already registered for Self-Assessment, they will have to register and start preparing Tax Returns each year.

Your partner can register for completing Self-Assessment by clicking the following link:

<https://online.hmrc.gov.uk/shortforms/form/SA1>

It may, therefore, be preferable to those earning more than £60,000 to tell the Child Benefit Office that you/your partner wants to stop receiving Child Benefit. Please, however, **please read** below before making this decision.

### **Child benefit and your state pension**

If a non-working parent (usually the mother) doesn't claim child benefit, she won't receive [national insurance credits](#) for the period during which she doesn't pay national insurance. This will leave a gap in the NI record, and on reaching state retirement age, the state retirement pension paid will be of a lower amount. Therefore, it may be worth receiving the child benefit payments to retain the National Insurance credits even if ultimately, the child benefit will be repaid in full as a tax charge.

If you have any queries on any of this guidance, please do not hesitate to contact us.