



Care first

Child Benefit Changes from 7th January 2013

As a result of changes that George Osborne announced in the 2012 Budget, child benefit is changing - If you are a higher rate tax payer (£34,371 - £150,000 in 2012-2013 tax year) you may have received a letter from HMRC regarding child benefit changes and details of how much you will lose.

However, the Government have decided they will **not** stop your child benefit payments and instead will take the equivalent value back through an **Additional Income Tax Charge**, so your child benefit will continue to be paid as normal after January 2013.

So What Do You Need To Do & How Much Will You Lose?

In this article, we explain what these changes mean for your finances and whether there's anything you can do to keep your child benefit.

For the calculation of the **Child Benefit Additional Income Tax charge**, the measure of income is "**Adjusted Net Income**".

To work this out you will need to work out your income that is subject to income tax, deduct grossed up personal pension contributions and gift aid donations. Add back any relief for payments made to trade unions or police organisations previously deducted, and the result is your Adjusted Net Income. Estimate your High Income Child Benefit Tax Charge
<https://www.gov.uk/child-benefit-tax-calculator>

If both you and your partner earn under £50,000 a year you will keep all of your child benefit payments. You do not need to do anything.

For those individuals who earn over £60,000 a year, child benefit will be lost completely. This is because if you earn over £60,000 this additional Income Tax charge is equal to your entire child benefit entitlement.

If both you and your partner earn over £50,000, the additional Income Tax charge will be applied to whoever earns the most, regardless of who the child benefit is paid to.

People who earn over £50,000 a year will see it gradually withdrawn depending on how much they earn. If you earn over £50,000 this additional Income Tax charge will be equal to 1% of your child benefit for every £100 you earn above £50,000.

If you or your partner earn between £50,000 and £60,000 you will lose 1% of your child benefit payments for every £100 you earn above the £50,000 threshold – so for example if you earn £55,000 you will lose 50% of your child benefit.

Options: You or your partner can decide to STOP receiving Child Benefit Payments because if your income is more than £60,000 the “tax charge” will be equal to amount of Child Benefit received. If your income is between £50,000 & £60,000 you might want to keep getting Child Benefit as the tax charge will still be less than Child Benefit you could receive.

You should continue to make claims for any new children even though you would not receive child benefit payments for them. This is because for each week that you are entitled to child benefit you could qualify for National Insurance credits which can help protect your future entitlement to State Pension. You can get credits until your youngest child is 12.

Additional Information: If you decide to keep child benefit payments you or your partner (whoever has the highest income) will have to register for Self Assessment (unless you are already registered) and fill in a Self Assessment tax return every year.

To register for Self Assessment phone the HMRC Self Assessment helpline on 0845 900 0444, make sure you have your National Insurance number to hand.

The earliest you will have to pay the amount due for the 2012/13 tax year will be during the 2013/14 tax year.

Can I avoid an Income Tax Charge? You could look to manage your adjustable Net Income below £50,000 – For more information, please contact your Information Specialists at Care first on 0800 174 319.