

High Income Child Benefit Charge

The High Income Child Benefit Charge is effectively a clawback of child benefit paid to 'high income' individuals and couples. The charge does not only apply to the recipient of child benefit or the parents of the child in respect of whom child benefit is paid - it can also affect the partner of someone who receives child benefit, even if the child is not theirs.

In the context of the High Income Child Benefit Charge, a person has a 'high income' if they have individual income over £50,000 in the tax year. For these purposes, the measure of income is 'adjusted net income'. Broadly, this is your total taxable income before taking account of personal allowance and items like Gift Aid.

When does the charge apply?

If you have adjusted net income of at least £50,000, the High Income Child Benefit Charge will apply in the following situations:

- you are entitled to child benefit for at least a week in the tax year and you do not have a partner with higher adjusted net income; or
- your partner is entitled to child benefit for at least a week in the tax year and your income is more than your partner.

Thus, in a couple where only one person had adjusted net income of more than £50,000, the High Income Child Benefit Charge will apply to that person, even if they do not receive child benefit or the child is not theirs. Where both partners have adjusted net income in excess of £50,000, the charge is levied on the partner with the highest income. Where the recipient does not have a partner, they will be liable for the charge if their income is more than £50,000.

Amount of the charge

The charge is 1% of the child benefit received in the tax year for every £100 by which the adjusted net income of the person liable for the charge exceeds £50,000. So, for example, if adjusted income is £57,000, the High Income Child Benefit Charge is 70% of the child benefit received.

Where adjusted net income exceeds £60,000, the charge is equal to the full amount of the child benefit paid in the tax year.

No equity in taxation

In determining whether the charge applies, the income of the individual is considered in isolation to assess whether it exceeds the £50,000 trigger point. Thus, a couple earning £49,000 each (£98,000 in total) escape the charge, whereas a single parent earnings £60,000 must repay any child benefit in full.

Further, the person liable to pay the charge may not be the person who received it, and consequently they are being taxed on income received by their partner – something that is rather contrary to the principles of independent taxation.

Opting out

Where the High Income Child Benefit Charge applies in full, the recipient can opt not to receive the child benefit rather than receive it and pay it back. This can be done online or by contacting the Child Benefit Office.

HMRC calculator

HMRC have produced a child benefit calculator, which can be used to see if the charge applies and, if so, the amount of the charge. The calculator can be found on the Gov.uk website at www.gov.uk/child-benefit-tax-calculator.