

### 39) CHILD BENEFIT - The latest in a series of articles by Iain Gregory of Caithness CAB

Liz was the last baby to be born on a tiny, now uninhabited, island in the Hebrides. The water came from a burn, there was no electricity, and the five families were crofters and fishermen who supplemented their income by working for the local landowner. When she was to be christened the Minister was respectfully rowed across and she was baptised in front of a peat fire and then put back in her crib made from an old cupboard drawer. It was considered polite to offer the Reverend a dram, which was of course available, but the problem was that said uisge-bheata had emanated from a poit-dhubh (a still which the men may just possibly have forgotten to register with the Exise-man). This minor difficulty was swiftly resolved by a quick search of the beach and the location of an empty proprietary whisky bottle which was filled with the suspiciously clear spirit (which was, to put it mildly, best described as rocket fuel). The Minister, a man of excellent manners and who was no doubt was well aware of the origins of the refreshment, politely sampled same and then scoffed several more libations. It is understood that during the voyage back he sang a number of hymns, very loudly, and the words used differed substantially from the approved text.

Which brings us neatly to today's topic which concerns Child Benefit (originally known as "Family Allowance"). I have touched on this recently but I think the time has come to go into a bit more detail because CCAB have become aware that many people are encountering difficulties due to tinkering with what was always a simple and effective system. Clearly, Liz's family, in common with many other highlanders and islanders, were living at what would today be called subsistence level, but her mother knew that there would be a few shillings available every week (after a row across the sea) to pay for some vital needs. The original plan, as put forward by William Beveridge, was that a mother would always have a certain amount of guaranteed money in her purse to pay for essentials for the children (and the benefit was invariably and wisely paid to the mother). Over the decades there have been numerous changes and adjustments made by various governments and many promises and guarantees have been made and duly broken and it is now getting complicated.

The position (at the moment) is that Child benefit is a non-means-tested, non-contributory benefit paid to a person who is responsible for a child or young person. Benefit is paid for each child under the age of 16 and for each young person up to the age of 20 who meets specific qualifying conditions. A higher amount of benefit is paid for the oldest eligible child. At the moment the payments are £20.70 per week for the first child and £13.70 per week for each subsequent child although the amount has been frozen for the last three years. (As a matter of interest Beveridge recommended eight shillings per week in 1945, but the sum agreed by the government was five shillings). Despite quite a lot of changes the basic principle of universal payment has

continued right up until recently. But, as our in-house information system says:-

“Since 7 January 2013, a “High Income Child Benefit Tax Charge” applies to certain people on higher incomes. If a household receives child benefit, and either the person claiming child benefit or her/his partner has a taxable income over £50,000 for the tax year, s/he may be required to pay extra tax because the household receives child benefit. The child benefit itself is not cut or taxed. If her/his taxable income is over £60,000 for the tax year, the extra tax paid will be equivalent to the whole amount of child benefit received, so will effectively cancel out the child benefit.”

Now, I have no doubt that some people may say that this is fair enough – do you really need the extra income if you have a higher income? Well, there are a couple of points here. Firstly, as I keep mentioning, chipping away at the universality of entitlements is highly dangerous. Once the ball starts rolling downhill then what is next? The State Pension? Free access to a Doctor? And what if the husband has a high income and gambles or drinks the lot? Where does this leave Mum? Secondly there is a major flaw in the whole plan. If you have a family where one partner earns £50001 then tax will start to be applied. If that person earns £60001 then the full payment will disappear in tax. But what if both partners are earning £49999 each? Well in that case you keep the lot. Not quite sure that that makes sense and anyway it is not supposed to be means-tested or subject to tax and, effectively, it is.

The major issue which we are seeing is that people are getting in a knot because, in all innocence, they have assumed that HMRC and other government agencies would be capable of speaking to each other and sorting out tax codes automatically. Well they aren't and it is causing difficulties. The many different circumstances which can affect your entitlement are rather complex, but in summary if you have an income which falls into the levels above then you need to complete a self-assessment tax form and declare it – even if you pay tax via PAYE. Tax will then be applied, probably via your tax code, but you can if you wish pay in a lump sum annually. We quite often see clients who simply did not realise the rules or who have had a change of circumstances mid-way through a year and have now fallen into the relevant income bracket and who are in a panic in case the full fury of the law descends upon them. Rest assured it won't. All you have to do is get in touch with CCAB and we will sort it all out for you. The very worst that is going to happen is that you have to pay back any monies due, and we will soon arrange a payment plan if you need one and will contest any possible penalties. And one final point – you can if you wish opt simply not to claim Child Benefit and thereby avoid all the nonsense, but I would urge caution. If you do this you are going to miss out on one or two useful bonuses – for example National Insurance Credits – so have a word with us. You can still claim, but not receive payment and that is a way round some of the problems. You can also have a look at making higher payments into a pension via salary sacrifice thus, quite lawfully, reducing your taxable income. So do get in touch

if you want some help – I think that this is another piece of badly thought out legislation that will bite the dust sooner or later but for the time being we need to work round it.

And now, after hopefully helping you to navigate more un-necessarily difficult waters I propose to have a spot of said uisge-bheata myself although of the duty-paid variety. Sláinte.