

## Finance Bill 2024 – High income child benefit charge (Lecture P1433 – 14.35 minutes)

Clause 5 provides for amendments to the high income child benefit charge. This gives a claw-back mechanism for child benefit paid to households which have at least one member of a marriage, civil partnership or unmarried partnership earning over the designated threshold.

The previous rules had an income threshold of £50,000 and a clawback of 1% of child benefit for each £100 of income above the threshold.

From 6 April 2024, the income threshold rises to £60,000 and the clawback of 1% applies for each £200 of income above the threshold.

The income ('adjusted net income – s.58 ITA 2007) is calculated as total taxable income from all sources, minus grossed up gift aid and personal pension payments (as well as retirement annuity premiums for those still paying these).

As such, an individual who is at risk of having a child benefit clawback, could make a gift aid donation in the following year and elect to carry it back to the year in question, thus avoiding a charge.

### *Example*

The following table shows how much this change is worth to a range of earning points for a family who are eligible to receive child benefit for two children – worth £2,074.80 over a 52-week period.

<u>Income of highest earner</u>	<u>Clawback 2023/24 (£)</u>	<u>Clawback 2024/25 (£)</u>
£50,000	Nil	Nil
£55,000	1,037.40	Nil
£60,000	2,074.80	Nil
£65,000	2,074.80	518.70
£70,000	2,074.80	1,037.40
£75,000	2,074.80	1,556.10
£80,000	2,074.80	2,074.80

Where child benefit is received in 2024/25 but in respect of 2023/24, where a backdated claim has been made, it will be treated as if those amounts arise in 2024/25 where the claim was made on or after 6 April 2024 but before 8 July 2024. In reality, a claim cannot be backdated for more than three months other than in exceptional circumstances.

That provision will not apply if there would have been no liability for the high income child benefit charge in 2023/24 or the individual who would subject to the charge elects that it will not apply. An election can only be made if the individual reasonably considers that, in the absence of the election, their liability to the charge for 2024/25 would exceed the charge in 2023/24.

### *Example*

Martha and James have a baby on 6<sup>th</sup> January 2024 but do not make a claim for child benefit until May as the baby has been ill (but is now OK).

They are allowed to backdate the claim by more than 3 months and on 1 July 2024, they receive £307.20 in child benefit which relates to the 2023/24 tax year.

James has got a new job which means that he is now earning £70,000 per year whereas before he was earning only £48,000. If the child benefit is treated as being received in 2024/25, there would be clawback of £153.60 of the benefit whereas there would be no clawback if it was treated as income of 2023/24. So, it would be better to make the election.

It is going to be quite a rare situation where this will apply.