

Leigh Christou

Child Benefit High Income Benefit Charge (HICBC)

Update on recent changes

Changes to the high income child benefit charge means some couples will pay less tax. Others can also benefit but must take steps to do so.

The high income child benefit charge (HICBC) has been contentious since it was introduced in 2013. It applies to individuals or their partners who have children and claim child benefit. Because of the unfair way in which it applies, until April 2024 a couple with one income exceeding £50,000 per annum were liable to the HICBC, while a couple with a joint income over £50,000 per annum were not.

This inequity was addressed in the 2024 Spring Budget. The Chancellor announced that HMRC will consult on changes that will take account of household income rather than only that of the highest earner. While no date has been set for when changes will become effective, it's hoped it will be no later than 6 April 2025. In the meantime, a temporary easing of the HICBC applies for 2024/25.

*For 2024/25 the HICBC threshold **increased to £60,000** and the clawback rate is 1% for every £200 of income in excess of the threshold (half the previous rate). The effect of this is that a couple where the highest earner's income is less than £80,000 will not lose all their child benefit to the HICBC.*

Opted out. Many individuals and couples who are entitled to child benefit opted out of claiming it because they knew that the whole amount would be clawed back through HICBC. However, because of the changes to the income threshold and rate many will now be better off claiming child benefit.

Child benefit is not given automatically, it must be claimed. If you haven't registered for the benefit because of the HICBC, you should consider if you will now be better off doing so. To get the full entitlement for 2024/25 you must submit a claim no later than the **5 July 2024**. If in doubt as to the likely levels of your income, you may be better claiming as you cannot claim retrospectively (after 5 July 2024). However, the downside will be that if your income does exceed the threshold, then you will be subject to the HICBC.

Should you have any queries, please do not hesitate to contact us

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