

Child benefit chaos means new partners of divorced parents face tax rise if they move in together

- **George Osborne is to claw back child benefit from homes where someone earns more than £50,000**
- **Accountants Deloitte say 'bizarre' anomalies mean people who are not parents could lose money**
- **HMRC insists the plans are on course and letters will be sent out next week**

By Matt Chorley, Mail On line Political Editor



Chancellor George Osborne's plans to claw back child benefit from better-off families have been criticised for being too complicated

Thousands of people earning more than £50,000 will lose some of their pay if they move in with a new partner who has children, accountants have warned.

Tax experts at Deloitte said the 'bizarre' anomaly was the result of government plans to claw back child benefit from homes where at least one resident is a higher earner.

The changes are due to come into force in just 10 weeks, and the Treasury has been forced to insist they remain on track despite hundreds of thousands of families affected being in the dark that they will lose money from January 1.

Letters are due to be sent to all those paid under PAYE and earning more than £50,000 by HM Revenue and Customs next week.

Yesterday MailOnline revealed child benefit is being paid to 40,000 children living outside the UK, despite plans to cut the money for families in the UK.

Under the changes, if one person in the home earns £50,000 or more, the entitlement to child benefit will be gradually cut. If anyone earns more than £60,000, they will lose child benefit all together.

But instead of reducing the amount of child benefit paid out, the money is to be clawed back in additional tax imposed on the higher earner, regardless of whether they are the person who receives child benefit or even a parent.

It means 500,000 people will have to fill out self-assessment tax forms for the first time.

WILL YOU BE AFFECTED?

THE child benefit reforms will affect households where the highest-earning parent is on more than £50,000.

Around 1.2million households will be caught – and will receive letters in the next few weeks.

Families where the highest earner is on £50,000 or less will continue to receive the handout untouched.

Households with a parent on £60,000 or more will receive no benefit at all.

For those between these two limits, the amount of child benefit will decline on a sliding scale proportionate to the amount the parent earns.

So someone on £52,500 will receive three quarters of the full child benefit rate, a £55,000 earner will get half and a £57,500 earner will receive a quarter.

Rather than the child benefit being deducted at source, HMRC will take it back through the tax system. This means around 500,000 people who have never filled in a tax self-assessment form will have to start to do so.

The changes have been criticised for penalising stay-at-home mothers because they take into account only the highest-paid salary in the household – not the total household income.

So two working parents each earning just under the limit could earn £100,000 and retain the full child benefit, while a household with one income of £60,000 would lose all of theirs.

The rules come into force on January 7.

Patricia Mock, a tax director in Deloitte's private client services division, said: 'If you have a standard family with 2.4 children and two married parents all living together then the system is reasonably straightforward.

'But it can get really bizarre. Take that straightforward family. If the parents get divorced and the children live with the mother who has a new partner, and that partner is the higher earner, then he gets [to pay] the clawback even though they are not his children,' she told the Daily Telegraph.

Ms Mock added: 'Some scenarios look overcomplicated, but in today's complex family arrangements, they may well happen.'

If an estranged father is claiming child benefit for children who live with their mother and this father has a new partner – who happens to earn more than him – then this partner may be liable to pay the money back if they earn over the threshold.

A spokesman for HMRC insisted the process of explaining the changes was on course, but admitted new partners could be liable for the charge following a divorce.

He added: 'Letters explaining the new child benefit rules are ready to be sent and will be issued in batches from next week, on schedule and according to plan.

'There are no delays, and plenty of time for those affected to consider their options and make an informed choice in time for the 7 January rule change.

'We will also launch a section on our website designed specifically to help taxpayers with the new arrangements.