Broadcast

FACTSHEET: HICBC CHANGES

SPECIAL ISSUE

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The High-Income Child Benefit Charge (HICBC) is a tax charge that claws back child benefit where the claimant and/or their partner has adjusted net income in excess of £50,000. As announced in the Spring Budget, the trigger threshold is to be increased from 6 April 2024, with the withdrawal rate being reduced from the same date.

Key dates

From 6 April 2024, the HICBC trigger threshold is increased from £50,000 to £60,000, with the point at which child benefit is lost entirely rising from £60,000 to £80,000 from the same date. The trigger threshold is to move from individual income to household income from April 2026.

This note explains the nature of the HICBC and the forthcoming changes.

Nature of the HICBC

The HICBC is a complex tax charge that claws back child benefit where the claimant and/or their partner have adjusted net income of £50,000 or more. Where both partners adjusted net income exceeds £50,000, the tax is levied on the partner with the higher income. This makes the HICBC an unusual tax as it may be paid by someone who has not received the corresponding income. For 2023/24 and previous tax years, the charge is equal to 1% of the child benefit paid for the tax year for every £100 by which adjusted net income exceeds £50,000. Once adjusted net income exceeds £60,000, the tax charge is equal to the child benefit paid for the tax year.

Changes from 6 April 2024

With effect from 6 April 2024, the HICBC will only apply where the claimant and/or their partner have adjusted net income in excess of £60,000. The calculation of the tax is changing too, and for 2024/25 is equal to 1% of the child benefit paid for the year for every £200 of adjusted net income in excess of £60,000. Consequently, the charge will be equal to the child benefit for the year once adjusted net income reaches £80,000.

The changes mean that while for 2023/24 where the claimant or a couple where the highest earning partner has adjusted net income of £60,000, they will lose all their child benefit in the form of the HICBC, for 2024/25, the HICBC will not apply, and they will retain it in full.

The reduced withdrawal rate combined with the higher trigger threshold means that for 2024/25 the claimant or a couple where neither partner has adjusted net income of £80,000 or more will retain some or all of their child benefit. This will be a welcome change for parents.

Move to household income

Currently, the trigger for the HICBC is individual income not household income.

Currently, a couple where each partner has adjusted net income of £49,999 (combined income of £99,998) will retain all their child benefit and will not pay the charge, whereas a single parent with adjusted net income of £60,000 or a couple where one partner has no income (for example, because they look after the children) and the other partner has adjusted net income of £60,000 (combined income of £60,000) will lose all their child benefit – the HICBC being equal to their child benefit for the year.

For 2024/25, a couple where both partner have adjusted net income of £59,999 (combined income of £119,998) will not suffer the HICBC and will retain their child benefit in full, whereas a couple where one partner has no income and the other has adjusted net income of £80,000, or a single parent with adjusted net income of £80,000, will lose their child benefit in full, paying a HICBC equal to their child benefit for the year.

To address this inequity, the Government plan to move to using household income to determine when the HICBC is due from 6 April 2026. However, this means that HMRC will need to collect household income information, something that they do not do currently.

Importance of registering for child benefit

Where the HICBC is equal to the child benefit for the year, a claimant may prefer not to receive the child benefit in the first place than to be paid it only for it to be paid back to HMRC. Where this is the preferred course of action, the claimant can elect for the benefit not to be paid.

However, even if the claimant does not want to be paid their child benefit, it is important that they still register to preserve the National Insurance credits associated with child benefit. This is particularly important if the claimant will not pay sufficient National Insurance for the year to be a qualifying year for state pension and benefits purposes (or does not receive other National Insurance credits) as National Insurance credits are awarded where a person is registered for child benefit for a child under the age of 12. This ensures that the claimant will secure a qualifying year for state pension purposes until their child reaches the age of 12.

If you previously deregistered for Child Benefits, to avoid the HICBC in the current or previous years, we suggest that you consider re-registering. Aside from the points highlighted in this paragraph, now that the income thresholds have increased you may see some financial benefit from a claim.

We can help

Please call us on **01753 888 211** or email **info@nhllp.com** if you need guidance with any of the issues raised in this Broadcast. We would be happy to help.