

Earning over £50,000?

How to keep your child benefit

If you or your partner earn over £50,000 then you will have to pay a tax charge, known as the 'High Income Child Benefit Charge'. This is based on your 'adjusted net income', i.e. your total taxable income before any personal allowances, and is paid via a self assessment tax return at the end of each tax year. If you don't wish to pay the charge you can forfeit the benefit altogether.



Helen Jeffrey
Chartered Financial Planner

However, this is a significant loss given that child benefit is paid at the rate of £24.00 per week for the first child and £15.90 for each child after that, worth £ 2,901.60 per year for a family with 3 children.

There are a couple of options for you to consider which, under current legislation, may enable you to retain your benefit.

- 1. Increase your pension contributions.** If you can afford to increase your pension contributions to reduce your pre-tax wages to £50,000 or below, you'll not only retain the child benefit but you'll also avoid paying income tax on those contributions.*
- 2. Salary Sacrifice.** If your employer offers a salary sacrifice scheme you may be able to 'sacrifice' some of your salary for non-cash benefits such as childcare vouchers or unpaid holiday. This also applies to pension contributions and topping up your pension via a salary sacrifice scheme will reduce the NI paid by both you and your employer.

There are potential drawbacks to each of the options above so it is essential to consider your options carefully. To discuss whether these may be appropriate for you, please call Helen Jeffrey on 01789 263257.

Information in this document is valid for tax year 2023/24

* Pension income drawn during retirement is liable to income tax.

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