



Thousands may be pulled into self assessment system under the child benefit reforms

Thousands of families may have to complete a self assessment tax return for the first time when the new child benefit regime comes into play.

HMRC estimates that up to 500,000 taxpayers who do not currently complete a self assessment return will be liable and will have to complete a tax return.

HMRC will be sending letters to those affected by the child benefit reforms, which are due to come into effect on 7 January 2013.

There will be an income tax charge which equates to 1% of child benefit for every £100 of income that exceeds £50,000. If both partners have income in excess of £50,000, the charge applies to the partner with the highest income.

Once income reaches £60,000 the charge is equal to the full amount of child benefit received for the tax year.

HMRC predicts that the average loss to families will be roughly £1,300 per year.

Following concerns from some experts, HMRC recently outlined new guidance for parents who opt out of receiving child benefit but subsequently suffer a drop in income. The tax authority has now confirmed that these people will be able to claim their benefit retrospectively.

Contact us on (0191) 491 0019 for advice and tax saving advice in this area, or email us at info@rwco.net