

## The impact of the High-Income Child Benefit Charge on Single Income Households

**Background:** Child Benefit is a vital monthly payment that can be claimed by anyone with parental responsibilities for children under the age of 16 (or up to 20 in full-time education). Claimants earning £50,000 and over are subject to the high-income child benefit charge (HICBC), which requires them to pay some or all of the benefit back. However, there are significant concerns surrounding how the system unfairly penalises single-income households.

### **Key issues:**

- 1) An unfair system:** The way in which Child Benefit entitlement is structured allows a dual-income household earning a combined annual income of just under £100,000 (up to £49,999 each) to receive full Child Benefit. In contrast, a single-income household earning £50,000 would begin having to repay the benefit, and those earning £60,000 would lose their eligibility entirely. At its core, this structure is deeply unfair and disadvantages single-income households such as single parent households (including those who are widowed/bereaved) and households where one parent cannot work due to their own disability, illness or mental health issue, or their child's.<sup>1</sup> One parent told MoneySavingExpert:

*"I lost my husband in 2019, children 5&8, I lost his wage, got an army pension. I lost child benefit as the pension pushed me over the limit. Had to apply for promotion to try to make up but do have to downsize house now due to rising costs, wrote to MP, got nowhere."*

- 2) Contributing to financial hardship:** The financial pressures on single-income households are often more acute than those on dual-income households, even when the sole earner may earn a 'high-income'. This is due to the limited earning potential a sole earner has in comparison to two earners and the fact that all bills and essentials must be covered by one income. The HICBC then exacerbates any financial hardship a sole earner may be experiencing by leaving them with less government support than household with a higher combined income. One parent said:

*"I am a single mum with an income over £50k. My sister and her husband have a combined income of £98k but I am the one penalised. I am struggling to raise 2 kids on one income."*<sup>2</sup>

Similarly, Gingerbread has heard from single parents who earn 'high incomes' but are experiencing hardship due to the pressures of raising a child on a single income, and whose situation would be improved by the receipt of Child Benefit.

- 3) Disincentivising career progression:** The unfair nature of the HICBC also presents a significant barrier to career progression for single-income households. Those bordering on the earnings threshold face having some or all of their child benefit clawed back should they receive a raise or perform overtime. This creates a disincentive to increase earnings, which is particularly problematic for single parent households who already face multiple other barriers to work and experience higher rates of financial precarity.<sup>3</sup> One parent said:

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<sup>1</sup> MoneySavingExpert, *The impact of the High Income Child Benefit Charge on single-income households Supporting evidence* (2024)

<sup>2</sup> Ibid (1).

<sup>3</sup> Gingerbread, *Single Parents in 2023* (2023)

*"I'm on the brink of the bracket and having to turn down overtime because I'll get taxed 40% and lose my child benefit. I'm literally a salary hostage where there's no point in progressing my career."*<sup>4</sup>

- 4) **Missing National Insurance contributions:** The arguably complex rules surrounding the HICBC also require claimants to complete an annual self-assessment form. This may deter many households from claiming, resulting in the loss of crucial national insurance credits that protect their entitlement to contributory benefits, including the Bereavement Support Payment and the State Pension. Indeed, following the introduction of the HICBC, there has been a downward trend in the number of households who receive Child Benefit.<sup>5</sup> Moreover, the child(ren) affected will not be automatically allocated a national insurance number when they reach the age of 16.

**Solution:** The government must urgently commit to revising the Child Benefit eligibility structure so that single-income households are not unfairly penalised by the HICBC compared with dual-income households.

Victoria Benson, CEO of Gingerbread, said:

"How can it be right that a single parent family is hit by the tax charge on child benefit when their household income is half that of a two-parent family? This charge penalises single parents and their children. We need this government to really look at the impact of its policies and to better support single parent families in all income brackets."

Martin Lewis, Founder of MoneySavingExpert, said:

"Even the Chancellor had to agree with me, when I put it to him, that the High-Income Child Benefit Charge is an unfairness in the tax system. It penalises single-parent and single-income families unfairly. It was by far the biggest single topic the public wanted me to put to politicians. The problem is exacerbated by the frozen £50,000 threshold which fiscally drags more single-parent families into this situation each year. It staggers me no party has latched onto the popularity they'll get from pledging to end this structurally unfair anomaly."

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<sup>4</sup> Ibid (1).

<sup>5</sup> <https://hansard.parliament.uk/Commons/2023-02-02/debates/0D9BCE1C-7045-4F71-BDD5-E4597555A09D/HighIncomeChildBenefitCharge>