

Taxing Child Benefit

**Thomas Clark
Julian McCrae**

*Institute for Fiscal Studies
An E·S·R·C Research Centre*

Copy-edited by Judith Payne

**The Institute for Fiscal Studies
7 Ridgmount Street
London WC1E 7AE**

Published by

The Institute for Fiscal Studies
7 Ridgmount Street
London WC1E 7AE
Tel: +44-171-291 4800
Fax: +44-171-323 4780
Email: mailbox@ifs.org.uk
Internet: <http://www.ifs.org.uk>

© The Institute for Fiscal Studies, December 1998

ISBN 1-873357-86-9

Printed by

KKS Printing
The Printworks
12–20 Rosina Street
London E9 6JE

Acknowledgements

The authors are grateful to Andrew Dilnot and Chris Giles for their comments and discussion of the issues covered by this Commentary. They also gratefully acknowledge the funding provided by the Economic and Social Research Council (ESRC) through the Centre for the Microeconomic Analysis of Fiscal Policy at the Institute for Fiscal Studies (IFS). Data from the 1995–96 Family Resources Survey were kindly supplied by the Department of Social Security. All opinions and errors are those of the authors.

Thomas Clark is a Research Economist and Julian McCrae is a Senior Research Economist at IFS.

Contents

1. Introduction	1
2. The child benefit system	2
2.1 Interaction with other benefits	2
2.2 The structure of the UK tax system	2
3. Options for taxing child benefit	4
3.1 Taxation as individual income at all marginal rates	5
3.2 Taxation as individual income at higher rate only	6
3.3 Taxation as joint income at all marginal rates	7
3.4 Taxation as joint income at higher rate only	8
3.5 Summary of results	10
4. An alternative reform: lowering the higher-rate threshold	12
5. Conclusions	14
Appendix A. Constructing income deciles and family types	15
Appendix B. Taxing child benefit at the higher rate only	16

1. Introduction

With just over £7 billion being spent on it last year, child benefit forms a central part of the provision for children in the UK benefit system. In the March 1998 Budget, the Chancellor made clear that he intends to retain this benefit. He stated his belief that 'child benefit remains the fairest, the most efficient and the most cost-effective way of recognising the extra costs and responsibilities borne by all parents'.

To emphasise his point, the Chancellor announced an increase in the rate of child benefit for the first child by £2.50 per week from April 1999. But while the future of child benefit itself looks secure, its exemption from income tax is not. The Chancellor stated that, were child benefit to be raised in the future, there would be a case for introducing tax, at least at the higher rate, on these payments. Similar proposals have also been announced by the Liberal Democrats.¹

This Commentary examines the main ways in which child benefit could be taxed. The next section describes the current child benefit system and its interaction with other benefits. It also looks at the relevant aspects of the tax system. Section 3 examines in detail the main alternative forms that the taxation of child benefit could take. Section 4 looks at one specific alternative to taxing child benefit as joint income at the higher rate only — a reduction in the higher-rate threshold for all taxpayers. Section 5 concludes.

¹Liberal Democrats' policy document, *Moving Ahead: Towards a Citizens' Britain*, August 1998.

2. The child benefit system

Child benefit in its present form was introduced in April 1977. It replaced the family allowance system (a benefit paid to families with children) and child income tax allowances. Family allowance was subject to a clawback through the income tax system, which meant that the level of the benefit was reduced once taxable income passed a given threshold. Child benefit has never been taxable.

Table 2.1 shows the current rates of child benefit. There is a flat rate of £9.30 for each child and an addition of £2.15 in respect of the first eligible child. All children under 16 are eligible for the benefit, along with those aged between 16 and 18 who are in full-time education. The payment is standardly made to the mother of the children.

Table 2.1. Child benefit rates, 1998–99

	Rate for child (£ p.w.)	Cumulative payment (£ p.w.)	Cumulative payment (£ p.a.)
First child	11.45	11.45	595.40
Second child	9.30	20.75	1,079.00
Third child	9.30	30.05	1,562.60
Subsequent children	9.30	—	—

2.1 Interaction with other benefits

The interaction of child benefit with the other elements of the tax and benefit system is shown in Table 2.2. The most important interaction is with income support, which is the main income maintenance benefit in the UK. The child credits in income support are designed to take into account the costs of children, and so act as an effective replacement for child benefit. Hence child benefit counts in full in the income support means test. The consequence of this is that, if child benefit were increased without any consequential changes to the income support system, the increase would be clawed back through the income support system for 3 million children living in the lowest-income households.

Table 2.2. The interaction of child benefit with other benefits

Benefit	Child benefit counts as income in the means test	Effective clawback of £1 child benefit income
Income support	Yes	£1
Housing benefit	Yes	65p if not on income support
Council tax benefit	Yes	20p if not on income support
Family credit / working families' tax credit	No	—

2.2 The structure of the UK tax system

In 1990, the UK moved to a system of independent taxation, under which the level of tax incurred by a person is independent of the *level of income* of any other person in their family. However, the level of taxation is not independent of the *structure* of the person's

family unit. There remain two elements of the UK tax system that recognise the family circumstances of the taxpayer. These are the married couple's allowance (MCA) and the additional personal allowance (APA). The former is, as the name suggests, an allowance available to all married couples. The latter is an allowance paid to lone parents and cohabiting couples with children. Since 1994, both these allowances have been implemented as tax credits, with the partners in a couple deciding at the start of the tax year which individual will receive the credit. The allowance reduces the tax bill of this individual by £285 per annum.²

So under this tax system, cohabitation is only relevant where there is a dependent child in the family. In this case, there is a tax incentive for the partners in the couple to declare the existence of the child to the Inland Revenue, in order to receive the APA.

²This will fall to £190 per annum from April 1999, when the tax credit is restricted to 10 per cent.

3. Options for taxing child benefit

There are a number of alternative ways in which child benefit could be taxed.

- First, it could simply count as individual income and be taxed at the recipient's marginal income tax rate. This would be the default treatment under current tax legislation and would not require any further provisions in the tax system.
- Second, it could be treated as a special source of individual income that only became liable for taxation when higher-rate tax became payable.
- Third, it could be treated as joint income of a couple, in the sense that it could be taxed as the income either of the recipient or of their partner.³ Child benefit would be treated as the income of the partner with the highest marginal income tax rate and would be taxed at that rate.
- Finally, it could count as joint income, to be taxed only when higher-rate tax became payable by one person in the family.

We consider each of these alternatives in this section. In Section 4, we examine an alternative to taxing child benefit as joint income at the higher rate, which is simply to lower the higher-rate threshold for all taxpayers to raise an equal amount of revenue.

We also consider the distributional consequences of each of these changes if the revenue generated were returned in the form of an increase in child benefit. For simplicity, we assume that this occurs through an increase in the rate for each child, although there are clearly alternative methods of increasing the generosity of child benefit.⁴ Additionally, we assume that the child rates in income support, housing benefit and council tax benefit are increased by the same amount to ensure that the increase is not clawed back from low-income families. As there are just under 13 million children in the UK eligible for child benefit, this implies that every £100 million per annum raised in income tax allows child benefit to be increased by 15p per child per week.

All the modelled results are in 1998 prices. The tax and benefit system is based on the one in force at April 1998, but also incorporates all pre-announced structural changes. The most important of these is the £2.50 addition to the first-child rate of child benefit that is due to come into effect in April 1999. The other structural changes are the £2.50 addition to the means-tested benefit child rates, the abolition of the entry fee on National Insurance and the replacement of family credit by the working families' tax credit (WFTC).

³Note that this differs from joint taxation where the income tax allowances and bands apply to the combined income of the couple. Under the proposals modelled here, tax allowances and bands still apply to each individual's income.

⁴For example, in the March 1998 Budget, the additional payment for the first child was increased. The Liberal Democrats' policy document, *Moving Ahead: Towards a Citizens' Britain* (August 1998), proposes an increase in child benefit for children under the age of five.

3.1 Taxation as individual income at all marginal rates

The first proposal we consider is to tax child benefit as the individual income of the person to whom it was paid, which in most cases would be the mother, at their marginal income tax rate. Under this proposal, child benefit would be treated as a simple addition to other taxable income and there would be no need for further special rules. In terms of tax system administration, this is clearly the most efficient and cost-effective means of bringing child benefit within the income tax net.

This form of tax treatment would effectively tax women who are currently working and earning more than £4,195 per annum.⁵ If the revenue generated were returned in the form of increases to the child benefit rates, then the reform would amount to little more than a straight redistribution from working women to non-working women. The possible concerns here are that those in work but on relatively low incomes would lose, while those not working, but with high-earning partners, would gain.

Taxing child benefit in this way would raise £750 million per annum in additional revenue. Child benefit could be increased by £1.30 per child per week.⁶ Table 3.1 shows how those in receipt of child benefit would be affected by the combined effect of the increase in child benefit and the introduction of taxation. Apart from those on the working families' tax credit with more than one child, all those earning enough to pay income tax will be worse off. Conversely, all those who do not have a high enough income to pay tax will be better off.

Table 3.2 shows the consequences of this for the balance between gainers and losers across families of different types.⁷ Most families where the woman is not typically engaged in paid work (non-earner single parents, no-earner couples and one-earner couples) would gain. In contrast, most of those families where women are in paid work (earning single parents and two-earner couples) stand to lose.

The distributional impact of the reform in terms of net income is shown in Figure 3.1.⁸ As we would expect, the reform provides large increases in income for those in the

Table 3.1. Net income changes: independent taxation at all marginal rates

Number of children	<i>£ per week</i>				
	Non-taxpayer	Lower-rate taxpayer on WFTC	Lower-rate taxpayer	Basic-rate taxpayer	Higher-rate taxpayer
1	1.30	-0.07	-1.75	-2.21	-4.80
2	2.60	0.27	-2.57	-3.35	-7.74
3	3.90	0.62	-3.39	-4.48	-10.68

⁵Or £5,620 (= 4,195 + 285/0.2) per annum if they are in receipt of the MCA or the APA.

⁶As some of the additional child benefit would be clawed back through the tax system, the amount of additional tax revenue implied by this reform increases to £850 million per annum.

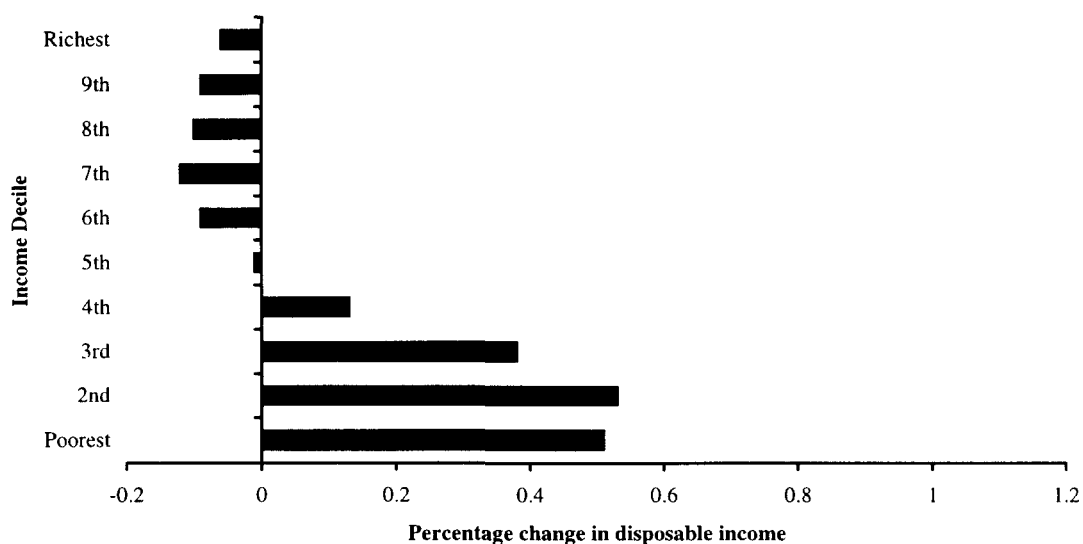
⁷Appendix A shows the proportion of families that fall into each family type.

⁸The construction of income deciles is described in Appendix A. Note that these are deciles of the whole population including childless families.

**Table 3.2. Gainers and losers by family type:
independent taxation at all marginal rates**

Family type	Losers (%)	Gainers (%)
<i>Lone parent</i>		
Non-earner	4	96
Earner	69	31
<i>Couple</i>		
No earner	5	95
One earner	17	83
Two earners	78	22

**Figure 3.1. Distributional impact by income decile:
independent taxation at all marginal rates**



poorest deciles. But even by the fifth decile, families lose on average from the reform. The largest losses on average fall in the seventh decile.

3.2 Taxation as individual income at higher rate only

Many recent proposals for the taxation of child benefit have argued that this should be confined to only higher-rate taxpayers. The November 1998 Pre-Budget Report stated that ‘if Child Benefit were to be raised in future there would be a case in principle for higher rate taxpayers paying tax on it’. There are a number of means by which this could be achieved, all of which involve some group facing a higher marginal rate of tax over a range of income. The details of these alternatives are discussed in Appendix B. For these comparisons, we assume that higher-rate tax becomes payable when taxable income *including* child benefit exceeds the higher-rate threshold. This implies that individuals would face a 63 per cent marginal income tax rate on earnings just below the current higher-rate threshold.

If this reform were implemented with child benefit treated as the income of the person who received the benefit, then the increase in revenue would be just £70 million, or just under 0.1 per cent. This would only fund a 10p per child per week increase in child benefit. The low level is due to the fact that few higher-rate taxpayers are in receipt of child benefit. The overall distributional effects of such a change are therefore negligible. However, if the move to taxation at the higher rate is seen as a move of principle rather than as a revenue-raising measure, then presumably these arguments might justify this tax treatment of income from child benefit, even though the actual impact of the change is small.

3.3 Taxation as joint income at all marginal rates

One of the possible concerns with taxing child benefit as individual income at all marginal rates is that women with low personal income but high family income gain from such changes. One response to this is to tax child benefit as joint income, in the sense that it could be taxed as the income either of the recipient or of their partner, with the tax being paid at the highest marginal rate of the partners in a couple.

As the tax system currently stands, such a proposal would be very difficult to implement. The tax system needs to identify not just the recipient of the child benefit payment, but also the partner in the tax year who may be liable to tax on this payment. It would require the linking of the tax circumstances of all taxpayers with those of their partner. This would be particularly problematic for lower- and basic-rate PAYE taxpayers who currently do not make tax returns.

Aside from linking tax returns, there is a huge problem in identifying the family unit. In a world of stable ‘traditional’ families, establishing whether or not a person had a partner in receipt of child benefit might not be an administratively arduous task. But with less stable relationships, the tax system would need to monitor the cohabiting status of all taxpayers. As noted above, the tax system already has reason to monitor the family structure of taxpayers to allow payment of the APA to cohabiting couples. In these cases, the system achieves compliance by offering a ‘reward’ for declaring that one is cohabiting.

The taxation of child benefit as joint income would mean that individuals would face a ‘penalty’ for declaring cohabiting relationships involving children. As such, without any further changes, we would expect fewer such relationships to be declared. The only means by which such a reform could be enforced is by the Inland Revenue involving itself in the monitoring of cohabitation, in much the same way as the Benefits Agency engages in home visits to claimants to assess whether they are living with another person.

Taxing child benefit as joint income at all marginal rates would raise £1.5 billion in extra revenue. Child benefit could be increased by £2.75 per child per week.⁹ Figure 3.2 shows the distributional impact of this reform in terms of income deciles. The pattern of results is similar to that found in Figure 3.1, although the average sizes of the gains and losses are much larger here.

⁹As a large part of the additional child benefit would be clawed back through the tax system, the amount of additional tax revenue implied by this reform increases to £1.85 billion per annum.

**Figure 3.2. Distributional impact by income decile:
joint taxation at all marginal rates**

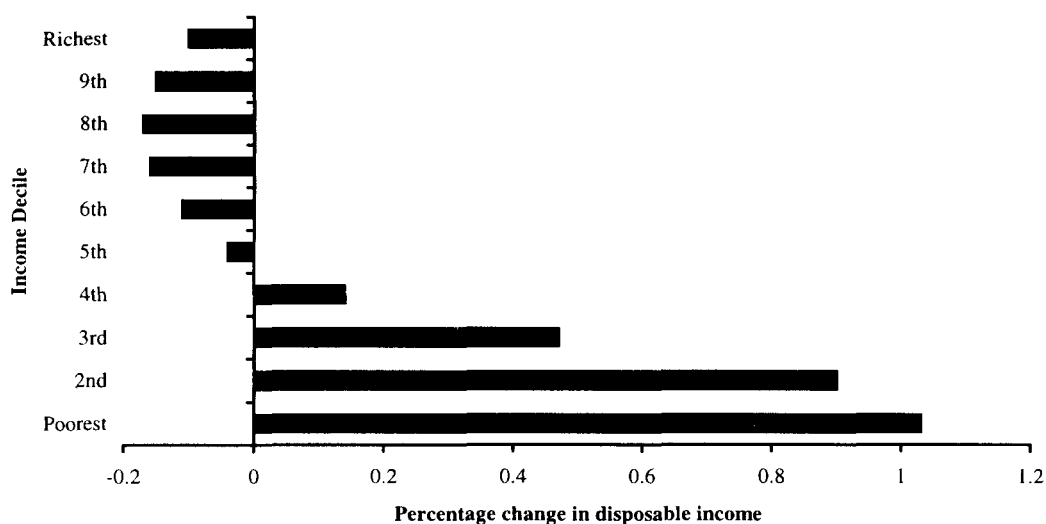


Table 3.3. Gainers and losers by family type: joint taxation at all marginal rates

Family type	Losers (%)	Gainers (%)
<i>Lone parent</i>		
Non-earner	3	97
Earners	65	35
<i>Couple</i>		
No earner	11	89
One earner	90	10
Two earners	98	2

Table 3.3 shows the gainers and losers by family type. The major difference between this reform and taxation as independent income at all marginal rates is in the number of one-earner couples who gain from the reform. As Table 3.3 shows, 90 per cent of this group lose under joint taxation, whereas in Table 3.2 some 83 per cent of the group gained.

3.4 Taxation as joint income at higher rate only

Confining the taxation of child benefit as joint income to families where there is at least one higher-rate taxpayer would substantially reduce the associated administrative costs. As all higher-rate taxpayers currently fill in tax returns, there is little difficulty in asking whether the person's partner was in receipt of child benefit. It would then be necessary to link the tax returns of the partners to ensure that, if they are both liable to higher-rate tax, only one paid tax on the child benefit. This latter provision would, however, only affect a tiny number of families, and so would not necessarily require the linking of the tax returns for all couples. So taxing child benefit as joint income might be an administrative possibility if confined to the higher rate. But there would still be the problem of assessing the cohabiting status of higher-rate taxpayers.

There remains the question as to why child benefit should be taxed in this way. The arguments that could be made for such a system fall into two camps — the pragmatic and the principled. The pragmatic argument is very simple — if child benefit is taxed only at the higher rate, then to raise any appreciable level of revenue it must be taxed as joint income.

The principled arguments are more difficult. It is necessary to establish why child benefit should be taxed as joint income when all other sources are taxed as individual income. It might be argued that child benefit is fundamentally a family benefit and should therefore be taxed at the family level. But this is rather difficult to reconcile with the fact that the child benefit payment is the same, regardless of whether the partner exists or not. Another approach would be to argue that not taxing child benefit payments that go to low-income individuals in rich families would be, in some sense, unfair. Of course, it is possible to counter this point by arguing that taxing an individual on income that went to another individual is also, in some sense, unfair. It is the greater weight attached to this latter ‘unfairness’ that provides one of the most powerful principled arguments in favour of independent taxation.

It is not impossible to argue for the joint treatment of child benefit in the tax system. However, the central point is that it is unlikely that such an argument could be made without involving a fundamental dissatisfaction with the independent nature of the tax system. At heart, such arguments must claim that there are sources of income for which the appropriate level of tax is a function of the income of the whole family unit rather than of the individual.

Interestingly, the potential outcome of the current debate about the taxation of child benefit would be the opposite to that normally sought by those in favour of joint taxation. The normal line of argument in favour of joint taxation over independent taxation is that, by ignoring the family situation of the taxpayer, an independent tax system imposes too high a tax burden on those with family responsibilities relative to those without such responsibilities.¹⁰ As such, it is an argument for reducing the relative tax bill of those with family responsibilities. The effect of taxing child benefit as joint income is to *increase* the tax burden of certain individuals with family responsibilities relative to their single counterparts without such responsibilities.

The taxation of child benefit as joint income at the higher rate would raise £450 million. Child benefit could be increased by 70p per child per week.¹¹ The distributional impact of this change is shown in Figure 3.3. For the six poorest deciles, the incomes of families are increased on average, with losses occurring on average in the four richest deciles.

Table 3.4 shows the effect on the distribution of gainers and losers across family types. First, there are far fewer losers than when child benefit is taxed at all marginal rates. In particular, almost all working lone parents see their incomes rise. Second, losers are

¹⁰See, for example, H. Parker, *Taxes, Benefits and Family Life*, Institute of Economic Affairs, London, 1995, and *The Conservative Manifesto, 1997*, Conservative Central Office, London, 1997.

¹¹As some of the additional child benefit would be clawed back through the tax system, the amount of additional tax revenue implied by this reform increases to £500 million per annum.

**Figure 3.3. Distributional impact by income decile:
joint taxation at higher rate only**

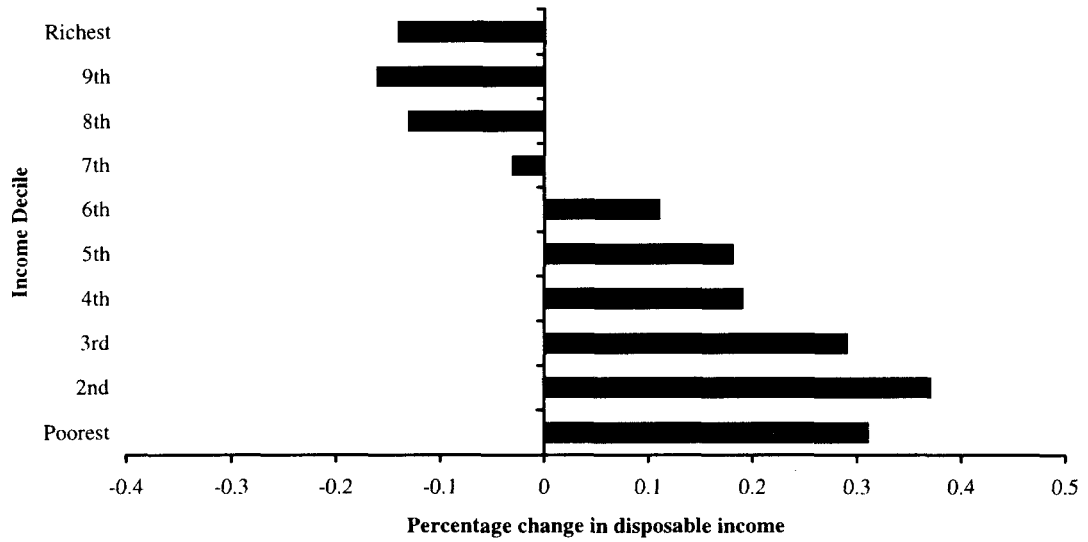


Table 3.4. Gainers and losers by family type: joint taxation at higher rate only

Family type	Losers (%)	Gainers (%)
<i>Lone parent</i>		
Non-earner	0	100
Earner	4	96
<i>Couple</i>		
No earner	1	99
One earner	20	80
Two earners	22	78

restricted to two categories — one- and two-earner couples, with about 20 per cent of each group losing. Note that, as tax is only payable when the income of one partner including child benefit exceeds the higher-rate threshold, a two-earner couple on, say, £25,000 each would not incur any additional tax, while a single earner on £35,000 would.

3.5 Summary of results

Table 3.5 summarises the results from the four reforms considered in this section. Taxation at all marginal rates raises the largest amounts of revenue and allows substantial increases in the generosity of child benefit. However, as discussed above, there are likely to be concerns about the distributional effects of such reforms.

Table 3.5. Summary of different forms of taxation

Reform	Revenue generated (£ million per annum)	Increase in child benefit (£ per child per week)
Independent at all marginal rates	750	1.30
Independent at higher rate only	70	0.10
Joint at all marginal rates	1,500	2.75
Joint at higher rate only	450	0.70

Taxation only at the higher rate — the option currently being considered by the government — raises less revenue. In particular, taxation as independent income at the higher rate only allows a 10p per child per week increase in child benefit. Taxation as joint income raises more revenue. But beyond this, the reasons for such a move in an independent tax system are unclear.

4. An alternative reform: lowering the higher-rate threshold

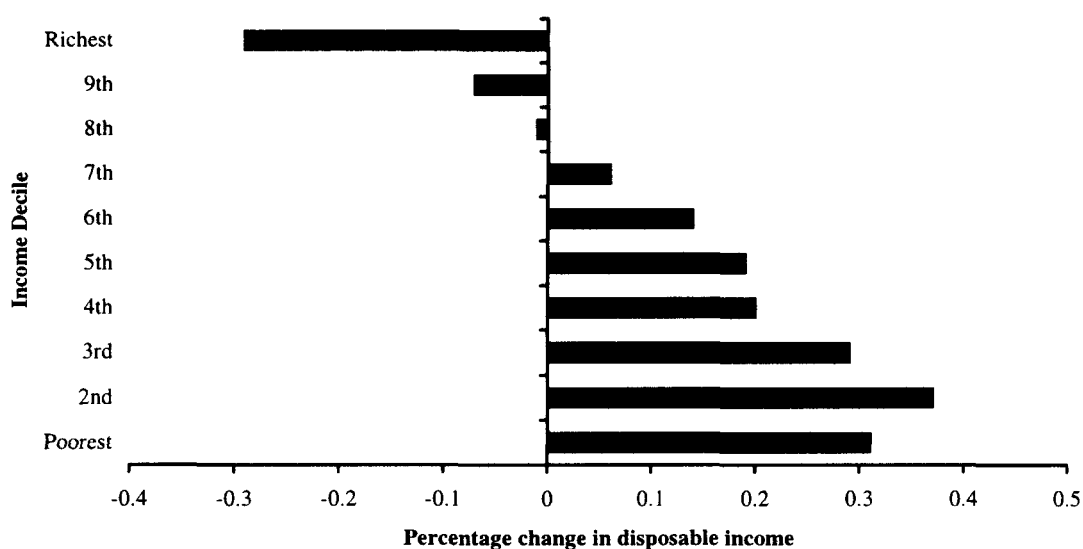
The taxation of child benefit at the higher rate either raises almost no revenue or significantly increases the complexity of the tax system while raising relatively little revenue. An alternative strategy would be to raise the revenue needed to increase child benefit from a general increase in the level of taxation faced by higher-rate taxpayers irrespective of their family circumstance. This could be achieved by lowering the current higher-rate threshold by £1,150 to £25,950, which brings an additional 250,000 people into higher-rate tax. The revenue could then be spent on increasing child benefit and related benefits by 70p per child per week, as in Section 3.

Table 4.1 highlights the main differences between this strategy to finance increases in child benefit and raising the revenue by taxing the benefit as joint income at the higher rate only. First, under this scheme, higher-rate taxpayers without children are required to contribute to the financing of the increase in child benefit and, as a result, the losses suffered by higher-rate taxpayers with children are smaller. Second, under this method,

Table 4.1. Change in net income for higher-rate taxpayers: reduction in the higher-rate threshold versus joint taxation of child benefit at the higher rate only

Situation of higher-rate taxpayer	Joint taxation at higher rate only (£ p.w.)	Reduction in higher-rate threshold (£ p.w.)
Childless	0	-3.76
<i>Family with one taxed at higher rate</i>		
One child	-5.16	-3.06
Two children	-8.46	-2.36
Three children	-11.76	-1.66

**Figure 4.1. Distributional impact by income decile:
reduction in higher-rate threshold**



the increase in tax is the same for higher-rate taxpayers with different numbers of children. Once the effect of the increasing rate of child benefit is taken into account (as in Table 4.1), families with more children would face smaller losses. In contrast, the taxation of child benefit imposes a greater burden on those with more children.

Figure 4.1 shows the distributional effects of financing the increase in the rate of child benefit by a cut in the higher-rate threshold. These are broadly the same as those in Figure 3.3 above. But among the richest deciles, it is clear that this option is more progressive than the alternative of taxing child benefit as joint income at the higher rate. This is because families with children are paying less, while rich single people and childless couples are now losing.

5. Conclusions

With an independent tax system, simply taxing child benefit and using the revenue to increase child benefit rates produces a redistribution from working women, some on relatively low incomes, to non-working women. It seems unlikely that there is much political support for such a change.

The current discussion therefore centres on the possibility of taxation only for those paying higher-rate tax. With independent taxation, this would raise virtually no revenue as there are few higher-rate taxpayers in receipt of child benefit. Treating child benefit as joint income would increase the amount of revenue raised to £450 million, revenue which could pay for an increase in child benefit of 70p per child per week. However, this would significantly increase the complexity of the tax system and would be difficult to justify on any grounds other than as a pragmatic change aimed at raising revenue.

There are two alternative courses of action. The first would be to fund any increases in child benefit via a general increase in taxation on those with enough income to pay tax at the higher rate. This would be in line with the principles that currently underlie income tax and child benefit. Child benefit is a universal recognition of the additional costs imposed by children. Income tax raises revenue by reference to an individual's income and not the income of any family structure to which they happen to belong.

The second alternative is to question the principle behind independent taxation. This question is clearly raised by the taxation of child benefit as joint income. Confining the joint nature of the tax system to simply the taxation of one income source, rather than the consideration of the wider tax system, is arbitrary. It opens a wide range of issues for discussion, which are beyond the scope of this Commentary. But any government that decides to introduce joint taxation on child benefit as a principled measure would be well advised to consider the implications of this for the continuation on independent taxation in the UK.

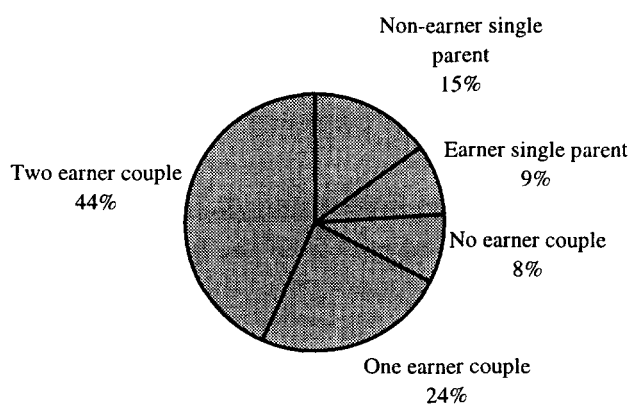
Appendix A. Constructing income deciles and family types

The distributional results in this Commentary are based on the IFS tax and benefit micro-simulation model, TAXBEN. The data used are from the 1995–96 Family Resources Survey. This is a representative sample of the UK population containing about 25,000 households.

Income deciles are formed by dividing the families in the survey into 10 equal-sized groups, ranked by after-tax income. The income measure is equivalised using McClements scales to take account of variations in family size.

Figure A.1 shows the proportions of families with children that fall within each of the family types used in the Commentary.

Figure A.1. Breakdown of family types

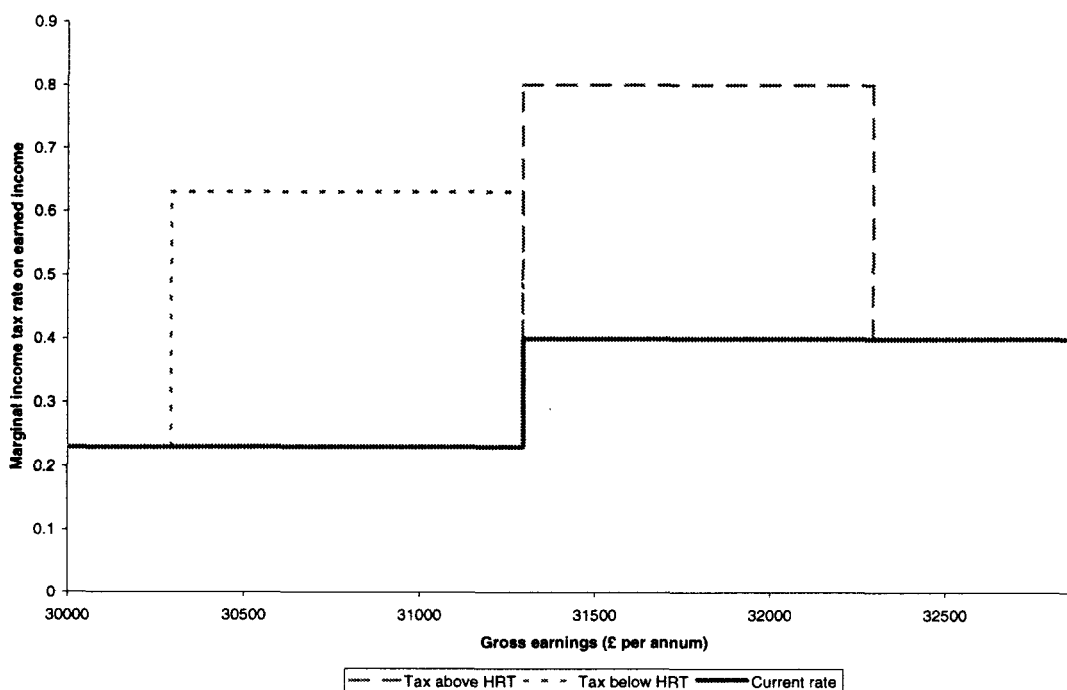


Appendix B. Taxing child benefit at the higher rate only

Taxing child benefit at the higher rate only implies that lower- and basic-rate taxpayers would pay no more tax than at present, while higher-rate taxpayers would face an additional bill of 40 per cent of their child benefit receipt. However, there must also be a transitional range of income over which the taxation of child benefit is phased in through an increase in the marginal income tax rate. Otherwise, there would be a discontinuity in the schedule of income tax payments when individuals moved into higher-rate tax. This transitional range can be either below or above the current higher-rate threshold. Clearly, the lower the point at which the transitional range begins, the higher the tax revenue for the government.

Figure B.1 shows the impact of two alternatives on the marginal rate of tax on earned income.¹² The first is the case that occurs if tax becomes payable on child benefit when income *including* child benefit exceeds the current higher-rate threshold. In this case, the transitional range is below the current higher-rate threshold and involves a marginal tax rate on earned income of 63 per cent. This is the form of taxation used in the modelled results in this Commentary. In the second case, for each £1 of income *excluding* child benefit above the higher-rate threshold, £1 of child benefit income becomes subject to tax at the higher rate. This leads to a transitional range above the current higher-rate

Figure B.1. Alternative marginal rate structures for taxing child benefit at the higher rate only



Note: HRT = higher-rate threshold.

¹²Note that there will be a different marginal rate structure for saving, as this is taxed at 20 per cent at the basic rate.

threshold where the marginal income tax rate on earnings is 80 per cent. The marginal rate falls back to 40 per cent once all of the child benefit payment is subject to tax.

These two cases are not the only possibilities. One other interesting case is where the higher-rate threshold is lowered by enough to prevent anyone facing a marginal tax rate of over 40 per cent. This would involve reducing the higher-rate threshold by the level of the child benefit payment times 2.35.¹³

¹³= $0.4 / (0.4 - 0.23) = \text{higher rate} / (\text{higher rate} - \text{basic rate})$.

THE INSTITUTE FOR FISCAL STUDIES

Taxing Child Benefit

1 December 1998

Janet Allberson	Social Security Committee
Steve Ball	Bridge News
C S Bobbett	IBFD
Tom Clark	IFS
Christine Clark	DSS Family Support Policy
Richard Cracknell	House of Commons Library
Andrew Dilnot	IFS
Carl Emmerson	IFS
Malcolm Gammie	One Essex Court
Ralph Gonsalves	Cabinet Office
Julian Kelly	H M Treasury
Nick Kounis	DfEE
Craig Lester	H M Treasury
Terri MacDermott	CPAG
Julian McCrae	IFS
Bill McNie	Inland Revenue
Toby Nutley	DSS
Gillian Paull	IFS
Eric Pickles MP	
Jeremy Pockington	H M Treasury
Howard Reed	IFS
Ceridwen Roberts	F P S C
Peter Shelley	Social Security Committee
Peter Short	H M Treasury
Irene Simmons	DSS Family Support Policy
Sarah Tanner	IFS
Jayne Taylor	IFS
Richard Thomas	The Observer
Edward Troup	Simmons and Simmons
Sharon White	No 10 Policy Unit