

DearMP

I am writing to ask you to join the debate on Thursday 2nd February at 1:30 pm in Westminster Hall on the High Income Child Benefit Charge.

The distribution of Child Benefit (CB) needs to be fair. Poorer families should not face an unjust tax penalty whilst paying taxes towards CB for families who are much better off.

The High Income Child Benefit Charge was justified unjustly by George Osborne and the Coalition government on the grounds that they were targeting the richest 15% households:

"We have always been clear that those with the broadest shoulders should carry the greatest burden. ...Some people - the richest 15 per cent of households with children - will lose out from January next year but ... it is very difficult to justify continuing to pay for the Child Benefit of the wealthiest 15 per cent of families in society." (Conservative Party 2012)

Mr Osborne: "I think it is fair to ask those in the top 15% of the income distribution to make a contribution to the fiscal consolidation."

Removing Child Benefit would be fair if these statements were true, but they are not. They are misleading and divisive. The removal of Child Benefit hits some families in the lower half of the income distribution while some families who are in the wealthiest 15% keep their CB. Mothers with little or no income lose their benefit while higher-earning mothers keep it.

How well off a family is cannot be calculated by the gross income of an individual. It is the **family income** that matters. By the Treasury's own calculations, many single-income families are in the bottom half of the income distribution. To work out where a family falls in the income distribution the government adjusts net household income for the number of people in the house and the ages of any children. In economic terms, this process is called 'equivalisation'. This is how the benefit system works.

Is it fair that families who are able to command (in a free market) incomes in the top 15% are brought into the bottom half of the income distribution because of government policies? This means the taxes they pay make their households poorer than some of those their taxation contributions are supporting.

The other effect of this tax charge is the very high marginal tax rates which make it so difficult for the main breadwinner to earn extra income. He/she becomes poorer by working harder. This is unjust. It makes more financial sense in relationships where one parent stays at home to care for that parent to enter paid work to plug the income gap. Children lose their mothers and mothers have to give up their caring work much earlier than they would like. Is this fair?

The Higher income tax charge must take into account the household income. Taxation needs to recognise the dependent nature of the family.

For more information please see bit.ly/familytax

Yours sincerely,