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Child Benefit

This Research Paper examines the history and proposals for reform of Child Benefit in the light of recent announcements made about the benefit. These announcements include: the raising of the rate of Child Benefit for the first child by over 20% from April 1999; the possibility of taxing the benefit for higher rate tax payers; and the piloting of a scheme to replace Child Benefit for over 16 year olds with a means-tested education maintenance allowance.

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Summary of main points

- Child Benefit is a tax-free cash benefit of £11.45 per week for the first eligible child and £9.30 per week for each subsequent child.

- Child Benefit is a universal benefit paid regardless of income or capital to a person responsible for a child, usually the mother.

- Child Benefit replaced Family Allowances and Child Tax Allowances from 1977 (the latter only in part from 1977 and fully from 1979).

- The value of Child Benefit declined between 1985-91 in favour of targeting help on those dependent on means-tested benefits.

- From 1991 the principle of giving larger increases in the rate for the first child was introduced. The latest such increase was announced in the Budget on 17 March 1998 to take effect from April 1999.

- From April 1999 Child Benefit for the first eligible child will be increased by £2.50 per week in addition to the usual increase for inflation. At an increase of over 20%, this is the largest single increase since the introduction of the benefit.

- The Chancellor of the Exchequer, Gordon Brown, also announced in the Budget that consideration will be given to taxing Child Benefit for higher rate tax payers.

- On 14 July 1998 Gordon Brown announced that a scheme will be piloted to replace Child Benefit for over 16 year olds with a means-tested education maintenance allowance.

- Arguments for and against Child Benefit have ranged from those in favour of a universal benefit as the best means of relieving child poverty, to those in favour of means-tested alternatives to target the poor.

- Consideration of possible reforms of Child Benefit has raised, amongst other issues: the complexity of taxing the benefit within the current system of independent taxation; the historical shift towards a premium for the first child; and the differing views on the extra costs faced by lone parents.

- Compared internationally the UK is unusual in paying a premium for the first child. Few countries tax family allowances.

CONTENTS

I Introduction

Child Benefit is a tax-free cash benefit of £11.45 per week for the first child and £9.30 per week for each subsequent child,[1] paid to a person responsible for a child, usually the mother. It is a universal benefit paid regardless of income or capital and has a take-up rate of almost 100%.[2]

In Great Britain approximately 7 million families receive Child Benefit for 12.7 million children at an annual cost of £6.7 billion.[3]

The Government gave a manifesto commitment to "retain universal Child Benefit where it is universal today – from birth to age 16 – and to uprate it at least in line with prices".[4]

On 17 March 1998 the Chancellor of the Exchequer, Gordon Brown, announced an increase in Child Benefit from April 1999 of £2.50 per week for the first child, in addition to the usual uprating for inflation.[5] This is the largest single increase in Child Benefit since its introduction in 1977. He also said:

> It must be right in principle that if Child Benefit is raised, there is a case for higher rate tax payers paying tax on it...following the children's review, we shall bring forward detailed recommendations for reform.[6]

On 14 July 1998 the Chancellor made a further announcement, that a scheme will be piloted replacing Child Benefit for those over 16 with a means-tested education maintenance allowance. If successful the scheme will become national.[7]

This Research Paper examines the arguments that have been put forward for and against maintaining Child Benefit in its present form and considers some of the proposals that have been made for the future of the benefit.

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1 Figures from 6 April 1998
2 HC Deb 12 November 1996 cc 194-5W
3 Social Security Statistics 1997, DSS, p254
4 *New Labour Because Britain Deserves Better*, Labour Party, 1997, p 25
5 HC Deb 17 March 1998 c1108
6 HC Deb 17 March 1998 c1108
7 HC Deb 14 July 1998 c192

II The History of Child Benefit

Child Benefit was introduced in April 1977 by the *Child Benefit Act 1975*. It replaced Child Tax Allowances, which were phased out between 1977 and 1979 and the Family Allowance, a weekly taxable benefit introduced in 1945 for second and subsequent children. Below is a brief outline of the history of Family Allowances and Child Benefit from 1945 to the present day.

A. 1945-77: Family Allowances

1945 The *Family Allowances Bill*, campaigned for by Eleanor Rathbone MP, was introduced by the Coalition Government and passed as the *Family Allowances Act 1945*.

An amendment proposed by Eleanor Rathbone and passed on a free vote overturned the government's intention to have Family Allowance paid to the father. The benefit was taxable and was paid only for second and subsequent children.

1948-67 Family Allowances were increased twice.

1968 Family Allowances were increased twice, but the increases were targeted at those below the tax threshold since Child Tax Allowances were reduced by the same amount, an idea put forward by Beveridge.[8]

May 1975 The *Child Benefit Bill* was introduced by the Labour Government with all party support. The benefit was to be paid for all children, including the first. As it was tax free all families would benefit, although the only advantage to those on means-tested benefits was that "a larger part of their income" would be received "from benefits as of right".[9] Barbara Castle, then Secretary of State for Social Services, opened the Second Reading Debate on the Bill as follows:

> It gives me the greatest pleasure to introduce the Bill, which I am sure will be accepted on all sides of the House. It achieves a long overdue merger between child tax allowances and family allowances into a new universal, non-means tested, tax-free cash benefit for all children, including the first, payable to the mother. In this way it ensures that the nation's provision for family support is concentrated first and foremost where it is needed most on the poorest families; and that it goes to the person responsible for caring for the children and managing

8 *Social Insurance and Allied Services. Report by Sir William Beveridge*, Cmd 6404, November 1942, para 422

9 HC Deb 13 May 1975 c334

> the budget for their food, clothing and other necessities.[10]

Later, she said:

> What will the child benefit scheme achieve? First and most important the poorer families who have not been able to take advantage of child tax allowance in full, if at all, because of their low incomes, will in future do so, as the new benefit extends the cash advantage of the allowance to all these families. Those who are dependent on means-tested benefits will receive a larger part of their income from benefits as of right. Secondly, child benefit will be paid for every single child in the family, thus extending the benefit of a payment to the first child in 4 million families drawing family allowance as well as to the 3 million single child families, thus doubling the number of children receiving benefit. Thirdly, once the scheme is operating, we shall have for the first time a single universal system of family support.[11]

Conservative Opposition amendments to introduce indexation of Child Benefit into the Bill were rejected; the Bill merely required the Secretary of State to annually consider the need for uprating.[12] Barbara Castle argued that the Bill was an improvement on Family Allowances, which had only been increased infrequently and Child Tax Allowances[13] (which were not index-linked until 1977).

1976 Child Interim Benefit was introduced for lone parents, payable for the first child. Replaced in 1977 by Child Benefit Increase.

B. 1977 – present: Child Tax Allowances and Child Benefit

1977 Child Benefit and Child Benefit Increase introduced. Child Tax Allowances index-linked.

1979 Child Tax Allowances phased out completely.

1980 The Conservative Government committed itself to maintaining the value of Child Benefit in line with inflation;[14] this was not done immediately, although announcements increasing Child Benefit to its April 1979 value from November 1983 were made in the run-up to the 1983 General Election.[15]

1985 Child Benefit was increased by less than the RPI. Norman Fowler, then Secretary of State for Social Services, explained this policy by highlighting the

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[10] HC Deb 13 May 1975 c330

[11] HC Deb 13 May 1975 c334

[12] s5(5) *Child Benefit Act 1975* repealed by the *Social Security Act 1986*

[13] SC Deb 'A' 26 April 1975 c161

[14] HC Deb 28 July 1980 c1063

[15] HC Deb 15 March 1983 c144

complementary measures that aimed to do more for low-income families. These included: increasing Family Income Supplement (FIS), the precursor to Family Credit, by more than the RPI; increasing prescribed amounts for families on FIS with older children; and increasing needs allowances for families with children on Housing Benefit by more than the RPI.[16]

1986 Statutory duty to consider an increase in Child Benefit was repealed by the *Social Security Act 1986.*

This was followed by the freezing of Child Benefit but not Child Benefit Increase known as One Parent Benefit, for three successive years in April 1988, April 1989 and April 1990. The rationale for this was "to target help on those who most need it and to control the overall growth in social security expenditure."[17]

1988 Unsuccessful attempts to amend the *Social Security Bill 1988-89* and the *Social Security Bill 1989-90* would have guaranteed the index-linking of Child Benefit.[18]

1990 The autumn uprating statement paved the way for a higher rate of Child Benefit for the first eligible child from April 1991 by increasing this by £1 whilst keeping other rates frozen.[19]

1991 In the Budget statement the Chancellor of the Exchequer, Norman Lamont, announced a further £1 increase to the rate for the first eligible child from October 1991, with a smaller increase for subsequent children. He also gave a Government commitment to increase Child Benefit in line with inflation from April 1992.[20]

1997 Rate for One Parent Benefit frozen.

1998 In the Budget statement the Chancellor of the Exchequer, Gordon Brown, announced a more than 20% increase to Child Benefit (£2.50 a week) for the first eligible child in addition to the normal uprating for inflation from April 1999, and a complementary increase to the family premium in Income Support to ensure that poorer families also benefit. He also announced £2.50 increases from November 1998 for Family Credit and Income Support rates for children under 11.[21]

One Parent Benefit abolished for most new claims from 6 July 1998.[22]

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16 HC Deb 16 June 1985 c170

17 HC Deb 27 October 1987 c180

18 See for example: HL Deb 3 March 1988 cc 311-321; HC Deb 14 March 1989 cc 920-948; HC Deb 24 April 1989 cc 680-728; and HL Deb 22 June 1989 cc 319-342

19 HC Deb 24 October 1990 c352

20 HC Deb 19 March 1991 cc 179-180

21 HC Deb 17 March 1998 c1108

22 *The Child Benefit and Social Security (Fixing and Adjustment of Rates) (Amendment) Regulations 1998* SI 1998/1581

In the statement on the Comprehensive Spending Review on 14 July 1998 Gordon Brown announced that a plan to replace Child Benefit for over 16 year olds with a means-tested educational maintenance allowance will be piloted, with the intention of introducing it nationally.[23]

C. Rates and real value of Child Benefit

Figure 1 shows the real value of Child Benefit since April 1979, when it fully replaced Child Tax Allowances. Underlying data and rates of Child Benefit since 1979 are in Appendix A.

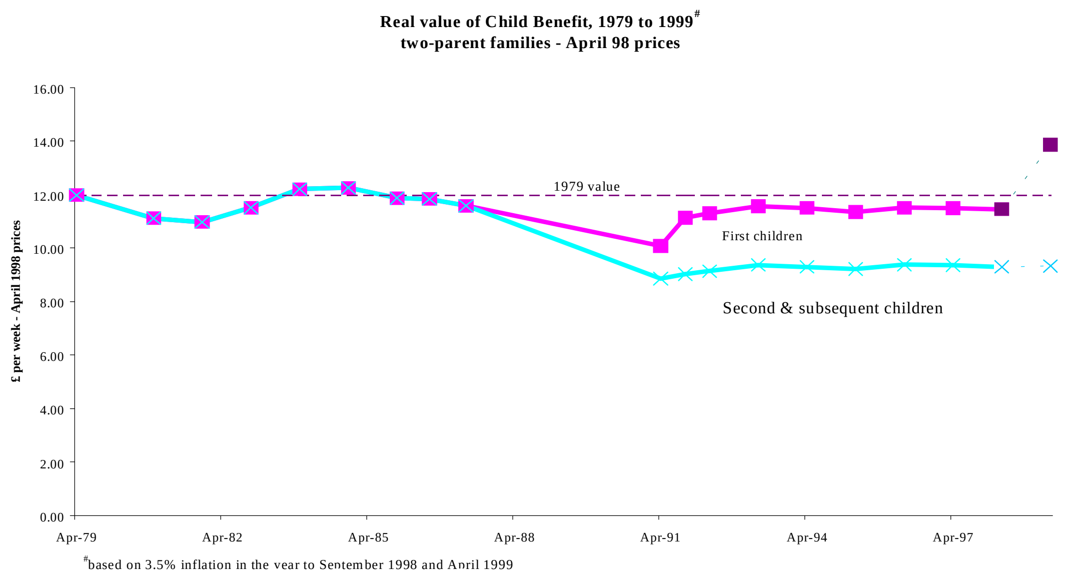
- The benefit regained its real 1979 value in the mid-1980s, but fell back again in 1985 below the real 1979 value.

- In real terms, the benefit is now below its real 1979 value for both first and second children. This is largely due to the freezing of Child Benefit between 1988 and 1990.

- The additional £2.50 per week for the first eligible child from April 1999 will give a real value for the first child around 15% higher in real terms than the April 1979 rate. With only an inflation-linked increase, the rate for second and subsequent children will remain below its real 1979 value.

Figure 1

D. Families and children receiving Child Benefit



23 HC Deb 14 July 1998 c192

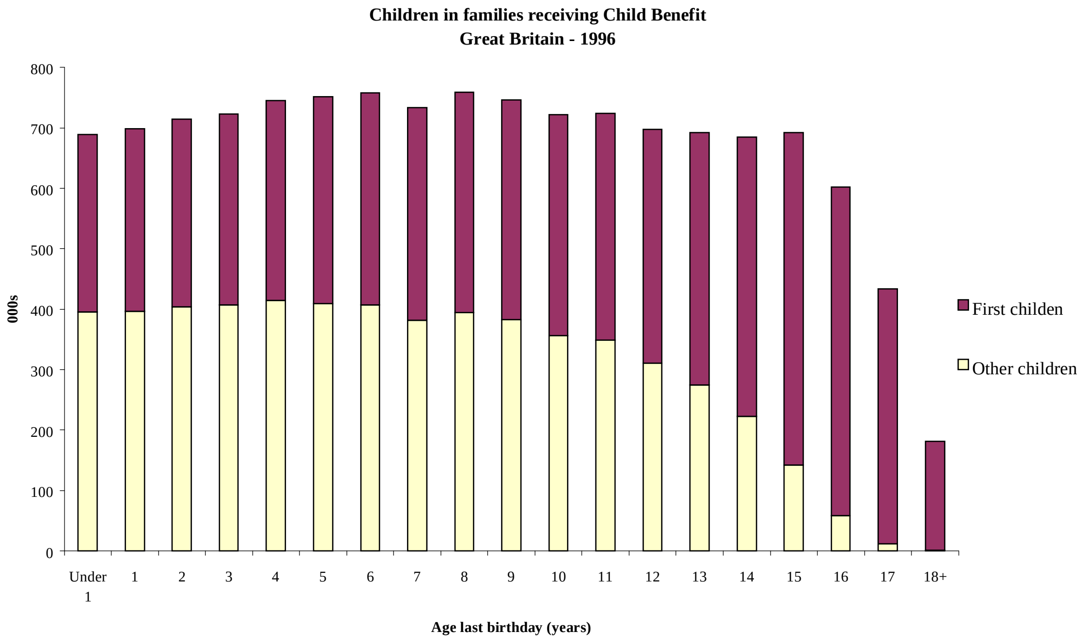
At 31 December 1996 there were 7.0 million families receiving Child Benefit for 12.7 million children.[24]

Around 1 in 10 children in families on Child Benefit is aged 16 and over, the majority are first children and the cost of benefit to this group is around £700 million. If benefit were withdrawn from this group the effect on benefit spending would be less than this as some of the children are in families receiving Income Support (from which Child Benefit is currently deducted) and the overall net Exchequer benefit would be around £500 million.

In November 1996 there were around 200,000 dependent children aged 16 and over in families on Income Support or Income-based Jobseekers Allowance.[25] This represents around 15% of all those for whom Child Benefit is being paid in this age group.

Age of children in families receiving Child Benefit - 1996

Age	000s	%
0-4	3,570	28%
5-10	4,471	35%
11-15	3,453	27%
16+	1,216	10%
	12,709	100%



Just over half, 55%, of eligible children are first children for whom the higher rate of benefit is paid. This proportion, naturally, varies with age, as older children are more likely to be the elder or eldest in a family.

24 DSS *Annual Child Benefit and One Parent Benefit Statistics 1996*

25 DSS IS Quarterly Enquiry, JSA Quarterly Enquiry

III The 1998 Budget and Child Benefit

On 17 March 1998 Gordon Brown, the Chancellor of the Exchequer, announced the following in his Budget statement:

- Child Benefit will remain universal where it is already universal (i.e. for under 16 year olds) and will continue to be paid direct to the mother.
- There will be no return to One Parent Benefit.
- Child Benefit will be increased by £2.50 per week for the first eligible child from April 1999, in addition to the usual uprating for inflation. This represents an increase of more than 20% to recognise the extra costs and responsibilities borne by all parents.
- This increase will be funded by a reduction in the rate of tax relief in the Married Couples Allowance from 15% to 10%.
- The family premium in Income Support will be increased to ensure that poorer families benefit from the increase in Child Benefit from April 1999.
- Family Credit and Income Support rates for children under 11 will be increased by £2.50 from November 1998 to recognise the high costs of the early years.
- The case for higher rate taxpayers paying tax on Child Benefit will be considered as part of the Children’s Review.

He said:

> Giving a child the best start in life takes more than money, but it cannot be done without money. Child benefit remains the fairest and most efficient and cost-effective way of recognising the extra costs and responsibilities borne by all parents. Raising it allows us to do more for mothers who choose to be at home, working at home bringing up children. To underline the view that child benefit is society's support for, and investment in, the upbringing of children, child benefit should and will remain universal where it is already universal, and it should be paid, as now, directly to the mother. Thus, future support for children will be built around universal child benefit and I am convinced of the case for raising its level.
>
> After careful examination, I believe that we should make three complementary changes. First, we all know that circumstances dictate that some families will need more help than others. The case for additional support for children in poorer families is strong, but that support should be on the basis of the identifiable needs of children, not on whether there happens to be one parent rather than two. There is no case for a one-parent benefit and we shall not return to that. Additional support should be provided on the basis not of family structure but of family need.

Secondly, our benefits system provides less help for children when families need it most - in the early years. Low-income families on benefit, in or out of work, receive £8 a week less for a child under 11 than for a child over 11. That distinction does not reflect some of the high costs of the early years and takes no account of the costs to mothers of staying at home when their children are young, or of the extra costs of child care if mothers work, so it is time to do more for children under the age of 11.

To achieve our goals, we must look more broadly at the current approach to children and families in the tax system. The state pays a tax allowance to married couples, but pays exactly the same amount at exactly the same rate to unmarried couples with children, whether or not they have ever been married. The state pays exactly the same amount at the same rate as married couple's allowance to single parents. Indeed, the state pays the same amount for up to a year to couples who separate or divorce, and does so whether they have children or not. Such is the confusion of the current system that if a married couple with children splits up, both man and woman can each receive the equivalent of a full married couple's allowance for up to a year. Thus, separated, they can receive up to twice the allowance of a married couple.

The only way to make sense of that chaotic system is to make our primary aim that of supporting families through supporting children. That is why, from next year, we propose to raise child benefit by reducing those allowances, now paid at 15 per cent., to 10 per cent. The change will not affect elderly taxpayers, whose extra allowances will be protected.

I have therefore decided that, from next April, for the first child, child benefit will be raised by more than 20 per cent. - a £2.50 a week rise in child benefit, in addition to the normal uprating for inflation. The £130 a year rise is the biggest increase we have seen in child benefit. These changes will be fully reflected in the family premium for income support. It is the right thing to do to support and strengthen families in our country, and, from November this year, for those on family credit and income support, child support for under-11s will be raised by an additional £2.50 a week, so that the needs of Britain's youngest and poorest children are properly recognised.

With these measures, we can give every child a better start, and I believe that, in future years, we can and should do even more. For those who want child benefit raised, the question undoubtedly arises whether it should be taxed for those at the top of the income scale. It must be right in principle that if child benefit is raised, there is a case for higher rate taxpayers paying tax on it. Modernisation of the welfare state makes possible more investment in the children of our country, and following the children's review, we shall bring forward detailed recommendations for reform. [26]

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[26] HC Deb 17 March 1998 cc 1107-1108

The Children's Review is a Treasury-led cross-departmental review of provision for young children set up in 1997. As yet no formal proposals have been made on the taxation of Child Benefit as part of this review.

This announcement followed weeks of press speculation about the future direction of the Child Benefit, with reports that it was to be taxed or subject to an affluence test.[27] This latter plan at least is reported to have been vetoed by the Prime Minister.[28] The issue of taxation of Child Benefit is considered further in Section V.

In his response to the Chancellor's announcement William Hague, Leader of the Opposition, indicated that his party is not in favour of taxing Child Benefit or of any move which would undermine the universality of the benefit.[29] Paddy Ashdown, Liberal Democrat leader, welcomed much of the detail announced in the Government's welfare reform package.[30]

IV Arguments for and against Child Benefit

A. Advantages of Child Benefit

Beveridge's arguments in favour of family allowances rested on three main assumptions:

- It is unreasonable to seek to guarantee a subsistence level income during periods of unemployment or disability without also ensuring sufficient income during periods of earning. In spite of wage increases, unemployment, disability and large families were the main indicators of poverty, the last of these because wages do not reflect the size of an earner's family.

- It is dangerous to allow benefit during unemployment or disability to exceed earnings during work. The gap between income during earning and during interruption of earning cannot be kept large for people with large families "except either by making their benefit in unemployment and disability inadequate, or by giving allowances for children in time of earning and non-earning alike."

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27 "Brown plans to put tax on Child Benefit", *Sunday Times*, 28 December 1997; and "Labour to end welfare taboos", *Guardian*, 12 January 1998

28 "Ministry of empty promises", *Times*, 20 January 1998; and "Blair vetoes middle class affluence test", *Sunday Times*, 18 January 1998

29 HC Deb 17 March 1998 c1114

30 HC Deb 17 March 1998 c1124

- Children's allowances can help to restore the birth rate and act as a signal of the national interest in children. "Children's allowances should be regarded both as a help to parents in meeting their responsibilities, and as an acceptance of new responsibilities by the community."[31]

These main principles transform well into more modern explanations of the purpose of Child Benefit:

- It relieves poverty;

- Its universalism does not act as a disincentive to work; and

- It recognises the value of children (both intrinsically and as future taxpayers) and society's common obligations to support its children.

Child Benefit relieves poverty by targeting help at those at greatest risk of poverty (i.e. large families) and by universally providing for those with the greatest costs (those with children). In this respect its almost 100% take-up rate is a measure of its success.[32] It also addresses child poverty within families by redistributing income to the parent with care. A recent study of income distribution within families found that Child Benefit was seen as ear-marked for children.[33]

Child Benefit may be seen as an incentive to work because: whilst it is deducted from means-tested 'out of work' benefits,[34] it is paid in addition to earnings; it is not taxable; it is not included in the calculations for liability for national insurance contributions; and it is not reduced as income rises.[35] As a successor to Child Tax Allowances, it is also a method of allowing for the costs of children by boosting capacity to pay income tax for those with a tax liability.[36]

Because it is funded out of general taxation, Child Benefit redistributes income 'horizontally' from those without children to those with children. This may be seen as justified in terms of a 'life-cycle argument' i.e. families without children pay into the common pot in readiness for a time when they have children and will then receive payment, and also in terms of future pension provision:

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31 Cmd 6404, paras 411-413

32 By contrast the take-up rate for Family Credit, which is means-tested, is 70% by caseload. HC Deb 13 January 1998 cc 209-10W

33 OJ Goode, C Callender and R Lister, *Purse or Wallet? Gender Inequalities and Income Distribution within Families on Benefits*, PSI, 1998, p 10

34 Such as Income Support and Income-based Jobseekers Allowance.

35 Joan C Brown, *Child Benefit: Investing in the Future*, CPAG, 1988, p 20

36 Dickens, Fry and Pashardes, *The Costs of Children and the Welfare State*, Essex university, 1996

> Ultimately the debate around child benefit boils down to the way society views children. On the one hand, they can be seen as a choice taken by some couples, and not by others. Or children can be seen by what economists would call a 'merit good' – which means they have a value to others too, as future taxpayers and workers. I may not have children; but I need someone to have them if my pension is to be paid.[37]

Finally, because Child Benefit is a universal benefit it is cheaper and simpler to administer than means-tested benefits. Its universality also provides the better-off with a stake in the welfare state thereby ensuring that they have an interest in continuing to support it.

B. Disadvantages of Child Benefit

Once the cost of child support had been transferred by 1979 from the Treasury, where Child Tax Allowances were regarded as a reduction in Government revenue, to the DHSS, where Child Benefit was regarded as public expenditure, it was seen to be in contention with the means-tested benefits: Income Support (then Supplementary Benefit) for those not in work or working part-time and Family Credit (then Family Income Supplement) for those in low-paid full-time work. In October 1987, John Moore, then Secretary of State for Health and Social Security, when not increasing the Child Benefit in his uprating statement, said:

> I repeat that I have no specific proposals at present to change the nature of child benefit, but – I believe that this has been said from the Dispatch Box by almost every Minister of every Government since the benefit was introduced – in view of its cost and its ill-targeted nature there is clearly a need to keep it constantly under review. I am beholden to do that.[38]

The principle of targeting was reiterated as an explanation for subsequent failures to uprate Child Benefit.[39]

The main arguments against Child Benefit therefore are that:

- It is costly; and
- It is ill-targeted.

In terms of expenditure Child Benefit is costly because it is paid for all children, regardless of their parents need for it, and its take-up rate means that it reaches all eligible

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[37] Frank Field Politeia Speech, 19 May 1998
[38] HC Deb 27 October 1987 c186
[39] HC Deb 27 October 1988 cc 446-7 and HC Deb 25 October 1989 cc 842-3

children. In this respect it reaches its target. However, if its purpose is to relieve child poverty it may be said to be ill-targeted since the poorest families, those on means-tested benefits, have the benefit fully taken into account in the assessment of their means for income related benefits and so do not benefit from its value. Affluent families, on the other hand, gain the full value of the benefit since it is tax-free and paid regardless of earnings. It has therefore been argued that this universality means that payment of the benefit is a poor use of resources, which could otherwise be used to improve means-tested benefits for poor families. Thus the Income Support and Family Credit Schemes introduced in 1988 both contained family premiums financed, at least in part, by the freezing of Child Benefit.[40] In addition, the children's rates in the income-related benefits have been increased by more than those in Child Benefit as a means of targeting help at the poorest families.[41] However, this approach has been criticised for addressing the needs of those remaining on means-tested benefits, but compounding the poverty trap effects of those trying to move off these benefits:

> The key characteristic of Child Benefit is that it is not means-tested. It provides a reliable income, focused on the children, and a first base upon which work income can be built without any poverty trap effects. A policy which allows the value of Child Benefit to decline, in favour of means tested benefits, is counter productive if the goal is self support for the lone mother, and not merely a shift from Income Support to Family Credit.[42]

Thus Dickens et al have identified arguments about Child Benefit as ranging on a continuum with those in favour of directing help to those with greatest costs (universalists) at one end and those in favour of directing help to those most at risk of poverty (targeters) at the other.[43]

V Possible reforms of Child Benefit

In his Budget Statement on 17 March 1998 Gordon Brown, Chancellor of the Exchequer, indicated that Child Benefit may be taxed in the future:

> For those who want child benefit raised, the question undoubtedly arises whether it should be taxed for those at the top of the income scale. It must be right in principle that if child benefit is raised, there is a case for higher rate taxpayers paying tax on it. Modernisation of the welfare state makes possible more

40 *Reform of Social Security: Programme for Change* (Green Paper) Volume 2, Cmnd 9318, June 1985, para 4.49

41 HC Deb 17 March 1998 c1108

42 Joan C Brown, *Why don't they go out to work? Mothers on Benefit*, Social Security Advisory Committee, 1989, pp 90-1

43 op cit, *The Costs of Children and the Welfare State*, p70

> investment in the children of our country, and following the children's review, we shall bring forward detailed recommendations for reform.[44]

There are a number of ways in which this could be done and these are considered in more detail below.

Briefly, possible methods of taxing Child Benefit and other possible reforms are to:

- raise the value of Child Benefit but make it taxable;
- make Child Benefit taxable without raising its value;
- make Child Benefit taxable only for top rate taxpayers
- make Child Benefit taxable for those earning £100,000 per annum or more;
- means-test Child Benefit by withdrawing it at a given income level;
- means-test Child Benefit by incorporating it into the means-tested benefits system;
- differentiate payment by the number of children in the family;
- differentiate payment by the ages of the children in the family;
- differentiate payment by the age of the youngest child in the family;
- remove entitlement to Child Benefit for children over 16;
- differentiate payment between one and two parent families; or
- reintroduce Child Tax Allowances or have some form of child tax credit.

A. Taxation of Child Benefit

The taxation of Child Benefit has been seen as one means by which the main disadvantages of the benefit, that it is costly and ill-targeted, can be mitigated. The Commission on Social Justice argued in 1994 that taxing the benefit for higher rate taxpayers would produce additional resources which could be used to further increase Child Benefit.[45] The Child Poverty Action Group (CPAG), whilst remaining opposed to the taxation of the benefit have recognised that this may be "the only way to get a substantial increase in Child Benefit to the poorest" and have argued that this is preferable to means-testing.[46]

In his Politeia Speech on 19 May 1998 Frank Field, Minister for Welfare Reform, described his preferred option for taxing Child Benefit:

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44 HC Deb 17 March 1998 c1108

45 *Social Justice: Strategies for National Renewal*, Commission on Social Justice, October 1994, pp 316-17. For further details of the Commission's proposals for the taxation of Child Benefit, see *Tax and Marriage*, HC Library Research Paper 95/87, July 1995.

46 T MacDermott and M Howard, *Child Benefit: Arguments For and Against Taxation*, CPAG, July 1998, p 2

> So the case for horizontal redistribution remains, but the rise in income inequality might suggest that the precise level of support can vary, to take account of different financial circumstances. The choice may not between a pure universal child benefit or one which is simply restricted to the poor – we might want child benefit for all, but child benefit which is worth more to those lower down the income scale. Dare I say it; a Third Way. This is the case for making child benefit more generous, but then taxing it.
>
> The point is this: in the modern world, universal does not necessarily mean standardised, ration-book, provision. The challenge is to combine the best features of universal benefits with a flexible, dynamic approach to policy. [47]

In the same speech he argued against scrapping universal benefits and increasing means-testing because "to keep the middle class happy you have to give them something to show for their money…it is simple human nature to want something for our money. As I have argued many times, altruism is too delicate a thread on which to hang a welfare system."

The previous Government in its major review of social security in 1985 had rejected the option of taxing Child Benefit because:

> the Government's aim is to take people out of tax, not bring them into tax.[48]

In response to the Chancellor's recent Budget statement, in which he indicated that Child Benefit may be taxed in the future, William Hague, Leader of the Opposition, argued that such a move would be:

> a betrayal of many women and children by a Labour Government who promised to protect universal benefits.[49]

Paddy Ashdown, the Liberal Democrat leader, did not comment directly on the proposal but welcomed "much of the detail" announced in the Government's welfare reform package.[50] In a recent press article Lord Steel of Aikwood (formerly Rt Hon David Steel MP) described proposals which will be considered at the Liberal Democrat Party Conference in Brighton in October 1998 which will include "doubling Child Benefit for under 5s".[51]

The yield from taxing Child Benefit for higher rate tax payers is estimated at £1.4 billion in 1998/99.[52] The Institute for Fiscal Studies argues that the administrative costs of making complementary changes to the tax system would outweigh this saving. This is

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[47] See also "How do you spend your Child Benefit?", *Times*, 21 May 1998

[48] *Reform of Social Security: Programme for Change*, Cmnd 9518, Vol 2, June 1985, para 4.35

[49] HC Deb 17 March 1998 c1114

[50] HC Deb 17 March 1998 c1124

[51] "Is 10 years enough for Paddy?", *Independent*, 22 July 1998

[52] HC Deb 4 February 1998 c713W. See table on p 22.

because if Child Benefit is to be taxed at the highest possible rate a husband would need to be taxed on the benefit his wife is drawing since he is more likely to be a higher rate tax payer. This would then require the repeal of independent taxation, a move which some commentators have argued would discourage marriage.[53] It is this threat to independent taxation which has discouraged previous attempts at taxing Child Benefit. However, this may now be a more realistic option following plans for the introduction of Working Families Tax Credit, when a family's total income will be assessed for entitlement to the tax credit.[54]

If the rate of Child Benefit is counted only as the mother's income, then the non-working wife of a well-paid husband could continue to benefit; this is not necessarily inequitable since there may still be income inequality within the household. CPAG have argued that taxing Child Benefit at the mother's tax rate would be simple to introduce but would limit the amount of revenue raised. In addition, since the tax burden would fall on women "such a tax would work very like a tax on working women".[55]

Other objections to taxing Child Benefit include the following:

- Taxing Child Benefit is to tax what was originally in part a tax relief for the extra costs incurred by having children;
- the effect of taxing Child Benefit would be to increase the tax burden on families with children and undermine the principle of horizontal distribution;
- only a small minority of parents pay the higher rate of tax making the yield from taxing this group on the value of Child Benefit small;
- most parents pay tax at the standard rate making the proposal to tax Child Benefit for all with a tax liability one which claws-back the same amount from those who are near poor, or modest incomes or comfortably off; this may be no less iniquitous than the current system of paying the same rate of benefit to all.[56]

Further, to tax Child Benefit for those earning for example, £100,000 per annum or more would give an even smaller yield than taxing all higher rate tax payers. However, CPAG argues that to tax the benefit for all may reduce it for those who need it:

> The income tax thresholds in this country are so low that it would be taxed back from those who need it. Further the tax rates are so flat now that the majority of taxpayers would be paying the same rate of tax on their Child Benefit. The argument in favour of taxing Child Benefit would be stronger if the threshold was higher and the rates more progressive.[57]

53 "Wives could lose tax independence", *Times*, 15 January 1998
54 See *Working Families Tax Credit and Family Credit*, HC Library Research Paper 98/46, April 1998
55 op cit, *Child Benefit : Arguments For and Against Taxation,* p 8
56 op cit, *Child Benefit: Investing in the Future*, pp 59-61
57 op cit, *Child Benefit: Arguments For and Against Taxation,* p 5

In a recent debate in the Lords, Baroness Hollis of Heigham, Parliamentary Under-Secretary of State for Social Security, said that the Government had not yet reached a view on the issue of taxation, but that the principle of independent taxation was not under threat:

> Secondly, the noble Earl, Lord Russell, raised a point about the taxation of child benefit. There is not a Labour Party view on this matter at present. It is an issue that is under review. There are clearly arguments for and against the taxation of child benefit. It may in time be introduced. It is a matter for the Chancellor to decide on its relative merits against other issues. The Chancellor has made clear that he would in no way seek to compromise the well-established principle of independent and separate taxation. That takes us into the territory identified by the noble Earl. I think we all understand the issues; namely, whether child benefit is independent of income level or whether, given finite resources, we should seek to target what help there is on those who are poorer off through the principle of taxation or means testing. It is an honourable debate and one that we shall no doubt explore in the future, particularly should the Chancellor be minded to propose such changes for the future. At present, there is no specific commitment either way on this issue.[58]

A recent survey carried out by the *Financial Times* found that of 98 MPs drawn to reflect the balance of the House, Labour MPs would be in favour of taxing Child Benefit by two to one and almost three to one if the benefit was also substantially increased; Conservative MPs would defend a tax-free Child Benefit even if it was substantially increased; whilst the eight Liberal Democrats in the survey split five to three in favour of taxation.[59]

1. Revenue from taxation of Child Benefit

Child Benefit is not currently subject to income tax. The potential yield from making it taxable depends greatly on the precise system of assessment and on the rate at which it is taxed. The following table shows the revenue that might arise if it were made taxable as income of the father or mother at the basic or higher rates.

	£ million
Taxed as father's or lone mother's income	
Basic rate#	1,200
Higher rate*	1,400
Taxed as mother's or lone father's income	
Basic rate#	675
Higher rate*	700

58 HL Deb 29 June 1998 c504
59 "Labour MPs favour Child Benefit tax", *Financial Times*, 5 May 1998

[#] Benefit taxed at 20% for taxpayers only paying lower rate of tax
[*] Benefit taxed at taxpayer's marginal rate[60]

B. Means-testing Child Benefit

Means-testing benefits is generally seen as a method of concentrating financial assistance where it is most needed: on the poor. Means-testing Child Benefit by withdrawing it at a given income level however, undermines the principles of universalism, horizontal distribution and recognition of extra costs of having children. The previous Government in its 1985 Green Paper described this outcome as unacceptable.[61] John Hills and Joan Brown have both argued that such a move would prompt calls to reduce levels of taxation:

> …removing benefits from those on higher incomes reduces their net incomes as much as greater taxation: the level of taxation which is politically acceptable will be less.[62]
>
> If it is withdrawn from people on higher incomes, there will almost certainly be pressure to restore child tax allowances which, as seen, produces unfair results relative to the flat-rate child benefit. Indeed, it is quite likely that giving child tax allowance to higher earners would be more expensive in revenue terms than the child benefit which was withdrawn – an absurd outcome.[63]

Other arguments against means-testing Child Benefit include:

- means-tested benefits are inefficient at reaching their target because their take-up is lower than that for universal benefits;
- means-tested benefits are costly to administer; and
- the withdrawal of benefit as incomes rise is equivalent to a tax on additional income which, in its extreme form, creates a poverty trap.[64]

However, the Adam Smith Institute, which is not in favour of universal benefits, argues:

> And universality makes some of those costs pointless. Is there not a certain absurdity about a system which takes money out of the pockets of middle-class

60 HC Deb 28 Jan 1998 c265W
61 Cmnd 9518 para 4.34
62 J Hills, *Changing Tax: How the Tax System Works and How to Change it*, CPAG, 1988, p30
63 op cit, *Child Benefit: Investing in the Future*, pp 33-34
64 op cit, *Changing Tax: How the Tax System Works and How to Change it*, pp 30-23

> families, sends it up to the Benefits Agency, pockets an administrative fee averaging 30p per week, and then pays the residue back as Child Benefit to the same families?[65]

C. Differentiate payments by numbers and ages of children in the family

The present arrangements for differentiating payment according to the position of children in the family could not be more different than when Family Allowances were introduced.

Beveridge calculated that at post-war prices the cost of a child, allowing for food, clothing, fuel and light and taking into account free school meals and free or cheap milk was an average over children of all ages of 8/- per week. However, he argued that a cash allowance of this value should not be paid for every child since its purpose was to help parents, not relieve them of all financial responsibility. Rather than reduce the allowance for all children, he proposed paying it only for second and subsequent children, thus sharing the costs of children between parents and the community and increasing the proportion of help from the community for large families:

> this makes allowances more effective in preventing want and increases whatever influence they have in encouraging large families.[66]

Beveridge's proposal of 8/- per child was eventually reduced in the Family Allowances Act 1945, but the principle of a flat rate of payment for second and subsequent children was adopted and maintained until the Child Benefit Act 1975. This latter Act introduced a flat rate of benefit for all children, and included the first, because Child Benefit was to replace Child Tax Allowances, which had been available from the birth of the first child:

> This Bill, transferring, as it does, the child tax relief from her husband's pay packet to her purse in the form of a cash allowance covering the first child is a further recognition of the importance of the job she is doing for society.
>
> The need for a merger of child tax relief and the family allowance has been recognised for a long time. The Labour Party in its 1969 document "Labour's Social Strategy" first set out its proposals for what later became its child endowment scheme. The Conservative Party took up this theme in its 1972 Green Paper which embodied a child credit in its overall tax credit scheme. As the House knows, I was a member of the Select Committee which examined our predecessors' proposals. As any member of that Committee would agree, one

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65 M Bell, E Butler, D Marsland and M Pirie, *The End of the Welfare State*, Adam Smith Institute, 1994, p 16

66 Cmd 6404, para 417

> point soon emerged clearly from the Committee's examination-namely, that the women of this country would not tolerate the transformation of their cash family allowance into a tax credit which, by definition under a tax credit scheme, should be set against the husband's tax liability and therefore be swallowed up in his pay packet. Indeed, I presented a petition of over 300,000 signatures to Parliament at that time demanding that any support for children should be in the form not of a tax credit to the father but of a cash allowance payable to the mother through the Post Office. The Select Committee unanimously recommended that this should be done. This Bill is based on that formula.[67]

On 24 October 1990 Tony Newton, then Secretary of State for Social Security, announced an increase in Child Benefit for the first time in four years, in the form of a £1 per week increase for the first child whilst maintaining the freeze on rates for subsequent children.

> In fulfilling my statutory duty of review, I have therefore looked not only at whether there should be an increase but at the form it should take to make the most effective use of the resources that I am able to make available. I have concluded that the right course this year is to make an increase which gives a worthwhile amount to all mothers, and which will be particularly welcome to new mothers because it recognises that for the great majority of parents the arrival of the first child has much the largest impact on finances. That is not because of the initial costs that they incur but because, in a work where the great majority of women work while they are childless but where most feel it necessary or right to give up work, or to work less, for some considerable time thereafter, it is frequently associated with a sharp reduction in the family income.[68]

Here then the principle of paying more for the first child was introduced from April 1991 and in an unexpected announcement in the Budget that year a further £1 per week increase for the first child and 25p per week extra for second and subsequent children was given from October 1991. At the same time the Government gave a commitment to uprate the new levels of Child Benefit in line with inflation each April.

In an analysis of this new structure for Child Benefit published in 1992, the Coalition for Child Benefit identified four components of the Government's rationale for paying more for the first child:

1. In the context of expenditure constraints, the increases provide "worthwhile" additional assistance to all families with children.
2. There are substantial "start-up" costs associated with the birth of the first child.
3. The major impact on a family's budget is when the first child is born, through its effects on the mother's labour force participation.

[67] Barbara Castle, Secretary of State for Social Services, HC Deb 13 May 1975 c330
[68] HC Deb 24 October 1990 cc 352-3

4. All families with children face additional costs, compared with those with none, implying that it is the presence of a child or children rather than the number of children that is crucial when evaluating costs.[69]

The Coalition for Child Benefit, consisting of over seventy national organisations, concluded that the first of these components was justified by the increase. The start-up costs associated with the birth of a first child were found to be far higher than the assistance offered by Child Benefit which, since it is paid weekly, is an inefficient means to meet these costs. The third principle was found to be borne out by research; the age of the youngest child was more significant than the number of children on the total employment patterns of women:

> It is not clear, however, that the new structure of Child Benefit is an appropriate response even to the narrower concerns with the immediate impact of childbirth. As already noted, this is because much of the benefit of the increase goes to families with older children. This led the Institute for Fiscal Studies to argue that "If it is particularly desired to help families where one parent stays at home to look after children then money would be better directed by increasing Child Benefit for younger children".[70]

Finally, the report found that most of the research evidence on the costs of children identified costs as differing more between older and younger children than between families with no children and families with one child, implying that "the decision to increase the rate of Child Benefit for the first child appears to involve a fairly arbitrary judgement about the relative needs of families".[71] The logical outcome of these particular findings would be to direct help at families with older children. However, the report *Small Fortunes*, published in 1997, did not come to this conclusion, finding that:

> Children have slightly more spent on them by parents as they get older, though by nowhere near as much as is assumed by the age-related scales in benefits and allowances for children…This means that younger children are severely disadvantaged in benefit calculations compared with older children.[72]

The Child Poverty Action Group (CPAG) have called upon the Government to undertake research to find out about the costs of bringing up children of different ages.[73]

Today, Child Benefit is £11.45 per week for the first child and £9.30 per week for subsequent children. If it had been uprated in line with prices since 1979 without any

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[69] J Ditch, S Pickles and P Whiteford, *The New Structure of Child Benefit: A Review*, SPRU, March 1992, p 1
[70] ibid, p 24
[71] ibid, p 33
[72] S Middleton, K Ashworth, and I Braithwaite, *Small Fortunes*, Joseph Rowntree Foundation, 1997, p 70
[73] "Child Benefit and means-testing", *Poverty*, 94, Summer 1996, pp 12-14

additional payment for the eldest child, the level of benefit in April 1998 would have been £12.70 per week per child.[74] A recent study of spending on children found that:

> Child Benefit meets approximately one-fifth of average spending on a child.[75]

In Gordon Brown's Budget statement on 17 March 1998 a further £2.50 per week for the first child, in addition to the usual RPI increase for every child, was announced, to take effect from April 1999. In addition child rates for the under 11s in families on Income Support and Family Credit are to be increased by £2.50 per child from November 1998 to reflect "some of the high costs of the early years" and "the costs to mothers of staying at home when their children are young, or of the extra costs of child care if mothers work."[76]

So the assumptions on which child support are based have shifted from Beveridge's view, which was that the costs of the first child could be comfortably absorbed by the wage-earner in a family, to the more modern view that the arrival of the first child can result in a drop in income if one parent is forced to give up work, or in significantly greater costs if there is a need for paid childcare.

D. Remove entitlement to Child Benefit for children over 16

The 1997 manifesto made it clear that the Government would review educational finance and maintenance for those older than 16 "to ensure higher staying-on rates at school and college, and that resources are used to support those most in need".[77]

Margaret Hodge MP, Chairman of the Education Select Committee, has argued that money saved by scrapping Child Benefit for the over 16s should be used to fund a means-tested allowance to encourage those from less well-off families to stay in full-time education. Since Child Benefit is only paid for those over 16 in full-time education, it is argued that it is those from more affluent homes with higher rates of educational participation who benefit from receiving payment of the benefit for 16-18 year olds.[78]

On 14 July 1998 Gordon Brown announced that the proposal to replace Child Benefit for those over 16 with a means-tested educational maintenance allowance will be piloted, with the intention of introducing it nationally:

> A further reform will make it possible for thousands more young people to stay on in school and to go on to further and higher education. We have to raise

[74] HC Deb 5 June 1998 c 402W
[75] op cit, *Small Fortunes*, p 70
[76] HC Deb 17 March 1998 c1107
[77] *New Labour Because Britain Deserves Better*, Labour Party, 1997, p 25
[78] "Call for £600 million Child Benefit saving to be spent on further education", *Independent*, 7 July 1998

> Britain's appallingly low staying-on rates, and a new educational maintenance allowance – linked to attendance and based on parental income – will be piloted for 16 to 18-year-olds. If, as we expect, the new maintenance allowance succeeds in encouraging more young people to stay on in education, we plan to introduce it nationally, using the money currently spent on post-16 Child Benefit.[79]

The Department for Education and Employment is responsible for piloting the new education maintenance allowance, probably from September 1999.

The Child Poverty Action Group (CPAG) has reacted with "dismay" at the proposal which it regards as means-testing Child Benefit "which runs counter to the Government's welfare Green Paper commitment that Child Benefit will remain universal". CPAG also argues that the proposal will hit black and Asian families particularly hard because a higher proportion of their 16-17 year olds stay on at school and are likely to come from a low income group.[80]

E. Differentiate payment between one and two parent families

Child Benefit Increase, renamed One Parent Benefit in 1981, was introduced in 1977. Originally intended to compensate lone parents for extra costs, it was first introduced as an interim measure, Child Interim Benefit in 1976, payable for the first child.[81] When Child Benefit was introduced for all first and subsequent children in 1977, lone parents retained their Child Benefit increase.

The Finer Report, commissioned in 1969, showed that lone parents had extra needs; many of the expenses of running a home did not change because there was one adult fewer and lone parenthood often meant less time to shop around for cheaper goods and a greater need to buy in help with home maintenance.[82] In addition, lone parents are more vulnerable to hardship and low income.[83] A report by the Family Budget Unit (FBU) in 1993 found that the main component of the extra costs for lone parents arose from childminding and babysitting expenses.[84] They summarise research findings in this area as follows:

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[79] HC Deb 14 July 1998 c192.

[80] Child Poverty Action Group Press Release, 14 July 1998

[81] HC Deb 20 October 1975 c66

[82] *Report of the Finer Committee on One Parent Families*, Cmnd 5629, 1974

[83] Joan Brown, *In Search of a Policy: The Rationale for Social Security Provision for One Parent Families*, NCOPF, 1989

[84] P Whiteford and L Hicks, "The Costs of Lone Parents" in Budget Standards for the United Kingdom, York University, 1993

> Broadly speaking, there are two polar extremes – a number of studies find that the extra costs of lone parenthood are quite substantial, between 15 and 25 percent of the costs of a couple without children. The FBU results fall into this group. The other studies find that extra costs are less than 10 percent of the costs of a couple without children. When childminding and babysitting costs are deducted, the FBU estimate is in this range.[85]

Richard Berthoud and Reuben Ford describe Policy Studies Institute findings, which agree that lone parents have extra costs, in the light of the current debate around the removal of the lone parent premium for income-related benefits:

> One of the outcomes of this analysis is that the needs of 'lone parents appear to be at least as great as, or more than, those of couples with children. When the lone parents premium was introduced for income support in the mid- 1980s, the government explained that this was designed to meet the additional needs of lone parents (DHSS 1985); one of the current authors argued that (for non-working lone parents) there was no evidence that such additional needs existed (Berthoud 1986). In the mid-1990s, the government has announced that it will phase out the lone parents premium, because (they now say) there is no evidence of additional need. It is ironic that some evidence in favour of the policy has been discovered (by the research team who originally argued that there was none), just as the premium is about to be abolished. [86]

Similarly, the Social Security Advisory Committee has concluded that there is little evidence that lone parents, or income-related benefits at least, are over compensated financially compared to couples with children.[87]

The Government however, has maintained that research findings about the extra costs facing lone parents are inconclusive and that “further research is unlikely to come to any definitive conclusion on that issue”.[88] For this reason it has pressed ahead with measures to freeze One Parent Benefit. Although lone parents will benefit from measures to increase Child Benefit for the first child by £2.50 from April 1999 and by the usual uprating for second and subsequent children, the effects of these increases will be partly absorbed by the freezing of One Parent Benefit. Regulations made under section 72 of the *Social Security Act 1998* revoke provisions prescribing a higher rate of Child Benefit for lone parents. From 6 July 1998 new lone parents receive the same rate of Child Benefit as couples with children.[89]

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85 ibid; p 220

86 R Berthoud and R Ford, *Variations in the Living Standards of Different Types of Households*, PSI, 1997, p 25

87 *Report of the Social Security Advisory Committee on the Social Security (Lone Parents) Amendment Regulations 1997* (SI 1997/1790 laid before Parliament 30 July 1997) Cm 3713, 1997

88 Debate on Clause 68 of the *Social Security Bill 1997/98* which removes higher rate of Child Benefit for lone parents, SC ‘B’ Deb 18 November 1997 c415

89 *The Child Benefit and Social Security (Fixing and Adjustment of Rates) (Amendment) Regulations 1998* SI 1998/1581

It seems unlikely that the Government will return to a system which differentiates payment of Child Benefit between one and two parent families. Instead it has chosen to assist lone parents in finding work by introducing the New Deal for Lone Parents and by improving help available for all low income families with the introduction of a Working Families Tax Credit which includes a Childcare Tax Credit from October 1999, the National Childcare Strategy and the minimum wage.[90]

F. Reintroduce Child Tax Allowances

Some have argued for the reintroduction of Child Tax Allowances, in some cases as a measure to protect the future of child support.[91] The Child Poverty Action Group (CPAG) however, has seen problems with their reintroduction:

> Child tax allowances benefit the rich more than the poor. They give no help at all to those below the tax threshold, while giving more money to the higher paid on the 40 per cent tax rate than those on the basic rate of tax. The allowance is more likely to go to the person with taxable income – and therefore to the husband. Their re-introduction would mean considerable administrative difficulties for the Inland Revenue, which no longer keeps records of those with children. And finally the allowances would simply be part of tax-free income and not earmarked for children's needs.
>
> By contrast Child Benefit goes to all families and is worth the same amount whatever the level of income.[92]

Indeed Barbara Castle, then Secretary of State for Social Services, argued on Second Reading of the *Child Benefit Bill* in 1975 that the most important achievement of the Child Benefit scheme was that it would assist poorer families who had not been able to take advantage of child tax allowances.[93]

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90 see for example HL Deb 29 June 1998 c499

91 see for example, F Field, *The Challenges to Child Benefit*, 1989 and "Bring Back Allowances", *Independent*, 1 November 1989

92 "A real benefit for children", *Guardian*, 24 July 1989

93 s5(5) *Child Benefit Act 1975* repealed by the *Social Security Act 1986*

VI International comparisons

Bradshaw et al[94] have noted that universal family allowances still provide the largest proportion of the Child Benefit package that most families in most countries receive. Of the 15 countries studied only 4, including the USA, do not have universal Child Benefit, although the USA provides comparatively high levels of assistance to low income working families. Norway represents the reverse of this position, with high levels of universal support and low levels of means-tested support.

The UK, of the countries studied, is unique in paying a premium for the first child in the family.[95] Indeed in another study, only Iran and Malta were found to pay more for the first child in their system of family benefits.[96]

The following extract is a description of how other countries have dealt with some of the issues raised in this paper:

> **Age of the child:** In Germany, Ireland, Portugal, the UK and Australia, there is no variation in the level of the benefits with the age of the child. The pattern in other countries varies - Denmark, France and Norway pay higher family allowances for three year olds, while all the Benelux countries and France increase the family allowances as the child grows older
>
> **Number of children:** All countries except Portugal and Denmark vary the level of payment according to the number of children, but the way they do it varies considerably. In the Benelux countries the more children the higher the benefit. France pays nothing for the first child but is particularly generous to the third and subsequent children in the family. The UK is unique in paying a premium for the first child in the family (Ditch, Pickles and Whiteford, 1992). Six of the countries vary the level of family allowances with both the number of children in a family and the ages of the children. In Greece and France there is an additional payment if there are three or more children and the youngest is under three years old.
>
> **Family type:** Denmark, France, Greece, the UK and Norway pay higher family allowances in respect of a child in a lone parent family. This may take the form of a premium such as one parent benefit paid to the first child of a lone parent in the UK, or the extra family allowance paid to lone parents in Norway, or the standard addition for each child as in France. Norway appears to be particularly generous to lone parent families with the allowance and guaranteed maintenance payment providing an allowance at more than three times the rate for a couple. [97]

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94 J Bradshaw, J Ditch, H Holmesand P Whiteford, *Support for Children: A comparison of arrangements in fifteen countries*, DSS, 1993, p 94

95 Ibid; p 34

96 J Ditch, S Pickles and P Whiteford, *The New Structure of Child Benefit: A Review*, SPRU, University of York, March 1992, p 36

97 op cit, *Support for Children*, pp 34-35

Only Greece taxes family allowances as part of income.[98]

VII Conclusion

The future of Child Benefit as a universal benefit paid for all eligible children under 16 appears to be uncontentious. The Chancellor of the Exchequer has said:

> …Child Benefit should and will remain universal where it is already universal[99]

What is less certain is the continuing tax-free status of Child Benefit and whether it will in the future be available for children over 16. Recent announcements by Gordon Brown, the Chancellor of the Exchequer, indicate that proposals are being considered to tax Child Benefit for higher rate taxpayers[100] and to replace Child Benefit with a means-tested education maintenance allowance for those over 16.[101] The proposal to tax Child Benefit has been seen by the Leader of the Opposition as undermining the benefit's universality[102] and the Child Poverty Action Group has criticised the proposed education maintenance allowance as amounting to the means-testing of Child Benefit.[103]

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98 Ibid; p 36
99 HC Deb 17 March 1998 c1107
100 HC Deb 17 March 1998 c1108
101 HC Deb 14 July 1998 c192
102 HC Deb 17 March 1998 c1114
103 Child Poverty Action Group Press Release, 14 July 1998

Appendix A - Rates of Child Benefit - 2 parent families

1979 to 1998

	Eldest qualifying child		Others	
Uprating	£ pw	£ pw April 98 prices	£ pw	£ pw April 98 prices
Apr-79	4.00	11.98	4.00	11.98
Nov-80	4.75	11.12	4.75	11.12
Nov-81	5.25	10.97	5.25	10.97
Nov-82	5.85	11.51	5.85	11.51
Nov-83	6.50	12.19	6.50	12.19
Nov-84	6.85	12.25	6.85	12.25
Nov-85	7.00	11.87	7.00	11.87
Jul-86	7.10	11.84	7.10	11.84
Apr-87	7.25	11.58	7.25	11.58
Apr-91	8.25	10.08	7.25	8.86
Oct-91	9.25	11.13	7.50	9.03
Apr-92	9.65	11.30	7.80	9.14
Apr-93	10.00	11.56	8.10	9.37
Apr-94	10.20	11.50	8.25	9.30
Apr-95	10.40	11.35	8.45	9.22
Apr-96	10.80	11.51	8.80	9.38
Apr-97	11.05	11.50	9.00	9.36
Apr-98	11.45	11.45	9.30	9.30