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The logo for The Centre for Social Justice, featuring the text "THE CENTRE FOR SOCIAL JUSTICE" in white, uppercase letters on a dark red background.

PRESS RELEASE FROM THE CENTRE FOR SOCIAL JUSTICE
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Child Benefit axe threatens fresh wave of family breakdown, says new report

Family stability will suffer a further blow if the Government presses ahead with its current plans to axe child benefit for higher rate taxpayers, a major think-tank warns in a new report today.

Couples will be deterred from marrying or cohabiting and there will be a greater risk of fraud in the benefits system, which already costs the country £1.8 billion a year, the report says.

Single mothers will be particularly hard hit because they will be worse off if they marry or move in with a high-earning man.

The potential socially damaging effects of the Coalition's proposal to withdraw all child benefit from a family where one parent earns above the 40 per cent threshold of about £43,000 per annum are highlighted in the report from the Centre for Social Justice (CSJ).

The report, *Child Benefit Reform – dealing with the deficits to put stable families first*, says that while it supports the principle of ending universal Child Benefit, there are "several fundamental flaws" in the way ministers are going about making the change.

"There is a risk of further erosion of the stable foundation two-parent families provide within society," the report declares.

Alongside the well documented flaws of the cliff edge and the unfairness against single earner families, the report finds that the Government's approach fails on two further counts: it will penalise a decision to get married and it will also discourage cohabitation.

CSJ Executive Director Gavin Poole said: "We support the decision to end universal Child Benefit. However, we are very concerned that the Government's chosen

method will penalise lone parents, deter couples from marrying or forming stable cohabitations, and will encourage fraud. All the evidence suggests that children do best in a stable two-parent household.”

Because of their visibility, married couples with one higher rate taxpayer will not be able to avoid losing their child benefit.

Those who live together but are not married face a difficult decision. Either they will have voluntarily to inform the tax authorities of their personal arrangements or elect to commit fraud by denying the status of their relationship and continue claiming the benefit.

The CSJ says: "As there is far less clarity about when cohabitation begins, this measure discourages putting relationships on a more formal footing.

"Lone parents (often mothers) will be penalised for forming a co-residential relationship with a higher rate taxpayer, who will often be their children's father, despite the evidence about the beneficial outcomes, including greater stability for children who grow up in two-parent families."

The report adds that this new "couple penalty" mirrors the damaging one that already exists in the benefits system and flies in the face of the Government's stated commitment to shared parenting.

It also encourages more benefit fraud. Many couples on benefits are better off if they live apart; this is a major driver of the £0.6billion worth of fraud in the Tax Credit system. Analysis of claims for Tax Credits shows that they are claimed by 200,000 more lone parents than actually exist in the UK.

The Government's plans will likely also require extra staff to administer a new system of means testing of higher rate taxpayers, meaning additional bureaucracy and complexity.

The report endorses criticism of the "cliff edge" nature of the Government's plan, saying it is unfair to remove all Child Benefit from families with a single earner above £43,000 while retaining it for those with two parents earning just under the threshold. This would mean that a household with a joint income of, say, £80,000 could keep the payments while a single earner household on, say, £45,000 could lose it.

It proposes an interim system under which Child Benefit would be subsumed into Child Tax Credits, which are calculated on total household income. This would begin to be withdrawn at household incomes above £40,000 per annum, ending entitlement at approximately £43,000.

This would solve the unfairness problem and also eliminate the penalties on couple formation. It would also save a further £1 billion which could be ploughed back into additional support for families and children, such as a transferable tax allowance for married couples with young children.

For media inquiries, please contact Nick Wood of Media Intelligence Partners Ltd on 07889 617003 or 0203 008 8146 or Alistair Thompson on 07970 162225 or 0203 008 8145.

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NOTES TO EDITORS

The Centre for Social Justice (CSJ) is an independent think tank established in 2004 to put social justice at the heart of British politics.

In 2007 the CSJ published its landmark report, *Breakthrough Britain*. This publication, which set out 190 evidence-based policy recommendations to tackle poverty in Britain, transformed the social policy and political landscape and was awarded Publication of the Year by *Prospect Magazine* in 2008.

Since *Breakthrough Britain* the CSJ has published over 40 reports which have shaped government policy and influenced opposition parties. These have included the seminal papers *Dying To Belong* and *Dynamic Benefits*, which has led the Coalition Government's welfare reforms.

Further to this, the CSJ manages an Alliance of over 250 of the most effective grass roots, poverty-fighting organisations.