

June 2022

Dear Dame Meg Hillier,

Thank you very much for your response to my email regarding my experience as a mother who has chosen to care for her children at home and the financial penalties our family has experienced as a result. We really appreciate your words of support and we were very pleased that you contacted the Treasury on our behalf.

We, of course, have read the response from the Treasury with interest and unfortunately it appears that the Financial Secretary has completely missed our point. For families like ours – where one parent sacrifices an income in order to care for the children - the tax system essentially penalises us. It does not need to be like this and it is certainly not like this in other countries.

The Rt Hon Lucy Frazer's first point is that the UK income taxation system is based on the principle of independent taxation: *"This fundamental principle provides everyone with absolute confidentiality for their personal tax affairs. For this reason, the Government is not currently considering changing this policy."*

The principle of privacy between married or cohabiting couples is hardly the fundamental principle which is suggested. It has never applied for benefits purposes and does not apply to the legacy benefits or to Universal Credit. This gives rise to the charge which is sometimes made that privacy is something *only for the better off*. It does not apply to the Marriage Allowance which George Osborne introduced in 2014. Nor more crucially in our case does it apply to the High Income Child Benefit Charge (HIBC), which unjustly penalises families where one parent stays at home to care. Curiously, in order for me to apply for this benefit (which we pay back but I need to apply for in order to register my non-earning years for future pension) I need to know the salary of my husband. Of course, the principle of privacy can't apply here!

In our own case, my husband has been penalised and fined by the HMRC because we did not understand that a charge on people with high incomes could apply to families such as ours. As far as we know there is no option to register myself and my child without claiming the monetary benefit. The ensuing self-assessment registration, online management and correspondence with HMRC has been extremely difficult, overwhelming and stressful. We've spent hours on the phone, often on hold with no answer, and fines accumulating to over £300 plus interest for penalties that we thought we had paid but apparently were for different tax years. (These are fines for money that we don't keep!) As a PAYE employee, we were never told initially that by registering for the Child Benefit we would have to file our own taxes every year. Soon after the letters of fines began to arrive in the post, meanwhile, we were unable to understand how to use the online system. The number of passwords, gateways, ID verifications via separate portals and physical post, to even set up an online account to file for self-assessment and repay the child benefit for us was impossible to navigate.

Ultimately we do not receive any income from child benefit, yet we have paid multiple fines, wasted hours upon hours trying to navigate and understand the system, feel completely overwhelmed and stressed out by our predicament and helpless to resolve it. We have lost all trust in this flawed, difficult system. We simply want to register myself and our children in the system in good faith, without receiving any child benefit payments and all of the administration, time, stress and management required to pay it back.

I am told that the HIBC was introduced by George Osborne without consultation and with very little scrutiny in the House of Commons. Both he and David Cameron made it clear that its purpose was to affect the 15% best-off Child Benefit recipients. My husband's gross income is £55,000 and we have two children: according to the latest figures issued by the National Statistics Office this puts us into the bottom half of the income distribution. Would the Financial Secretary care to explain how then we can have a high income and reconcile what the Prime Minister and Chancellor of the Exchequer said was the aim of the Charge? Does she think it fair?

Unless she can fully answer these points, she should see to it that the threshold for the HICBC is very significantly increased, and that the extraordinary marginal provision which turns on the number of children in the family is replaced by one which – like all other marginal provisions – relates to income.

For every extra £1 my husband were to earn to support the family he would lose 61p in tax, NIC and HICBC, bringing home only 39p of every £1 earned. I on the other hand could go out to work and from July bring home £1 of every £1 earned up to £12,570. But I have a young baby and a young child and I wish to care for them. We are penalised by the system, depressingly, for the simple act of personally caring for the children we brought into the world.

The Financial Secretary goes on to mention that the government continues to support families with a ‘range of childcare offers’. However, these offers are *only if it involves someone else caring for our children*. It is simply astounding that through their policies of independent taxation they deny us this freedom to care for our own children ourselves and actually penalise us for making a very personal and democratic choice.

In almost every other country families have the option of being taxed as a household and in places such as Germany and France families do not pay tax until the household reaches an income of £50k.

There are two ways in which the Treasury could deal with these issues and make the tax system fairer: it is not right that families like mine should bear an unfair share of the tax burden at a time when we are struggling with the cost of living crisis. Most obviously it should widen the marriage allowance from its miserly 10%, extend it to all couples, and remove the cliff edge cut-off, if need be replacing it with a marginal relief. Alternatively, it could reintroduce an allowance similar to the two allowances introduced at the time of independent taxation – the Married Couples Allowance and the Additional Personal Allowance – which put one-earner couples and single parents into much the same position as they had been under the previous system.

The money we lose through this taxation policy would go towards shoes, clothing, food etc. for our children. Is this really fair for them? This is money that my husband has fairly earned through long hours and tireless dedication to his career and should be able to support our family. Yet, because he is the sole earner his take-home pay is potentially less than colleagues on lower salaries where both parents in the family work.

By choosing to stay home we have sacrificed the opportunity for us to have a much higher family income and we are not expecting any financial support from the state. All we are asking for is fair taxation.

If you felt it appropriate, I should be very happy for you to share this letter with Rachel Reeves.

Thank you again for your time and understanding.

Yours sincerely