

Government Changes and the Financial Impact of this on Families by Debbie Hillman

There are going to be many financial changes for families coming into effect this year through Government cuts.

Cuts in Legal Aid / Public Funding for Majority of Family Law Cases

Firstly, the Government has announced that from 1st April 2013 it will withdraw public funding (legal aid) from the majority of family law cases. This change has been brought about because the Government want people to settle family cases through mediation rather than going through the Courts.

This means that anyone who needs family law advice from a Solicitor from 1st April on matters of child contact, claiming their share of the family property, or sorting out their Divorce, will have to pay privately (unless Domestic Violence is involved).

If couples want to resolve their dispute through the Courts, they will need to fund their own legal action and will still both have to attend a Mediation Information and Assessment Meeting before they can go to Court.

“Mediation – a cheaper alternative and public funding will still be available for those who meet the criteria”

Public Funding will still be available for those people who are willing to mediate and who are assessed as being eligible to claim for it.

Mediation is by far the least stressful, most cost effective, unbiased and amicable way of dealing with a dispute. Each party will be able to have an input into how things are resolved and the conversation will take into account the current and the future needs of both parties. Any agreement reached will be fair and the agreement can also be made legally binding without the need for appearing in Court.

Child Support Agency to Charge Percentage of Earnings for Collecting Child Support Payments

Other changes that will affect families are the changes that the Child Support Agency (CSA) is planning to make. The CSA will be charging absent parents a percentage of their earnings to collect child support (child maintenance) payments. In the current economic climate, this money could be going into the ‘financial pot’ to pay for the costs of everyday living.

“Mediation – an alternative and cheaper route to the CSA and will be free for those who are eligible for Public Funding”

If separated parents can come to their own agreement between themselves or with the help of a Mediator, there will be no need to use the collection services of the CSA and any agreement that is reached can be made legally binding without the need to go through the CSA or appear in Court.

Changes to Child Benefit System Result in New Tax for Claimants Earning Over £60,000 per Year

The Government are also currently making changes to Child Benefit Payments (what used to be called Family Allowance). From next week, households where one parents earns in

excess of £50,000 per year will lose part of their Child Benefit payment. If one parent earns over £60,000 per year, then they will lose the Child Benefit payment altogether.

Voluntarily 'Opting Out'

Parents who earn over the threshold would have had the option to either voluntarily "opt out" of the Child Benefit payments by Sunday 06 January 2013, or to continue claiming them, but will then be made to repay them at a later date. Furthermore, the parents who continue to claim will later be required to complete a 'self-assessment' form and pay a new form of tax on any earnings over the £50,000 earnings threshold.

Some 200,000 people out of 1.2 million have already opted out of receiving their Child Benefit, which was a much higher figure than the Government previously predicted.

Paul Lewis, Presenter of Money Box has said "***If you or your partner get child benefit and either of you has an income of above £50,000 a year you may have to pay more tax from Monday.***

The income that counts is confusingly called 'net-adjusted income'. In fact, it is your gross income before tax from all sources but minus pension contributions, child care vouchers, and gift aid donations.

If you live as a couple it is the higher income that is counted not your joint income.

If that income is more than £50,000, the person who earns it will have to pay a new tax called 'high income child benefit charge'. It will be collected through self-assessment and you must register with HMRC by 7 October.

If that income is £50,000 to £60,000, the charge will be less than the child benefit received on a sliding scale - at £55,000 it will be 50% of the child benefit received.

If that income is £60,000 or more, the charge will equal the child benefit received. In other words, one partner will get the child benefit but the higher earning partner will pay it all back in the new tax."