In the Spending Review 2010, the Coalition Government announced its intention to remove child benefit from households with a higher rate taxpayer. In its Report on that Spending Review, the Treasury Committee noted that:

Claiming child benefit builds up entitlement to the state pension for parents of children under 12 who cannot pay National Insurance contributions. When the Government implements its changes to child benefit, clear information will be essential to ensure that parents are aware that if they simply cease to claim Child Benefit it could affect their pension entitlement.1

The Government’s response to that recommendation stated that:

The Government has given careful consideration to the issue of National Insurance Credits to ensure that the loss of Child Benefit will not have an adverse affect on a parent’s pension entitlement. Families where Child Benefit will be withdrawn will be able either to ‘opt out’ of receiving Child Benefit, or to continue to receive Child Benefit and have payments recovered through their or their partner’s tax code. In both cases the Government will ensure that parents will continue to be entitled to National Insurance Credits and the other benefits associated with entitlement to Child Benefit.

HMRC are developing a clear communication strategy to ensure that parents are aware that they can continue to receive National Insurance Credits for pension entitlement if they choose to ‘opt out’ of receiving Child Benefit.2

However, the release of Child Benefit statistics geographical analysis: August 2017 shows that the intention of the then Government, and presumably the purpose of HMRC’s ‘clear communication strategy’ may not have been met. As the HMRC analysis notes:

The age distribution of children within families that have opted out of receiving Child Benefit is similar to the age distribution of the children for whom Child Benefit is received. The low number of children at ages 2 or younger is likely to be because families subject to

1 https://publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/544/54407.htm#a17
2 https://publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/754/75404.htm
the High Income Child Benefit charge, whose first child was born since January 2013, would have had a choice between either registering for Child Benefit and then opting out, or not registering to begin with. These figures suggest that, some of these families may have chosen not to register after learning about the High Income Child Benefit charge.\footnote{https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/684064/Child_Benefit_Commentary_August_2017.pdf}

Adding to this concern is an apparent lack of attention paid by HMRC in its public analysis of this data. Since the August 2015 edition, each successive \textit{Child Benefit statistics geographical analysis} has repeated the phrase also seen in the paragraph above: “The low number of children at ages 2 or younger is likely to be...”. But with each new edition, the age should have risen by one each time: that is, the 2016 edition should have referred to children at ages 3 or younger, and the 2017 edition 4 or younger. This indicates a concerning lack of attention to the data and analysis on the impact of the charge.

The Treasury Committee was right to be concerned. Those who never register for child benefit because they have been dissuaded by the High Income Child Benefit charge lose out on their National Insurance Credits for pension entitlement, a fact they may not become aware of until it is too late to correct. I would therefore welcome the following information:

- An estimate of the number of people who are missing out on their entitlement to National Insurance Credits because they are not registering for child benefit (rather than those who register but opt out). A separate figure for the number of people within that group in households to which the High Income Child Benefit charge might apply should also be provided.
- What HMRC has done to ensure that those who may be deciding to register for child benefit for the first time are informed of the potential loss of their National Insurance Credits for pension entitlement if they do not; and whether those households where the High Income Child Benefit charge might apply are targeted in any such communication strategy.
- Whether HM Treasury has undertaken any analysis of this problem, and whether a further communications strategy might be forthcoming.

I would welcome your response by 28 March 2018. I will be placing this letter, and your reply, in the public domain.

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\text{The Rt Hon. Nicky Morgan MP} \\
\text{Chair of the Treasury Committee}
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