



UK Child Benefit and non-UK resident EU children

Summary

1 The UK pays child benefit and child tax credits to almost 50,000 children who live in another EU country. The most common country of residence is Poland, where claims are made for almost 30,000 children. British rates are about four times those in Poland. The cost to the British taxpayer is just over £1 million per week. Only in four other EU countries do the rules allow for such payments to be made to non-resident children.

Introduction

2 This paper will examine recent data released in a Parliamentary Question tabled by Mr Keith Vaz which revealed the number of child benefit claims in respect of children that do not live in the UK but in another EU country.¹ It calculates the costs to the UK taxpayer and examines the rules in other EU countries.

Numbers

3 There are 24,082 child benefit awards in respect of 40,171 children and a further 4,011 child tax credit awards in respect of 6,838 children. The country of residence of the largest number of overseas children in receipt of UK child benefit and child tax credit is Poland, where child benefit is paid for 25,659 children and child tax credit is paid for 3,829 children. This of course reflects the large number of Polish migrants living in the UK. (See Annex A for a breakdown of Child Benefit and Child Tax Credit payments by Country)

Child Benefit Rates

4. In 2011 child benefit was set at £20.30 per week (£81.20 per month) for the first child and £13.40 per week (£53.60 per month) for the second and subsequent children.² These rates will remain frozen until 2014.

Benefit paid out to children living overseas

5 Child benefit paid to 40,171 children living overseas costs the taxpayer £36.6 million per year and child tax credit costs £18.6 million per year. Therefore the combined payments amount to over £55 million per year or £1 million per week.

1 Parliamentary Question 138991, Mr Keith Vaz, 28 January 2012, Hansard, Column 619W, URL: <http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130128/text/130128w0004.htm#1301293001504>

2 HMRC, Child Benefit Rates 2011-2014, URL: <http://www.hmrc.gov.uk/childbenefit/payments-entitlements/payments/rates.htm>

Table 1. Costs of Child Benefit and Child Tax Credit to non-UK resident children.

	Number of children	Annual Rate £'s	Total cost Per annum £M
<u>CHILD BENEFIT</u>			
First child	24,082	1,055	25.4
Second Child	16,089	697	11.2
<u>Total Child Benefit</u>	40,171		36.6
<u>CHILD TAX CREDIT</u>	6,838	2,720	18.6
<u>GRAND TOTAL</u>			55.2

6 It is noteworthy that only one in six children also receives child tax credit. That is probably because the parents do not earn enough to pay income tax but some may earn more than the threshold for payment.

Benefit Rules across the EU

7 Most countries do not pay child benefit in respect of children living outside of their territory. According to the EU's Mutual Information System on Social Protection, in order to claim child benefit in Austria, Belgium, Bulgaria, Cyprus, Denmark, Estonia, Finland, France, Hungary, Italy, Lithuania, Luxembourg, Malta, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden the child must be resident in the territory.³ In Ireland the rules stipulate that the child must be normally living with and being supported by the recipient however in practice this is not the case.⁴ Only in the UK, Czech Republic, Germany, Latvia, and the Netherlands can child benefit be claimed for children who live in another EU state.

Child Benefit Entitlement in Poland

8 There is a significant financial benefit to claiming child benefit in the UK over Poland. In Poland, child benefit is paid at a rate of £13.60 per month (68 Polish Zloty) for children aged 4 years and under, £18.20 per month (91 Polish Zloty) for children aged between 5 and 18 years and £19.60 per month (98 Polish Zloty) for children aged 18-24 who remain in education.⁵ This is a quarter of the amount paid by the UK government for the first child.

Conclusion

9 Child allowances paid in respect of children who live in another EU country costs the UK taxpayer over £55 million per year, or over £1 million a week. In all other EU countries except the UK, Czech Republic, Germany, Latvia and the Netherlands the child must be resident in that country in order to qualify for child allowances.

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3 MISSOC, URL: <http://ec.europa.eu/social/main.jsp?langId=en&catId=815>

4 Irish Times, 'Efforts to save money on child benefit going abroad shelved', 12 October 2012, URL: <http://www.irishtimes.com/newspaper/frontpage/2012/1012/1224325188343.html>

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ANNEX A

Child Benefit Awards and Number of Children to Overseas Children by Country, 2012		
Country	Number of awards	Number of children
Poland	15,499	25,659
Ireland	1,281	2,609
France	1,080	2,003
Slovakia	1,083	1,881
Lithuania	1,276	1,772
Spain	756	1,275
Latvia	853	1,117
Germany	366	641
Netherlands	192	379
Portugal	239	364
Italy	193	330
Romania	196	328
Czech Republic	176	282
Belgium	138	274
Switzerland	122	238
Bulgaria	174	238
Hungary	132	203
Sweden	66	122
Cyprus	53	80
Greece	51	76
Norway	14	65
Estonia	43	63
Austria	29	47
Denmark	20	35
Finland	16	30
Malta	14	21
Luxembourg	10	21
Slovenia	7	13
Iceland	3	5
Totals	24,082	40,171

Child Tax Credit Awards and Number of Children to Overseas Children by Country, 2012		
Country	Number of awards	Number of children
Poland	2,278	3,829
Ireland	611	1,207
Lithuania	339	484
Slovakia	141	256
Latvia	178	243
France	95	203
Spain	79	153
Romania	45	68
Bulgaria	52	66
Hungary	43	65
Germany	38	60
Portugal	22	40
Czech Republic	25	38
Netherlands	10	22
Italy	13	21
Norway	6	18
Belgium	4	11
Greece	5	11
Sweden	3	10
Estonia	9	9
Cyprus	2	6
Austria	3	4
Switzerland	3	4
Finland	2	3
Luxembourg	1	2
Malta	2	2
Slovenia	1	2
Denmark	1	1
Iceland	0	0
Totals	4,011	6,838