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A benefit screw-up [1]

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Yesterday the Chancellor announced the great idea of withdrawing child allowances from those who shouldn't need them. It?s such a great idea that, desperate for money as he is, he has deferred it to 2013.

To avoid the expense of means testing, he plans to give all mothers child allowances, as now, but then ask ?households with a higher rate taxpayer? to own up to taking the money on their tax returns. Then the Revenue will add the allowances to the tax bill. Give the mother the money and then take it back from the richest member of the household who may, of course, be a lodger.

But ?households? don?t do tax returns, individuals do. So, whose tax return does it go on if the mother has little or no income? And suppose the mother forgets to tell the higher rate taxpayer that she?s had the money? Or he forgets?

The tax advantage of not being married, or in a formal partnership, will increase sharply. Didn?t David Cameron make a big fuss about promoting marriage? This does the opposite.

Finally, the bureaucracy in administering all this will increase sharply.

Osborne has made this change in a ham-fisted way that will remove most of the good that comes from it, and missed an opportunity for better reforms. Even Gordon Brown wouldn't have dreamt up an approach as silly.

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