



Tax-Free Childcare

New Tax-Free Childcare scheme

At the end of April 2017, the new Tax-Free Childcare scheme was launched by the government. The government has started inviting parents to apply for Tax-Free Childcare beginning with parents of the youngest children and parents of disabled children.

This scheme may be relevant to:

- an employer: you may be asked questions about the new scheme by your employees.
- an individual: you may be interested in using the scheme, particularly if you are self-employed, as this is the first childcare scheme providing a tax break for the self-employed.

What is Tax-Free Childcare?

Eligible parents will open an online childcare account. When a parent pays into the account, the government will pay an extra 25%. So if £80 is paid into the account, the government will automatically add £20. The maximum government payments are £2,000 per child per year. This means annual childcare costs of £10,000 per child can be met by £8,000 of payments by the parents and £2,000 by the government. For a disabled child, the maximum top-up payments are £4,000.

How much parents pay into their Tax-Free Childcare account, and when, is up to them.

Who can qualify for Tax-Free Childcare?

Parents need to be 'working parents' paying for 'registered childcare' for children under 12 (or under 17 for disabled children). If parents are not living together, the qualifying parent depends upon with whom the child usually lives.

The main criteria for a parent are:

- earns on average at least £120 a week
- earns less than £100,000 a year
- not receiving other support for childcare such as Child Tax Credit or Universal Credit.

A self-employed parent can average self-employment income across the year to meet the minimum income requirement.

If the parent has a partner, he/she must also be working and satisfy the criteria above.

It is possible for an individual who is not the parent to qualify if the child usually lives with them. The income criteria would then apply to that individual and their partner.

Partners are people who are:

- married or in a civil partnership, and live together in the same household, or
- a couple who live together as if they are married or in a civil partnership.

Registered childcare

Only childcare providers registered or approved by a UK regulator can sign up to receive Tax-Free Childcare payments. HMRC has written to childcare providers, asking them to sign up online for Tax-Free Childcare. Parents will be able to check online who is registered for the Tax-Free Childcare scheme.

Parents will send payments online from their Tax-Free Childcare account to the bank account of the registered childcare provider. Therefore when a provider receives a payment from a parent, this will include both their payment and the government contribution.



What if you have an Employer Supported Childcare scheme?

As an employer you may have an Employer Supported Childcare scheme. Employer supported childcare, commonly by way of childcare vouchers, has provided Tax and National Insurance efficient benefits for many employers and employees.

An employee cannot benefit from both an Employer Supported Childcare scheme and the Tax-Free Childcare scheme. However employees are free to choose between the schemes if already in an Employer Supported Childcare scheme or join such a scheme before April 2018.

This choice is, of course, dependent on you continuing to offer a scheme. If you do continue to run a scheme, your employees will need to decide what to do.

The government has provided a 'childcare calculator' which provides an estimate of the financial support parents may be able to receive after they have answered a number of questions on their childcare costs and income. The calculator is available at www.gov.uk/childcare-calculator.

How to apply

The government has recently launched a website – Childcare Choices – which guides parents through the various ways help is, or will be available. The Childcare Choices website is available at www.childcarechoices.gov.uk.

Currently parents with a child under four on 31 August 2017 or disabled can apply through the Childcare Choices site. Parents will be able to apply for all their children at the same time, when their youngest child becomes eligible.

Other parents can request to receive an email from the government as to when they are able to apply. This is also available via the Childcare Choices site. All eligible parents will be able to join the scheme by the end of 2017.

Please contact your usual Chavereys contact if you have any specific questions on the above.

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Issued 25/09/2017