

## All about Tax Free Childcare

Updated November 2017

This update contains the latest information available about **Tax Free Childcare**. You can register online at [www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk)

We have also produced another factsheet all about **30 hours free childcare** Visit [www.familyinfobrighton.org.uk](http://www.familyinfobrighton.org.uk) to download a copy.

Visit [www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk) to find out about all the different types of help available towards childcare costs. You can also visit [www.gov.uk/childcare-calculator](http://www.gov.uk/childcare-calculator) to work out how much you might be entitled to.

### The Family Information Service offers

- Support and advice and where to go for help when you need it
- Information and advice about childcare and funding

### For more information

- Search online for childcare, services for families and factsheets: [www.familyinfobrighton.org.uk](http://www.familyinfobrighton.org.uk)
- Visit our website: [www.brighton-hove.gov.uk/fis](http://www.brighton-hove.gov.uk/fis)

### Need extra help?

- Email: [familyinfo@brighton-hove.gov.uk](mailto:familyinfo@brighton-hove.gov.uk)
- Telephone: 01273 293545
- Follow us on Twitter @bhccfamilyinfo

### Our range of factsheets to view online at [www.familyinfobrighton.org.uk](http://www.familyinfobrighton.org.uk)

The extended entitlement for 3 and 4 year olds (30 hours free childcare)	About the expansion of childcare funding for 3 and 4 year olds whose parents are working
Family Finance	Outlines the main sources of financial help available for families
Free childcare for two year olds	Some two year olds are now entitled to 570 hours of free childcare over the year
Free Early Learning	Three and four year olds are entitled to 570 hours of free childcare over the year

New to Brighton & Hove	Information on services, activities and local information for families who are new to the city.
Family Breakdown	Outlines what to consider when relationships break down and where to go for help and advice.

## 12 important things to know about Tax Free Childcare

Tax-Free Childcare is a government scheme to support working parents with childcare costs.

If you are eligible you set up an online childcare account which you can use to pay your childcare provider directly. You can use Tax Free Childcare to pay for Ofsted registered:

- childminders, nurseries and home childcarers
- pre-schools and playgroups
- After school clubs and holiday playschemes

### 1. Your online account

You will have an online account, which you can pay into to cover the cost of childcare with a registered provider. For every £8 that you put in, the government will make a payment of £2 to a maximum of £2000 per year, or £4000 if your child is disabled. You'll be able to apply for all your children at the same time, when your youngest child becomes eligible. All eligible parents will be able to join the scheme by the end of 2017.

### 2. For every 80p you or someone else pays in, the government will top up an extra 20p \*\*

This is equivalent of the tax most people pay - 20% - which gives the scheme its name, 'tax-free'. The government will top up the account with 20% of childcare costs up to a total of £10,000 - the equivalent of up to £2,000 support per child per year (or £4,000 for disabled children).

**You can't get Tax Free Childcare AND Tax Credits, Universal Credit or childcare vouchers**

### 3. The scheme will be available for children aged up to 12 and up to 17 if they have a disability.

Currently, the scheme is open to children aged under 4 and it is hoped that this will be extended to children under 6 by the end of the year. It is planned to rollout the scheme fully in Spring 2018.

#### **4. Parents who work, or usually work are eligible**

Lone parents must earn at least £120 per week which is equivalent to 16 hours per week at the National Minimum Wage, and couples must each earn at least this amount to qualify. You cannot earn more than £100,000 each per year. If you or your partner are on maternity, paternity or adoption leave, or you're unable to work because you're disabled or have caring responsibilities, you may still be eligible.

The scheme is designed to be flexible for parents if, for example, they want to get back to work after the birth of a child or work part-time.

You can also apply for Tax Free Childcare if you're not working, but expect to start a new job in the next 14 days.

#### **5. It's quick and easy to apply online**

You can apply for Tax Free Childcare at [www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk). You and your partner if you have one will need your:

- National Insurance number(s)
- Details of one or more of the following – your UK passport, Tax credits, P60 or a recent payslip

In most cases you will be told straightaway if your application is successful. In some cases HMRC will need to do additional checks, so its important to apply in good time.

If you don't have access to the internet, you can call the Childcare Service helpline on 0300 123 4097 and apply over the phone.

#### **6. You can switch to Tax Free Childcare if you are using childcare vouchers**

You can find out which scheme suits you best by completing the childcare calculator online at [www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk). If you then want to switch to childcare vouchers, you need to notify your employer, and send HMRC confirmation that you've stopped your vouchers within three months of successfully applying for Tax Free Childcare. The email that you have sent to your employer telling them That you wish to stop using childcare vouchers can be used as confirmation.

#### **7. Any eligible working family can use the Tax-Free Childcare scheme - it doesn't rely on employers offering it**

Tax-Free Childcare doesn't rely on employers offering the scheme, unlike the current scheme Employer-Supported Childcare. Any working family can use Tax-Free Childcare, provided they meet the eligibility requirements.

#### **8. The scheme will also be available for parents who are self-employed**

Self-employed parents can get support with childcare costs with Tax-Free Childcare, unlike the current scheme (Employer-Supported Childcare) which is not available to self-employed parents. To support newly self-employed parents, the government is

introducing a 'start-up' period. During this, self-employed parents won't have to earn the minimum income level.

The scheme is also available to parents on paid sick leave and paid and unpaid statutory maternity, paternity and adoption leave.

### **9. Parents and others can pay money into their childcare account as and when they like \*\***

This gives you the flexibility to pay in more in some months, and less at other times. This means you can build up a balance in your account to use at times when you need more childcare than usual, for example, over the summer holidays.

### **10. You pay your childcare provider directly through your childcare account**

Your provider needs to sign up before you can pay them using Tax Free cChildcare. They can go to [www.childcarechoices.gov.uk/providers](http://www.childcarechoices.gov.uk/providers) to find out more and sign up. Once they've signed up, you can add them to your childcare account by clicking on the "your Tax Free Childcare account" link in your account homepage. You can set up a regular payment on a chosen date each month.

When you pay money in, it will take 24 hours to clear before you can pay your provider. Payments to providers will take up to three days to arrive in their account. When you apply for Tax Free Childcare, you will be given a unique reference number that you need to give to your childcare provider so that they can match your payments to your child.

### **11. You will need to reconfirm that you are still eligible**

Every three months, you will need to go into your childcare account. You will be sent a reminder four weeks before the reconfirmation deadline. If nothing has changed, you just need to tick a box to confirm this.

If you miss the reconfirmation deadline, you will receive a message telling you that your eligibility has lapsed. You will need to go into your childcare account and reconfirm.

If you are no longer eligible, you can still use the money in your account (including the top up you accrued while you were eligible) to pay your provider. You can also continue to use your account to pay your provider in the future, but you won't get the government top up.

### **12. You'll be able to withdraw money from the account if you want to**

If your circumstances change or you no longer want to pay into the account, then you'll be able to withdraw the money you have built up. If you do, the government will withdraw its corresponding contribution.

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## **\*\* Understanding top-ups**

The HMRC 20% top-up per 80% invested, is added at the point the money goes into the account, not when it comes time to spend it.

Your initial Tax-Free Childcare entitlement period starts on the day you open your childcare account and will normally run for three months. You can pay as much as you like into a childcare account.

Only the first £2000 you pay into each childcare account in an entitlement period will get topped-up by £500. Any further payments made into your account above this amount will be held separately and not get topped-up until the next entitlement period starts, if you're still eligible to get top-ups.

Example of how top-up payments will work:

You pay in	Top-up paid	Total available for Childcare
80p	20p	£1
£100	£25	£125
£200	£50	£250
£500	£125	£625
£1000	£250	£1250
£2000	£500 (max)	£2500
£3000	£500 (max)	£3500

Sometimes payments received into the account won't attract top-up payments. This can be when:

- you haven't reconfirmed that you're eligible for the entitlement period
- your child no longer qualifies – for example, because they've reached the age limit
- your payments have exceeded the maximum quarterly limit for top-ups \*
- the payment is a refund of money from your childcare provider

\* So, if you have high ongoing childcare costs or high seasonal costs (such as summer holidays), putting money into your child's account throughout the year will help to accrue the full top-up as you go, thus avoiding the £500, 3 month limit.

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It's also not just the parents who can pay into the account - if grandparents, other family members or employers want to pay in, then they can.

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**Register NOW at [www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk)**

This factsheet was produced by the Family Information Service. The information it contains was correct at November 2017. The Family Information Service cannot be held responsible for any errors or omissions.

For the latest updates, visit [www.brighton-hove.gov.uk/fis](http://www.brighton-hove.gov.uk/fis) or [gov.uk](http://gov.uk)

For help and support contact the Family Information Service

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