

Support for childcare and the early years inquiry

Personal tax

Support for childcare and the early years inquiry
20 April 2023

LITRG responded to the House of Commons' Education Committee's inquiry on support for childcare and early years. The response considers the tax and benefit interactions of childcare schemes.

Support for childcare featured heavily in the recent budget with changes to universal credit childcare element and the extension of free childcare announced. Prior to those announcements, in December 2022, the House of Commons' Education Committee launched an inquiry (tinyurl.com/ycku4x26) into support for childcare. It examined how easy it is to navigate the existing childcare system and whether current childcare entitlements are providing families with affordable and flexible childcare, as well as how the current offerings impact on returning to work.

LITRG's submission focused on two key areas: the interactions between the various childcare schemes; and the provision of guidance and information about childcare support. The schemes covered by our submission included employer-supported childcare (including childcare vouchers), tax-free childcare, universal credit childcare element, tax credits childcare element and free childcare offer. The submission was similar to evidence given to the Treasury Committee and Work and Pensions Committee in 2018 and we noted it was disappointing that the same level of complexity and lack of detailed guidance remains.

Although supportive of the government's aim to provide financial support towards the cost of childcare, we highlighted that the various childcare support schemes currently in existence mean the resulting childcare landscape is incredibly complex, which adds difficulty for anyone trying to navigate and understand it.

We identified three factors which lead to this complexity:

- differing qualifying conditions for each scheme;
- the potential financial support offered by each scheme; and
- the interactions between the schemes.

At present, there is not sufficient support and guidance to help people, who may qualify for help under more than one scheme, understand which scheme is best for them. This is more important when circumstances change, as there is a need to reassess and potentially reconsider the qualifying conditions for each scheme. Moving between schemes can be challenging – bringing delays in payments and the possibility of not being able to reverse the decision at a future date. This means that whilst in the short term a switch to another scheme might be desirable, in the longer term it may be more beneficial to stay in an existing scheme.

Much of the submission focuses on the guidance provided through the Childcare Choices and [GOV.UK](https://www.gov.uk) websites. The Childcare Choices website offers a 'find the right offer for you' tool which, in theory, should help people understand the various childcare schemes. However, we raised a number of concerns about the accuracy of the tool in terms of the questions asked, the fact that it contains errors and that it ignores potential scenarios. This means people may get an incorrect result, stating that a particular scheme is not available to them. They may therefore miss out on support if the tool prevents them from going any further and using the more detailed

calculator or reading further information.

We also raised a number of similar concerns with the more detailed childcare calculator. We urged HMRC to:

- amend the calculator to include universal credit;
- amend the calculator to ensure all questions are relevant and accurate; and
- provide additional information about some of the questions so users can answer correctly.

A disclaimer should also be added to the front page making it clear who should not use the calculator.

Finally, from a claimant perspective, it is confusing to have some information on the Childcare Choices website and some on [GOV.UK](#) with no clear links between them. We recommended HMRC should review the guidance, tool and calculator to address all of these issues as soon as possible.

Victoria Todd vtodd@litrg.org.uk