

Tax-Free Childcare update

General Features

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Tax-Free Childcare started to accept claims from 21 April 2017 and will continue to roll-out during 2017. This article provides an update on who can claim and what it means for employer supported childcare schemes.

Following a small pilot that began in late 2016, the Tax-Free Childcare (TFC) scheme started accepting claims from certain groups from 21 April 2017. Initially due to start in Autumn 2015, the scheme was delayed due to a legal challenge. It will eventually fully replace directly contracted childcare and childcare vouchers that are offered by employers. Workplace nurseries will not be affected by the introduction of TFC.

For each 80 pence that someone pays into their childcare account, the government will pay in 20 pence up to a maximum of £500 (£1,000 if the child is disabled). Government support is per three month entitlement period. This means that support of up to £2,000 per child per year is available, increasing to £4,000 per child if they are disabled.

From 21 April, you can only make a claim for TFC if:

- You (or your partner) are responsible for a child who will be under the age of 4 on 31 August 2017; or
- You are responsible for a disabled child (until the last day of the week in which the 1 September following their 16th birthday falls)

The scheme will open up to more people throughout the remainder of 2017. If someone is eligible to make a claim now because they have a child under the age of 4 on 31 August 2017, they will also be able to include any older siblings (who normally live in the same household as the younger child) in the claim. However, even if they are eligible to apply, they will only get support through TFC if they meet the qualifying conditions.

There are a number of qualifying conditions including a requirement that the claimant (and their partner if they have one) meet a minimum earnings requirement from paid work. This is set at 16 hours x national minimum wage for the claimant's age group, for example each person aged 25 or over must earn on average at least £120 a week over a three month period.

TFC is a 'digital by default' scheme such that the legislation requires a claim to be made by electronic means unless HMRC are satisfied that the person is:

- Prevented, by a court order, from sending information electronically
- Holds beliefs which are incompatible with the use of electronic communications
- Is unable to send information by electronic communications by reason of age, disability, inability to operate a computer effectively that cannot be remedied by the use of assisted digital support or living in a remote location so that it isn't reasonably practicable to use electronic means

The Regulations state that people who satisfy HMRC that they fall within one of these groups must apply in the manner specified by HMRC. There is a childcare service helpline run by HMRC which is 0300 123 4097 (0300 123 9232 minicom) and the advisers on that line have confirmed they can take claims over the phone for people unable to transact online, however HMRC don't explain this option on the GOV.UK website and the helpline number is not advertised on the claimant information pages.

The government have confirmed that directly contracted childcare and childcare vouchers offered by employers will be closed to new entrants from April 2018. Existing users can continue to receive help through those schemes as long as their employer continues to offer them.

Some people will be better off moving from employer supported childcare to TFC, but others will be better staying with their employer's scheme. It depends on their own circumstances and the cost of their childcare. HMRC have produced a website www.childcarechoices.gov.uk that explains the different childcare options and has a calculator that can help - however caution should be exercised that this is very basic and advice may be needed to ensure the decision is the right one. Similar better off calculations will also be needed for tax credit and universal credit claimants - as it is not possible to claim tax credits or universal credit (any amount not just the childcare elements) at the same time as TFC. Any successful application for TFC will

result in termination of the tax credit or universal credit claim.

LITRG have published some basic information about TFC and other childcare schemes. We will be publishing more detailed guidance via our website for advisers www.revenuebenefits.org.uk in the coming weeks. You can sign up for our newsletter which contains the [latest alerts](#).