

**A comprehensive Guide to Tax-Free
Childcare and Childcare Vouchers Schemes**

Big Changes, Big Choices.

Time is running out...

Updated Version: 24 July 2017

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We will continue to update this guide as the new Tax-Free Childcare scheme is rolled out and more information is made available on how it will be implemented.

Please check back regularly to ensure you are referring to the most up-to-date version.

A comprehensive guide to Tax-Free Childcare

The Tax-Free Childcare scheme is being rolled out to eligible parents across the UK, including in Northern Ireland. Despite being in the pipeline since 2013, few parents have an understanding of what the Tax-Free Childcare scheme involves, or even that it is being introduced at all. This guide explains the key features of Tax-Free Childcare and will help you decide if it will benefit your family financially.

The Government has also launched a website, www.childcarechoices.gov.uk to help parents understand what support is available for them. You can use this website to subscribe to email alerts that will tell you when you can apply for Tax-Free Childcare. Families with children aged under 4 on 31 August 2017, and/or children with a disability and aged under 17, are now able to apply. There is also information on the www.gov.uk website.

While the Government's website contains information on another new scheme that gives access to 30 hours free childcare to eligible parents, this scheme is **not available in Northern Ireland**. If you are a parent in England, it is important to note that it is not necessary to join Tax-Free Childcare in order to receive the free hours of childcare. These can be accessed alongside Childcare Vouchers.

The guide is split in to nine sections:

1. Context
2. Overview of Tax-Free Childcare
3. FAQs
4. Tax-Free Childcare and Childcare Providers
5. How does Tax-Free Childcare compare to Childcare Vouchers?
6. How to work out if you will be better off on Tax-Free Childcare
7. Examples
8. Finally...Points to consider
9. Where to get further advice

At a glance...

CHILDCARE VOUCHERS
THE 2ND MOST APPRECIATED BENEFIT FOR WORKING PARENTS AFTER PENSION

A popular, widely used scheme
Supporting parents with their childcare costs
A flexible benefit for working families

780,000 PARENTS
currently use childcare vouchers

OVER 20 MILLION EMPLOYEES
around the UK have access to childcare vouchers

OVER 2 MILLION FAMILIES
are estimated to have benefited from childcare vouchers since their introduction in 2005

Tax-Free Childcare (TFC) was launched
APRIL 2017
Childcare vouchers are open to new entrants until
APRIL 2018
when they will carry on only for existing members

CHILDCARE VOUCHERS OFFER UP TO £1,866 PER YEAR IN SAVINGS
for a two-parent family paying the basic rate of tax or £1,250 pa for higher and additional rate tax payers

UNDER TAX-FREE CHILDCARE FAMILIES CAN BENEFIT BY £800 PER YEAR
on average as estimated by the government if they meet all the criteria required

TAX-FREE CHILDCARE BENEFITS HIGHER EARNERS
with higher childcare costs versus childcare vouchers which benefits basic rate taxpayers over higher rate taxpayers



Some parents will be better off in childcare vouchers and others with TFC - it can be complex

SO SEEK ADVICE

Vouchers can be used for children

UP TO THE AGE OF 15

Tax-Free Childcare will only cover children

UP TO THE AGE OF 12



Families can benefit from childcare vouchers,

EVEN IF ONLY ONE PARENT IS WORKING



Tax-Free Childcare will require all parents in a family

TO BE WORKING & EARNING AT LEAST £120 A WEEK



IF FAMILIES ARE IN RECEIPT OF TAX CREDITS,

they can only benefit from vouchers and **NOT** Tax-Free Childcare

VOUCHERS ARE EASILY ACCESSED THROUGH EMPLOYERS

Tax-Free Childcare will require parents to set up special government online accounts, make regular payments and confirm eligibility every 90 days

Once a parent leaves the voucher scheme to join Tax-Free Childcare, they

CAN'T RE-JOIN CHILDCARE VOUCHERS

in the future - so parents need to plan for the future



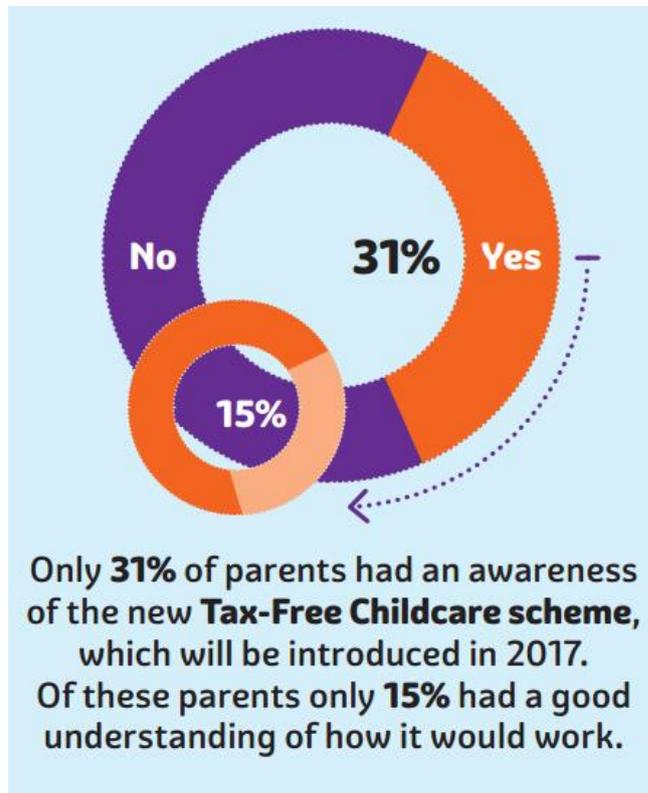
CVPA
CHILDCARE VOUCHER PROVIDERS ASSOCIATION
www.cvpa.org.uk

1. Context

Tax-Free Childcare was first announced in the 2013 Budget as part of Government measures to help families with the cost of childcare. The scheme is now available to parents of the youngest children (those under 4) and parents of children aged under 17 who have a disability. It is being gradually rolled out to other families across 2017. By the end of 2017, all eligible parents should be able to access the scheme.

Parents can subscribe to email alerts that will tell them when they can apply for Tax-Free Childcare. To sign up, visit the Government’s new Childcare Choices website: www.childcarechoices.gov.uk

During summer 2016 Employers For Childcare asked 6,000 local parents about their understanding of Tax-Free Childcare. Only 31% of parents had an awareness of Tax-Free Childcare and 15% could say they had a good understanding of how the scheme would work.



Childcare can be a significant cost for working families therefore Employers For Childcare wants to ensure that all parents

- know what support is available, and are
- claiming all that they are entitled to.

Tax-Free Childcare is a new support that will leave some families better off. However, some families will be financially better off by choosing to access Childcare Vouchers or Tax Credits. It is important that each family makes the best choice depending on their specific circumstances.

2. Overview of Tax-Free Childcare

What is Tax-Free Childcare?

Tax-Free Childcare allows eligible working families to claim 20% of their childcare costs, up to £2,000 per child per year (or £4,000 for a child with a disability), from the Government.

Who is eligible to join the Tax-Free Childcare scheme?

At a glance...

- Both parents, or one parent in a single parent household, must be in employment, earning between £120 per week and £100,000 per year
- Self-employed parents are eligible to join
- Can be used to pay for childcare for children under the age of 12 (under age 17 for children with a disability)

The scheme will be available to parents of children under the age of 12 (under age 17 for children with disabilities). For a family to be eligible, both parents have to be in employment, or one parent in a single parent household, earning between £120 per week (£111 per week if the parent is under 25) and £100,000 per year.

If you are self-employed you will also be eligible to join provided you have registered your business with HM Revenue and Customs. You can use income from both employment and self-employment to meet the minimum income. Your first 12 months of self-employment is their start-up period. During this time, you don't have to earn the minimum £120 a week to be eligible for Tax-Free Childcare. You can average your self-employment income across the year to meet the minimum income criteria (however you will need to meet the minimum using just your self-employment income if you take this approach).

Parents must usually live and work in the UK unless they are a Crown servant or member of the Army and posted overseas. The scheme also extends to those living in Ireland and working in Northern Ireland. However, you must be using a childcare provider who is registered in the UK.

Parents can still apply for Tax-Free Childcare if they are on paid:

- sick leave
- ordinary or additional maternity, paternity or adoption leave or getting maternity allowance
- shared parental leave, or
- annual leave.

Parents can also apply for Tax-Free Childcare if they are not working but expect to start a new job within the next 14 days. This includes parents who are on maternity leave.

Where one parent does not work it may still be possible to get Tax-Free Childcare if the parent who is not in work is receiving certain benefits, for example, incapacity benefit or carer's allowance.

If parents apply for Tax-Free Childcare they will not be able to get:

- Child Tax Credits
- Working Tax Credits
- Universal credit (when it is introduced in Northern Ireland)
- Childcare Vouchers.

Child Tax Credits and Working Tax Credit payments will stop automatically if a parent successfully applies for Tax-Free Childcare.

If you are getting Childcare Vouchers you will need to tell your employer within 3 months of applying for Tax-Free Childcare so that your employer can stop providing the Childcare Vouchers.

Parents will still be eligible for Child Benefit if they are using Tax-Free Childcare.

How does Tax-Free Childcare work in practice?

For every £8 you pay into your account, the Government will give you £2, up to a maximum of £2,000 per year per child (i.e. you would need to put in £8,000 for the Government to top up your account with £2,000). The amount you save with Tax-Free Childcare will depend on your childcare costs.

You will be able to pay into your account at any time and receive the top up, up to a maximum of £500 top up per quarter (£2000 top up per annum). These figures increase to £1000 per quarter (£4000 per annum) if your child has a disability. Other people, such as family, friends and employers, can also pay into the account. Payments can be made directly to the childcare provider through the online account.

If you have more than one child in childcare you will need to open an account for each child however you can do this as part of a single application.

The application process

If you are a working parent you will need to open a Government Gateway account through the [childcare service](#). You will need to have the following information to hand:

- National Insurance Number and your date of birth
- Partner's National Insurance Number and date of birth (if applicable)
- Payslip, P60 form or your passport
- Each child's date of birth
- The date you and your partner (if applicable) started your most recent employment (this can be an approximate date provided the employment has been for more than three months).

Your application will be assessed by HMRC who will let you know if you are eligible for Tax-Free Childcare. This can take up to 10 days.

You will need to reconfirm that you are still eligible for Tax-Free Childcare every 3 months using your childcare service account. You can do this by ticking a box to confirm that your details have not changed. You will be reminded to do this 4 weeks before the reconfirmation deadline.

If you have any queries regarding the process you can contact the Childcare Service Helpline on 0300 123 4097.

Using the online childcare service account

Once you have successfully applied for your online account, you will be able to:

- view all of your children's Tax-Free Childcare accounts in one place
- confirm every 3 months that you are still eligible for Tax-Free Childcare
- make payments into each child's Tax-Free Childcare account, and
- use each account to pay for your childcare costs.

You will be able to make one-off payments into each Tax-Free Childcare account or you can set up a standing order to make regular payments. The Government has said that it will apply the top up automatically, and it should be received instantly. You will then be able to use the full balance to pay for your childcare.

You will be able to pay up to 10 childcare providers from each Tax-Free Childcare account but you will need to make a separate payment for each eligible child.

When can I apply for Tax-Free Childcare?

Tax-Free Childcare is being rolled out on a phased basis, allowing families with children under the age of 4 on 31 August 2017 and children with a disability (aged under 17) to apply since it launched in April 2017. All families should be able to access the scheme by the end of 2017.

If you are eligible to make a claim now because you have a child who will be under the age of 4 on 31 August 2017, you will be able to include any older siblings (who normally live in the same household as the younger child) in the claim provided their childcare costs are eligible.

Closing a Tax-Free Childcare account

If you are no longer eligible for Tax-Free Childcare you will still be able to add money to the account but will not receive any Government contributions. You will still be able to use the balance in the account to pay for childcare. If you no longer want to use the Tax-Free Childcare account you can withdraw your money but the Government will take back its contributions.

3. FAQs

Below is a list of the most commonly asked questions from parents regarding Tax-Free Childcare:

1. Will all childcare providers be able to accept payment through Tax-Free Childcare?

All childcare providers will be able to accept payments through Tax-Free Childcare provided they:

- are registered or approved as childcare providers in the UK, and
- have registered with HMRC to accept payments from parents.

Childcare providers were invited to register with HMRC during 2016. They can still register now, but it can take up to 12 weeks to fully register. See Section 4 of this guidance for further information for childcare providers.

2. Can cross-border workers join the Tax-Free Childcare scheme?

While eligibility criteria states that only parents who live and work in the UK will be eligible, this extends to those living in Ireland (or a resident of another EEA state) who are working in Northern Ireland. However, you must be using a childcare provider who is registered in the UK.

3. Are there any circumstances where a family will be eligible for Tax-Free Childcare if one parent is working and the other is not working?

Both parents must usually be working. However, if one of you meets the work requirements and the other is unable to work, for example, due to a disability or caring responsibilities, then you may still be able to claim Tax-Free Childcare. For example, parents claiming Incapacity Benefit, Carer's Allowance and Contributory Employment and Support Allowance (ESA) will be deemed eligible for the scheme, provided the other parent is also eligible.

4. Can I use Tax-Free Childcare alongside other forms of help with childcare costs?

No, Tax-Free Childcare cannot be used in conjunction with either Childcare Vouchers or Tax-Credits (including both Child Tax Credit and Working Tax Credit). This is different to the Childcare Voucher scheme which can be used in conjunction with Tax Credits.

There is one exception which is if you are benefiting from a **workplace nursery** provided by your employer you will still remain eligible for support under the Tax-Free Childcare scheme.

5. Can I apply for Tax-Free Childcare if I am a single parent?

Yes, single parents can apply for Tax-Free Childcare provided they meet the eligibility requirements. It is important to note that only one account can be set up per child so if parents are separated, and both parents contribute to childcare costs, they will need to set up one account that they can both pay in to.

6. Can I switch between Childcare Vouchers and Tax-Free Childcare?

Parents who are considering moving from the current Childcare Voucher Scheme* to the new Tax-Free Childcare should seek advice before cancelling their Childcare Vouchers.

If a parent leaves their employer's Childcare Voucher scheme in order to use Tax-Free Childcare they will be unable to switch back to their employer's Childcare Voucher scheme. This is applicable from day one of the Tax-Free Childcare Scheme, not just after the April 2018 closure of Childcare Vouchers to new entrants. This rule is applicable even if the parents find they are worse off using Tax-Free Childcare.

A parent could, however, join a different Childcare Vouchers scheme if they were to commence employment, before April 2018, with a new employer that offers Childcare Vouchers. They would have to stop reconfirming their eligibility for Tax-Free Childcare in order to do so.

*The Childcare Voucher scheme is also referred to as 'Employer Supported Childcare' or 'ESC' by HMRC.

7. How will Tax-Free Childcare affect my Tax Credits?

You **cannot claim both Tax-Free Childcare and Tax Credits**. If you join the Tax-Free Childcare scheme your Tax Credits will be terminated and you will remain ineligible while you are still a member of the scheme. This affects both Child Tax Credit and Working Tax Credit. If you claim Tax Credits it is important that you are aware of this before considering joining Tax-Free Childcare.

You can claim Childcare Vouchers and Tax Credits simultaneously.

8. If I stop claiming Childcare Vouchers because I am on maternity leave can I claim them again once I return to work, even though the scheme is closing to new entrants?

This will depend on the length of time you are not receiving Childcare Vouchers and the timing of that period. If you are a member of an employer's Childcare Voucher scheme you may wish to opt out temporarily, for example, due to maternity leave or taking a career break. Provided you do not have more than 52 consecutive weeks without receiving Childcare Vouchers, and do not join Tax-Free Childcare, you will not be considered to have left your employer's scheme and can resume receiving vouchers on your return to work with the same employer. If you opt out for more than 52 weeks you will be considered to have left the scheme and be unable to re-join after April 2018 as Childcare Vouchers are due to close to new entrants from that date.

9. If I am on maternity leave because I have had a new baby, can I still pay into a Tax-Free Childcare account for my older children?

A parent on maternity leave will not be able to open a Tax-Free Childcare account for their new born child until two weeks before they return to work. They can, however, have Tax-Free Childcare accounts for their older children while on maternity leave for the new born. They will be able to retain and pay into those accounts, even if they do not use childcare for the older children during their maternity leave period.

You can only use Tax-Free Childcare to pay for childcare where one of the main reasons for using the childcare is to enable you to work. Typically you cannot use Tax-Free Childcare to pay for childcare on days that you are not working. You can, however, use Tax-Free Childcare for non-working days if your provider requires you to block book (for example, by week) or pay in order to retain a space.

10. The Government's website through which to apply for Tax-Free Childcare also says that parents can get 30 hours free childcare, can I apply for that?

The Government's website contains information on a range of schemes to assist parents with their childcare costs.

The 30 hours free childcare offer is **not available in Northern Ireland** and will only apply to families living in England.

If you are a parent in England, it is important to note that it is not necessary to join Tax-Free Childcare in order to receive the free hours of childcare. These can be accessed alongside Childcare Vouchers.

11. Will my family be financially better off on Childcare Vouchers or Tax-Free Childcare?

This will depend on each family's individual circumstances, you can find more information in Section 5.

12. Any other questions?

It can be complicated working out what support you are entitled to depending on your family's unique circumstances. Many factors need to be considered ranging from your childcare costs both now and what they are likely to be in the future, through support you are already accessing, to whether you are divorced and childcare costs are shared across households.

If you have any questions please contact our Family Benefits Advice Service on 0800 028 3008. Our team can offer free, confidential and impartial advice based on your circumstances and carry out 'better-off' calculations which will help you to work out how you will be financially better off.

4. Tax-Free Childcare and Childcare Providers

Childcare providers must be registered with HMRC to accept payments from the Tax-Free Childcare scheme.

How will childcare providers receive payments through Tax-Free Childcare?

During 2016, HMRC contacted all regulated or approved childcare providers and asked them to register to accept payments of Tax-Free Childcare. This letter contained a user ID which childcare providers can use to sign up for Tax-Free Childcare, access their account and when calling the Government's childcare service helpline.

HMRC were keen for childcare providers to sign up before the scheme went live for parents. Providers can still sign up at any time, but it can take up to 12 weeks for registration to be processed.

If you are a childcare provider and you have not yet signed up to receive Tax-Free Childcare payments, then it is important that you do so now. If you have lost/didn't receive your sign up letter, contact the childcare service helpline on 0300 123 4097.

More information is available on the Government's website: childcare-support.tax.service.gov.uk/ccp/signup/entrypage

How will payments work?

Similar to the Childcare Voucher scheme, parents will pay their childcare provider through their online Tax-Free Childcare account. The payment will be made directly into the childcare provider's bank account with a reference number for each child so the childcare provider can identify their payments. Payment should take approximately 2 to 3 working days to arrive in the childcare provider's account.

Can all childcare providers register to accept payments?

Only regulated or approved childcare providers will be eligible to receive payments through Tax-Free Childcare. HMRC will check a provider's details with the relevant regulator before registering them for Tax-Free Childcare payments.

Once childcare providers have signed up to Tax-Free Childcare, parents can use the childcare provider checker childcare-provider-checker.tax.service.gov.uk to search for them using either their name, address or postcode, or regulator reference.

5. How does Tax-Free Childcare compare to Childcare Vouchers?

The following table shows the difference between the Childcare Voucher scheme and Tax-Free Childcare.

	Childcare Vouchers	Tax-Free Childcare
Savings	Up to £933 per parent, per year (regardless of number of children). Employers also save on Employer's National Insurance.	Claim £2 for every £8 spent on childcare, up to £2,000 per year for each child (in order to claim £2,000 you'll need to put in £8,000), £4,000 for a child with a disability. No savings for employers.
Age of children	Up to the age of 15 (16 if they have a disability).	Up to the age of 11 (or up to the age of 16 for children with disabilities).
Registered childcare	Can only be used to pay for registered childcare.	Can only be used to pay for registered childcare.
Earners in a family	Either or both earners in the family can use Childcare Vouchers.	Families can only claim the new childcare tax saving if both parents are working . In a single parent household, that parent must be working.
Income	There is no cap on the maximum income a family can have to claim Childcare Vouchers, although the amount a parent can save depends on the tax bracket they fall into.	For a family to be eligible both parents must be working and earning at least the equivalent of 16 hours at the National Living Wage per week and a maximum of £100,000 per year.
Availability	Only available to parents if their employer offers the scheme.	Available to all parents provided they meet the relevant criteria.
Self-employed parents	Self-employed parents are not eligible to join the scheme.	The new scheme will be open to self-employed parents.
Implementation date	Currently open to new entrants and will remain so until April 2018 when it will close to new entrants. Only those already using the scheme will be able to continue using Childcare Vouchers after April 2018.	Tax-Free Childcare was launched on 21 April 2017 for families with a child who will be under the age of 4 at 31 August 2017 and those families who have a child with a disability. Those families who are eligible, and will be better off under the scheme, can apply now. All families will be able to access the scheme by the end of 2017.

6. How to work out if you will be better off on Tax-Free Childcare

Tax-Free Childcare is one support available to assist families with the cost of childcare. You will need to work out if Tax-Free Childcare is a better option for your family, as there may be another form of support that is more beneficial. This section will help you decide what is best for your circumstances.

Step one: Understanding how both schemes operate

How the Childcare Voucher scheme works

The Childcare Voucher scheme operates through your employer. You are able to sacrifice a certain amount of money each month (or each week if you are paid weekly) from your gross salary which is free of tax and National Insurance Contributions. Your employer deducts the amount from your salary and it is made available in your online Childcare Voucher account, where you can make payments directly to your childcare provider(s).

Each month a basic rate tax payer can sacrifice up to £243, which results in a tax saving of £77.76 (£933.12 annually). Higher rate tax payers can sacrifice up to £124 per month, making a saving of £52.08 (£624.96 annually). Both parents can use Childcare Vouchers, therefore, if two basic rate tax payers join the scheme they will make an annual saving of £1,866.24.

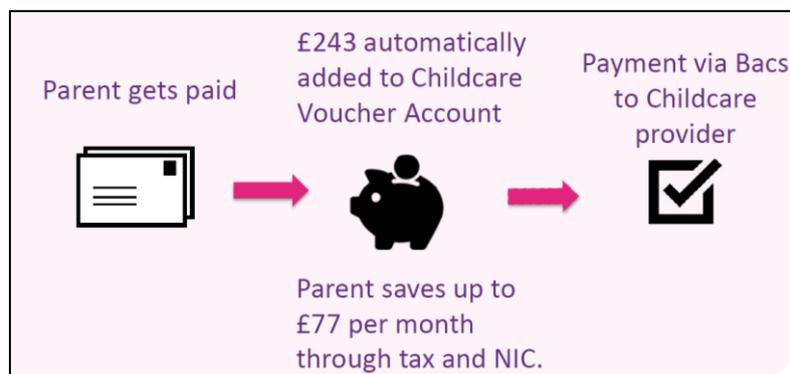
Each parent sacrifices up to £243 of their salary (tax and NIC free)

Childcare provider paid through parent's online account

Each parent saves up to £933 per year

Two parents = £1,866

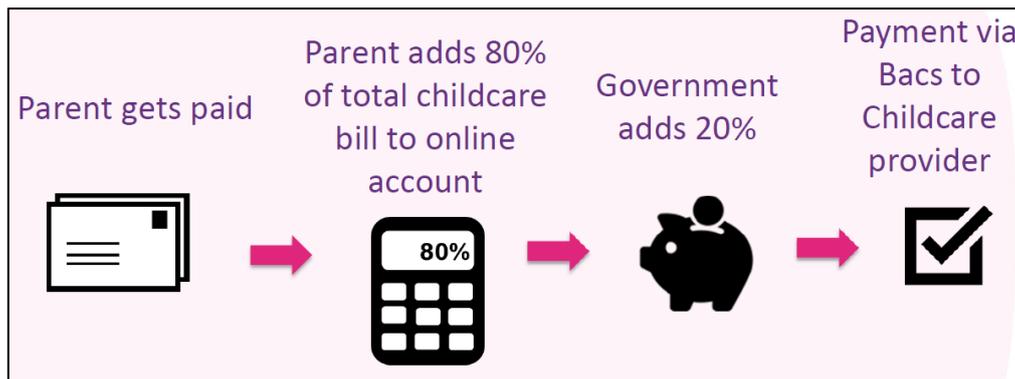
At a glance...



How the Tax-Free Childcare scheme works

For every £8 you pay into your account, the Government will give you £2, up to a maximum of £2,000 per year per child. Unlike Childcare Vouchers, the amount you save with Tax-Free Childcare will be dependent on your childcare costs. To receive the full £2,000 benefit from Tax-Free Childcare you must have childcare costs of £10,000 per child per year.

At a glance...



To draw a comparison between the two schemes, a couple sacrificing the maximum Childcare Voucher amount each year will effectively pay £5,832 into their online account to put towards the cost of childcare. The saving they make each year through the Childcare Voucher scheme is £1,866.

A couple having the same total amount (£5,832) added into their Tax-Free Childcare account would receive a top up of £1,166 from the Government, £700 less than with Childcare Vouchers.

Step 2: Working out your savings

Childcare Vouchers

If both parents are Basic Rate Tax Payers and sacrificing £486 between them, the maximum annual saving is £1,866.24. You will make a 32% saving on the amount you sacrifice.

For example: Mark and Sally pay £450 for childcare each month for their daughter Liz. Both of their employers offer the Childcare Voucher scheme. They each sacrifice £225 per month each and make a 32% saving of £72 each. Their joint annual saving is £1,728.

Tax-Free Childcare

Parents can receive help with 20% of their childcare costs up to a maximum of £2,000 per year per child. Parents receive a 20% top up on the value they put into their Tax-Free Childcare account.

For example: Mark and Sally pay £450 for childcare each month for their daughter Liz. They only need to pay 80% of their childcare costs and therefore add £360 to their Tax-Free Childcare account each month. The Government tops the account up by £90. Annually they make a saving of £1,080.

In this scenario Mark and Sally are better off using the Childcare Voucher scheme.

7. Examples

Example 1

Amanda and Bill pay £90 a week (£390 per month) for an afterschool club for their son Freddie. Both parents are working and meet the eligibility criteria for both Childcare Vouchers and Tax-Free Childcare.

Childcare Vouchers: Amanda and Bill split the childcare bill between themselves and both sacrifice £195 each from their monthly salary as Childcare Vouchers. They both make a saving of £62.40 per month, their joint monthly saving is £124.80.

Tax-Free Childcare: Through Tax-Free Childcare the Government will give Amanda and Bill 20% of their childcare bill. Each month the Government will top-up their childcare account by £78.



The couple are better off using Childcare Vouchers by £46.80 per month.

Example 2

Peter and Jan have two children, Ella, who is in full-time childcare, and Jack, who attends an afterschool club. The childcare bill for Ella is £168 per week (£728 per month), for Jack it is £90 per week (£390 per month). Their total monthly childcare bill is £1,118. Both parents meet the eligibility criteria for both Childcare Vouchers and Tax-Free Childcare.

Childcare Vouchers: Through Childcare Vouchers Peter and Jan can each sacrifice a total of £243 from their salary. They both sacrifice the full amount and make a monthly saving of £155.52.



Tax-Free Childcare: Through Tax-Free Childcare the couple will be able to claim 20% of each child's childcare bill. For Ella they can claim £145.60 per month and for Jack they can claim £78 per month. Their total monthly saving will be £223.60.

The couple are better off using Tax-Free Childcare by £68 per month.

Example 3

Alex and Chris pay for part-time childcare for their daughters Victoria and Sue, the bill is £200 per week. Alex is employed and eligible for Childcare Vouchers, Chris does not work.

Childcare Vouchers: Alex sacrifices his full Childcare Voucher entitlement, £243 per month. He makes a saving of £77.76 per month.



Tax-Free Childcare: Because Chris is not in employment the couple are not eligible for Tax-Free Childcare.

The couple are better off on Childcare Vouchers by £77.76 per month.

Example 4



Molly pays for childcare for her son Dan, her monthly childminding bill is £650. She works full time.

Childcare Vouchers: Molly sacrificed the full Childcare Voucher amount, £243 per month and makes a saving of £77.76.

Tax-Free Childcare: Through Tax-Free Childcare Molly adds £520 to her account and claims £130 from the Government.

Molly is better off on Tax-Free Childcare by £52.24 per month.

Example 5

Rebecca and Dave both work full time and have 2 children. They pay £300 per week in registered childcare costs. Both of their employers offer childcare vouchers. Due to their household income and family circumstances they are also eligible for the childcare element of Working Tax Credits.

Childcare Vouchers: Through Childcare Vouchers Rebecca and Dave can each sacrifice a total of £243 from their salary. They both sacrifice the full amount and make a monthly saving of £155.52.



Tax Credits: As Childcare Vouchers do not cover the full amount of childcare costs the couple claim help for the remaining £814 per month of childcare costs through the Childcare Element of Working Tax Credits. The couple receive £136.83 per month in Tax Credits.

Due to this combination of Childcare Vouchers and Tax Credits the couple receive £292.35 per month towards their childcare costs.

Tax-Free Childcare: Through Tax-Free Childcare the couple adds £1040 to their accounts and claim £260 from the Government

Rebecca and Dave are better off on a combination of Childcare Vouchers and Tax Credits by £32.35 per month.

Example 6

James and Carol are a couple paying for childcare for their disabled son Peter, who is eligible for Disability Living Allowance. Their monthly childcare bill is £950.

Both Carol and James work full time. They have no entitlement to Tax credits as their income is too high.

Childcare vouchers: Through Childcare Vouchers Carol and James can each sacrifice a total of £243 from their salary. They both sacrifice the full amount and make a monthly saving of £155.52.

Tax Free Childcare: Through Tax Free Childcare the couple will be able to claim 20% of their child's childcare bill. Because Peter has a disability, the amount that the couple can claim is capped at £4000 per year, not £2000. The monthly saving will be £190. In a year this will add up to £2280.



The couple are better off using Tax Free Childcare by £34.48 a month.

8. Finally...Points to remember when considering joining the Tax-Free Childcare scheme

Employers For Childcare wants to ensure that all parents have the information they need to make the best choice regarding financial support for their family, whether this is Tax-Free Childcare, Childcare Vouchers or Tax Credits. There are six points to keep in mind when considering joining the Tax-Free Childcare scheme:

1. Make sure you work out the savings you will make on Tax-Free Childcare before joining the scheme. The headline saving of £2,000 per child is the maximum amount available. In order to make this saving you will need to have childcare costs of £10,000 per child per year. You may be financially better off using the Childcare Voucher scheme or claiming childcare assistance through Tax Credits.
2. You cannot claim Tax-Free Childcare in conjunction with either Childcare Vouchers or Tax Credits (both Child Tax Credit and Working Tax Credit). You and your partner's Tax Credit award will be automatically terminated once you make a valid declaration of eligibility for Tax-Free Childcare. Make sure you calculate the impact this may have before joining the new scheme.
3. Make sure you meet all of the eligibility criteria for Tax-Free Childcare before cancelling Childcare Vouchers or Tax Credits. For example if you are in a couple do both of you meet the income and employment rules?
4. Consider your needs both now and in the future, factoring in any changes in circumstances, for example, do you expect a decrease in the amount of childcare you will be using?
5. If you are an existing Childcare Voucher user you should also bear in mind that the scheme will close to new entrants after April 2018. After this date only those parents who are using Childcare Vouchers will be able to continue doing so. If at this point you move to Tax-Free Childcare you will be unable to join the Childcare Voucher scheme again (*unless you change employer before the scheme closes to new entrants*).
6. Confirm that your childcare provider is registered to accept Tax-Free Childcare payments.

We know that it can be very complicated for parents to work out what is best for them and we urge all parents to contact our Family Benefits Advice Service on Freephone 0800 028 3008 to get personal advice on what is best for them.

9. Where to get further advice

Employers For Childcare's Family Benefits Advice Service was specifically set up to ensure families are claiming all the support available to them, particularly with the cost of childcare.

Our Advisors can provide advice and information on Tax-Free Childcare and calculate which form of financial support is best for your circumstances. **Call free on 0800 028 3008.**

We also have a Childcare Savings Calculator available on our website. The calculator will help you decide between Childcare Vouchers and Tax-Free Childcare. The calculator is available at www.employersforchildcare.org/parents/childcare-savings-calculator

You will also find information on the Government's new website, Childcare Choices:



The advertisement features the HM Government logo in the top left and the 'Childcare Choices' logo in the top right. The central focus is a large blue question mark containing the text 'CAN I GET HELP WITH MY CHILDCARE COSTS'. To the left of the question mark are silhouettes of a parent and three children of different ages. To the right are silhouettes of a parent and two children, one on a scooter. At the bottom, a text box states: 'The government is introducing new ways to help parents with childcare costs. Whether you have toddlers or teens, you could get support.'

Employers For Childcare

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