

**Guidance**

**Tax-free Childcare**

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**Introduction**

Tax-free Childcare can help employees to pay for childcare from an approved provider if they meet the eligibility criteria. The aim of this document is to provide more detailed information on the tax-free childcare scheme introduced by the government. This document sets out the responsibilities of the employee, the employer and what can be expected from the employee’s chosen childcare provider.

The Council does not play a role in the Tax-free Childcare scheme as the scheme operates directly between the government and the parents/guardians.

It is important however for line managers to make sure that employees are aware of potential sources of support and managers are encouraged to sign post employees with children, or those returning from any family related leave, to this document.

**Is tax-free childcare the best option?**

If an employee successfully applies for tax-free childcare, they will need to cancel their Universal Credit and childcare vouchers; tax credits will also stop immediately. The government website includes a calculator to help the employee estimate which options they may be eligible for. Please see the following link: <https://www.tax.service.gov.uk/childcare-calculator/what-you-need>

**Childcare vouchers**

Employees that joined the childcare voucher scheme on or before 4 October 2018 can continue to receive vouchers provided:

* their wages were adjusted before 4 October 2018,
* they continue employment with the Council and,
* they do not take an unpaid career break of longer than a year.

1. **Eligibility for Tax-free Childcare**

Employees may be eligible for assistance with costs towards approved childcare.

To be eligible for Tax-free childcare, employees (and their partner, if applicable) must be in work and both receiving at least the national minimum wage for 16 hours per week. If the employee is self-employed and started their business less than 12 months ago this earnings limit does not apply.

Employees will not be eligible if the child does not live with them, the child is a foster child, either person has a taxable income of over £100,000 or if the employee is outside the European Economic Area and they are unable to access public funding.

If the employee’s partner is working and they are in receipt of Incapacity Benefit, Severe Disablement Allowance, Carer’s Allowance or Employment and Support Allowance they may still be eligible.

Employees on parental leave cannot apply for childcare in respect of the child that they are on leave for.

The employee’s child must usually live with them and be under the age of 12 (or under the age of 17 for a child with a disability).

The employee should check that their childcare provider is signed up to the scheme as an approved provider. If the provider is not signed up to the scheme, the employee will not be able pay them and receive the benefit of the tax-free assistance from the government.

1. **Employees – Accessing the scheme**

Employees can use the government website to create an account from which they make payments to their childcare provider. The government will pay into the account £2 on top of every £8 that the employee pays in; parents/guardians can receive a maximum of £2000 per year (or £4000 in the case of a disabled child).

Employees can use the following link to apply: <https://www.gov.uk/tax-free-childcare?utm_source=childcarechoices&utm_medium=microsite>

1. **Childcare Providers**

Childcare providers need to sign up for a childcare provider account to receive payments from parents/guardians that use Tax-free childcare. Childcare providers must be registered with an approved regulator.

The provider will need an 11-digit user ID from their invitation letter and their bank account details.

If the provider is registered for self-assessment or Corporation Tax they will need their 10-digit UTR (Unique Taxpayer Reference).

If the provider is directly employed e.g. a childminder or nanny, they will need their National Insurance number to apply.

If the provider is owned by a different company, they must use that other company’s UTR and postcode to sign up.

Community and Voluntary Controlled Schools (maintained by the Council) offering tax-free childcare will be required to contact the Council’s finance team to obtain Cumbria County Council’s UTR. To do this they will need to provide their HMRC User ID or a copy of the letter that they have received from the HMRC.

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