

Help employees save money on their childcare bills with Tax-Free Childcare

As an employer, you might want to recognise that some employees have high childcare costs and may not be aware of support that is available to them.

Who is eligible?

To get Tax-Free Childcare, they and their partner (if they have one) need to be working at least 16 hours a week, earning at least the National Minimum Wage or National Living Wage and no more than £100,000 over the current tax year. This includes being:

- on maternity or parental leave
- on sick leave or annual leave.
- Their child is eligible until the September after their 11th birthday, or the September after their 16th birthday if they have a disability.



Parents can't claim Tax-Free Childcare at the same time as Working Tax Credit, Child Tax Credit or Universal Credit, but can claim at the same time 30 hours free childcare in England, or the Scottish and Welsh childcare offers if they are eligible for them.

How it works

Parents set up an online childcare account for their child/children. For every £8 they pay into their account(s), the government will pay in £2, up to a maximum of £2,000 a year per child (or £4,000 if their child has a disability). They can then use the money to pay their childcare provider.

They need to reconfirm their eligibility for Tax-Free Childcare every three months. They will get a text reminder and it's easy to do through their online childcare account.

If parents live in Northern Ireland

If parents live and pay tax in Northern Ireland but use a childcare provider in the Republic of Ireland, please advise them to call 0300 123 4097 to check their eligibility.

If they live in Northern Ireland but work in the Republic of Ireland, they're eligible for Tax-Free Childcare if they or their partner pay UK tax and complete an annual Self-Assessment tax return.

What about other childcare benefits?

Parents or their partners (if they have one) can't get Tax-Free Childcare at the same time as claiming Working Tax Credit, Child Tax Credit, Universal Credit or childcare vouchers. However, parents in England can get 30 hours free childcare alongside Tax-Free Childcare.

Parents can visit www.childcarechoices.gov.uk and use the childcare calculator to work out which type of support is best for them.

What's happening to childcare vouchers?

On 4 October 2018, the childcare voucher scheme closed to new applicants. Employees can keep getting vouchers with income tax and NICs reliefs if they joined a scheme and had the necessary changes made to their salary on or before this date, if they:

- stay with the same employer, who continues to run the scheme
- don't have a break in receiving vouchers of a year or more, for instance when taking an unpaid career break.

From 5 October 2018, if an employee moves with their work under a business transfer covered by the Transfer of Undertakings (Protection of Employment), the employee's terms and conditions will remain the same. In this case, either the employee can join their new employer's existing childcare voucher scheme or their new employer can start a new scheme for them, if they don't already have one.

What you need to do if your employee receives childcare vouchers and starts using Tax-Free Childcare?

If your employee tells you they started using Tax-Free Childcare, you'll need to stop giving them childcare vouchers with income tax and NICs reliefs. If this means stopping or changing a salary sacrifice arrangement, you must also update your employee's contract and your payroll software.

What your employee needs to do

Your employee needs to tell you in writing (for example, by email) within 90 days if they get Tax-Free Childcare, so you can stop giving them vouchers with income tax and NICs reliefs. It's the parent's responsibility to tell you.

Parents can continue to use any vouchers they already have, including to make a joint payment for childcare with Tax-Free Childcare. There's no deadline for using their existing vouchers. Once they've told you they're getting Tax-Free Childcare, they can't re-join your voucher scheme later on.

Can you pay into a childcare account?

Other people, such as employers can also pay into the childcare account. You can do this using a bank transfer or setting up a standing order.

If you choose to make a payment into your employee's childcare account, you should make the payment after the deduction of any tax and national insurance contributions due. To pay into a parent's account, you'll need:

- the account sort code. This is 60-89-71 for all accounts
- account number. This is 10027165 for all accounts
- the parent's unique 13-digit childcare account number as the payment reference, which your employee will be able to provide you with.

Find out more

To find out more about childcare offers across the UK please visit www.childcarechoices.gov.uk and [Tax-Free Childcare](#) and sign up [here](#) Childcare providers can find out more and sign up [here](#)