

BKB Accountants explain the NEW Tax-free Childcare Scheme

Tax-free childcare is the latest government scheme designed to support working parents with the cost of childcare. Launched at the end of April 2017 it is being offered to parents and suggests that parents could be saving thousands of pounds a year on childcare, yet many families are still unaware of it.

Who qualifies?

The scheme is available for families with children up to the age of 12, or 17 for children with disabilities. All eligible parents will be able to join the newly developed scheme by the end of 2017 and those eligible will be able to apply for all their children at the same time, although the government rollout will start with the youngest children first.

What's it worth?

For every £8 a parent pays in, the government will pay in an extra £2. Parents can receive up to £2,000 per child, per year, towards their childcare costs making a total amount attainable of £10,000. There are increased limits of £4,000 and £20,000 that applies for families with disabled children.

What do I need to do?

The good news is that parents will be able to open an online account at www.gov.uk, which they can pay into to cover the cost of childcare with a registered provider. This account will give you the flexibility to pay more in some months, and less at other times when cashflow allows.

Can anyone else help?

It's not just the parents who can pay into the account; grandparents, other family members or employers can also pay into the scheme.

Am I eligible?

To qualify for tax-free childcare, parents and partners in the household must generally meet a minimum income level of on average £120 a week and each earn less than £100,000 a year.

Unlike the current 'employer supported childcare' voucher scheme that remains open to new entrants until April 2018, tax-free childcare is intended to be more flexible for families as it does not rely on employers offering the scheme. Almost twice as many families will be able to benefit from the new scheme as any working family can use tax-free childcare, provided they meet the eligibility requirements, which also includes self-employed parents.

What if I currently receive Employer Supported Childcare?

Existing members of the 'Employer Supported Childcare' have the option to remain in their current scheme or change over to tax-free childcare as their child becomes eligible. It is not possible to benefit from both schemes at the same time.

Consequently, parents have a significant decision to make. Some may prefer to opt for the new tax-free scheme and some to stay where they are. The decision will depend on your own personal circumstances, but the government have created a useful comparison calculator for parents and is available on www.gov.uk/childcare-calculator or contact me at ali@bkbaccountants.co.uk for further information.