

Changes to the Tax Free Childcare Scheme – June 2014

The Queen confirmed on the 4th June 2014 that the Government's new tax free childcare scheme, first announced in the 2013 Budget, will take effect from autumn 2015.

The Tax-Free Childcare scheme will replace the existing childcare vouchers programme, which is only available when offered by an employer. The employer-supported childcare voucher scheme will be closed to new entrants from autumn 2015, when the government's new tax-free childcare scheme takes effect. Once the new system comes into force, employees that had taken up childcare vouchers prior to this date can remain in existing schemes, so long as they do not change employers.

Under the Government's new Tax-Free Childcare scheme, working families will get an allowance of up to £2,000 per child to pay for the cost of childcare from autumn 2015.

The scheme will be open to families where **both** parents work and earn up to £300,000 between them, or single parents earning less than £150,000. It'll enable parents to get a 20% rebate per child on the annual cost of childcare of up to £10,000.

The scheme will be rolled out to all eligible families with children under 12 within the first year of its operation and from autumn 2015, the scheme will be administered by parents opening an online account through the government website.

Existing relief from tax and national insurance contributions for workplace nurseries will be unaffected. This means parents at the University using Echoes and Dryden Street nurseries should not be concerned.

The majority of parents will benefit from the change. But those who are likely to be better off sticking with the current childcare vouchers scheme are couples where one parent doesn't work, as they won't be eligible for Tax-Free Childcare. It is **recommended** that if you are considering signing up for childcare vouchers that you do so as soon as possible to ensure you don't lose any future access to the scheme after autumn 2015.

Kiddivouchers will keep current users up to date and will liaise with The University to keep all staff with childcare needs updated on the changes. Kiddivouchers can be contacted via www.kiddivouchers.com or by phoning 0800 612 9015. The University scheme number is **S439777W**.

See the table below from Kiddivouchers to see the level of monthly childcare costs after which tax-free childcare becomes the better option:

Family circumstances	Level of monthly childcare costs after which tax-free childcare becomes the better option
Single parent, basic-rate taxpayer	£ 389
Single parent, higher-rate taxpayer, joined childcare vouchers before 6th April 2011	£ 510
Single parent, higher-rate taxpayer, joined childcare vouchers after 5th April 2011	£ 260
Couple, both basic-rate taxpayers	£ 778
Couple, one basic-rate taxpayer, one higher-rate taxpayer who joined childcare vouchers after 5th April 2011	£ 649
Couple, both higher-rate taxpayers who joined childcare vouchers after 5th April 2011	£ 521