

The Government's Tax Free Childcare Scheme

FAQs at 8 October 2014

What is the Tax Free Childcare Scheme?

The Tax-Free Childcare scheme enables working parents to get 20% off the cost of their annual childcare costs, up to £2,000 per child per year. For every 80p you or someone else pays in, the government will top up an extra 20p. This is equivalent of the tax most people pay - 20% - which gives the scheme its name, 'tax-free'.

When does the Tax Free Childcare Scheme start?

It is expected to launch during autumn 2015 and will be available to nearly two million households to help with the cost of childcare.

Who is eligible for the Tax Free Childcare Scheme?

- Working families where both parents work
- One parent works in a single-parent family.
- Self-employed parents (who aren't currently eligible for childcare vouchers).
- The scheme will be available for children up to the age of 12, and for children with disabilities up to the age of 16.
- Tax-Free Childcare doesn't rely on employers offering the scheme, unlike the current scheme Employer-Supported Childcare (childcare vouchers).
- Any working family can use the Tax-Free Childcare scheme, provided they meet the scheme's eligibility requirements.

Who won't receive Tax Free Childcare?

- Parents who are currently eligible for tax credits (soon to be Universal Credit) will not be eligible.
- Families with two parents where just one parent works will not be eligible.

Eligibility requirements

Each parent must earn less than £150,000 a year. So two parents in one family each earning £149,999 will still be eligible.

Are there any particular winners and losers?

Under the current Childcare Vouchers system, parents can exchange up to £243 of their gross salary per month for vouchers, which cover all forms of childcare up to the age of 16 and are exempt from tax and NI contributions. This means that parents in the basic rate tax bracket can save up to £933 a year, those in the higher bracket up to £623, and anyone earning over £150,000 up to £606. The maximum any family can save is £1,866 - if both parents' employers offer a voucher scheme, and both are basic rate taxpayers.

How will the new Tax Free Childcare Scheme operate?

- The new scheme will be an online voucher system that you would register to use. Parents will be able to open an online account, and then pay money into it as and when they like, topped up by the government.
- You will have flexibility to pay in more in some months, and less at other times, so you can build up a balance in your account to use at times when you need more childcare than usual, for example, over the summer holidays.

- It's also not just the parents who can pay into the account. If grandparents, other family members or employers want to pay in, then they can too.
- Parents will be able to use the money for any Ofsted regulated childcare in England, and the equivalent bodies in Scotland, Wales and Northern Ireland.
- If your circumstances change or you no longer want to pay into the account, then you'll be able to withdraw the money you have built up. If you do, the government will withdraw its corresponding contribution.

Can I still register for childcare vouchers (Kiddivouchers) before autumn 2015?

- You can still join our Kiddivouchers (childcare vouchers) scheme from now until 2015.
- You won't be able to register for the Kiddivouchers (childcare vouchers) scheme after autumn 2015
- Those already registered with Kiddivouchers by autumn 2015 will be able to continue using it for as long as the University provides the scheme.
- You do not have to switch to Tax-Free Childcare if you do not wish to.

Will Dryden Street and Echoes Nursery be affected by the introduction of the new Tax Free Childcare Scheme?

- Dryden Street and Echoes nurseries won't be affected by the introduction of Tax-Free Childcare.
- Employees currently using the Workplace Nursery Scheme to salary exchange their fees will still retain Tax and National Insurance savings.

Please note: As more information becomes available more questions will be added to this page.