

A guide to Tax-Free Childcare

We understand that childcare costs can often be high especially in the current climate and, whilst as a charity we try to keep costs to a minimum whilst maintaining outstanding care, we want to share payment options to help reduce these costs.

We still accept Childcare Vouchers however since 2018 they are no longer offered to new employees, this is where Tax-Free childcare can be an excellent option for parents.

What is Tax-Free Childcare?

Tax-Free childcare is a government scheme to support working parents with their childcare costs, offering up to £2,000 per child per year (or £4,000 for children with disabilities), depending on eligibility.

Parents who receive Tax-Free childcare cannot claim childcare tax credit or universal credit.

Tax-Free childcare is available to the following:

- Families with children aged 0-11 (or 0-16 if disabled)
- Working families in the UK
- Those who are not receiving Childcare Vouchers, Universal Credit or Tax Credits
- Those earning at least the National Minimum or Living Wage equal to 16 hours a week, or under £100,000 p.a.

How does Tax-Free Childcare work?

You set up an online childcare account for your child. For every £8 you pay into this account, the government will pay in an extra £2, effectively giving you 20% additional funds - or the basic rate of tax back - on what you spend through your online childcare account. You can then use the money to pay your childcare costs.

You will need to reconfirm your eligibility for Tax-Free Childcare every three months, similar to the 30 hours funded hours. You'll receive a reminder via text message and it's ever so easy to do through your online childcare account.

Am I eligible for Tax-Free Childcare?

To get Tax-Free Childcare, you need to be working at least 16 hours a week, earning at least the National Minimum Wage or National Living Wage.

This includes being:

- self-employed

- on maternity or parental leave
- on sick leave or annual leave

Your child is eligible until the September after their 11th birthday, or until their 17th birthday if they have a disability.

Each parent or carer can earn up to £100,000 per year and still be eligible for Tax-Free Childcare. Your eligibility doesn't depend on how much tax you pay, so it will not affect your income tax liability or any other tax, such as VAT.

You can't claim Tax-Free Childcare at the same time as Working Tax Credit, Child Tax Credit or Universal Credit.

Find out more about your childcare funding options

To find out how much you could get towards your childcare costs and check whether you're eligible on the Childcare Choices website – remember to let the nursery office know once an account is set up so we can look for the reference number.

<https://www.childcarechoices.gov.uk/how-to-use-tax-free-childcare/>

The image shows a screenshot of the Childcare Choices website. At the top, there are logos for HM Government, Help for Households, and Childcare Choices, along with a blue 'MENU' button. Below the logos is a large heading 'HELP PAYING FOR YOUR CHILDCARE' flanked by colorful icons of children playing. The main content area has a teal background with the heading 'HOW TO USE TAX-FREE CHILDCARE' in large white letters. Below this, a yellow box contains the text: 'For every £8 you pay in, the government will automatically add £2, up to the value of £2,000 per child per year (or £4,000 for disabled children)'. A small red circle with the number '1' is visible at the bottom of the teal section.