



# Tax-Free Childcare: What employers need to know

## What is Tax-Free Childcare?

Tax-Free Childcare is a government scheme that helps working parents with their childcare costs, allowing them to work, or work more hours, if they choose to.

For every £8 a parent puts into a childcare account, the government will top up their account with £2. Parents can receive up to £2,000 per child, per year to pay for regulated childcare (£4,000 for disabled children).

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](http://www.childcarechoices.gov.uk) and use the childcare calculator to work out which type of support is best for them.

## What happens to other childcare support?

If a parent successfully applies for **Tax-Free Childcare**:

- Working Tax Credit or Child Tax Credit stops automatically straight away
- childcare vouchers with income tax and National Insurance contributions (NICs) reliefs can continue for up to 90 days.

Parents should apply for Tax-Free Childcare before cancelling their Universal Credit claim, to see if they meet other eligibility criteria e.g. income limits.



## 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've 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, 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've 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.

We've produced materials to help you communicate the new support to your employees, at [www.childcarechoices.gov.uk/providers](http://www.childcarechoices.gov.uk/providers)