

Tax-Free Childcare

The government has introduced a tax incentive for childcare Tax-Free Childcare (TFC).

Overview

Under TFC the tax relief available is 20% of the costs of childcare up to a total of childcare costs of £10,000 per child per year. The scheme will therefore be worth a maximum of £2,000 per child (£4,000 for a disabled child). Parents are able to apply for TFC for children under 12 (up to 17 for children with disabilities).

To qualify for Tax-Free Childcare all parents in the household must generally meet a minimum income level, based on working 16 hours a week (on average £120 a week) and each earn less than £100,000 a year and not already be receiving support through Tax Credits or Universal Credit.

Online account

Parents are able to register with the government and open an online account. The government will then 'top up' payments into this account at a rate of 20p for every 80p that families pay in.

Self-employed

Self-employed parents are able to get support with childcare costs using the TFC scheme, unlike employer supported childcare scheme. To support newly self-employed parents, the government have introduced a 'start-up' period. During this period a newly self-employed parent will not have to earn the minimum income level.

Roll out of TFC and service issues

In April 2017, HMRC started rolling out the childcare service via a single website through which parents can apply for both 30 hours free childcare and TFC. All parents of eligible children are now able to apply for TFC. Parents can apply online through the childcare service which can be accessed via the [Childcare Choices website](#).

HMRC acknowledge that over the summer some parents did not receive the intended level of service when using the website and that they have subsequently made significant improvements. For those parents who have had difficulties in accessing the service, compensation may be available: see [childcare service compensation](#).

Childcare providers

Only childcare providers registered with a regulator can receive Tax-Free Childcare payments.

How does this relate to employer supported childcare?

The existing scheme, ESC, will remain open to new entrants until at least September 2018 to support the transition between the schemes. ESC continues to be available for current members if they wish to remain in it or they can switch to the new scheme but parents cannot be in both ESC and TFC at the same time.

How we can help

If you would like to discuss childcare in further detail, please do not hesitate to contact us.