

#92 HR Newsletter

Oct 2016: Tax-free Childcare Scheme

What is the tax-free Childcare Scheme?

The Tax-free Childcare scheme will enable eligible families to receive a contribution of 20% from the Government towards their childcare costs.

Parents will be able to pay money into a childcare account and have the payments topped up by the Government at a rate of 20%, up to an annual limit of £2,000 per child (or in the case of a disabled child up to £4,000). For example, for every 80p paid in by parents, the Government will top up the payment in the childcare account by 20p.

Parents will be able to open their own childcare accounts online and the scheme will not be led or administered by employers.

To be eligible both partners must be working, earning above £115/week and have children under 12 (under 16 if they are disabled).

The Government has said that Tax-free Childcare will be introduced in early 2017.

This will replace the Current Childcare Voucher scheme that currently provides for tax relief for both employers and employees at source.

Employees who are already enrolled in the Childcare Voucher Scheme can continue to benefit from this scheme but new members will not be allowed to join the scheme and this will be closed to new entrants from April 2018.