

TAX-FREE CHILDCARE – HOW TO CLAIM TAX-FREE HELP TOWARDS CHILDCARE



For working parents, the cost of childcare can be significant. The school holidays often present particular challenges as extra childcare may be needed. This can be prohibitively expensive, particularly during the current cost of living crisis. However, help towards childcare cost may be available via the Government's tax-free childcare scheme.

Nature of the scheme

The Government's tax-free childcare scheme allows working parents to set up an online account from which to pay their childcare costs and receive a tax-free top-up from the Government. The top-up is set at 25% of the amount contributed by the parent(s), up to a maximum of £2,000 a year. If your child is disabled, the maximum top-up is increased to £4,000 a year. Payments are made every three months. This means that for every £8 that the parent pays into the account, the Government will add a further £2 (up to the annual limit).

Are you eligible to join?

Eligibility to join the scheme depends on whether you are working and the amount of your income (and your partner's income if you have one).

If you are working, you must be expected to earn an amount that is at least equivalent to the National Minimum or Living Wage over the next three months for 16 hours a week on average. For example, if you are 23 or over, you will need to expect to earn at least £1,976 over the next three months (equal to £9.50 an hour for 16 hours a week for 13 weeks). If you have a partner, they will also need to earn at least this amount.

For all the latest news...

If you are self-employed, you can use your average profit for the current tax year if you do not expect to make sufficient profit over the next three months. This may be helpful if your profit fluctuates. There is also an upper earnings limit. If you or your partner expect to have adjusted net income of more than £100,000 in the current tax year, you will not qualify for the tax-free top-up.

If you are not working but in receipt of certain benefits, or on maternity, paternity, adoption or shared parental leave, you may also qualify.

However, you cannot benefit from tax-free childcare at the same time as Working Tax Credit, Child Tax Credit, Universal Credit or employer-supported childcare or childcare vouchers. If you also qualify for one or more of these, you will need to work out which is the best option for you.

Your child

The scheme can only be used to top-up childcare costs for a child who is 11 or under and who usually lives with you. Eligibility ceases on 1 September following the child's 11th birthday. If your child is disabled, you can continue to claim the top-up until they are 17.

Approved childcare

You can only use the Government top-up to pay for 'approved' childcare. This includes childcare provided by registered childminders, nurseries, nannies, after-school clubs and play schemes. However, your childcare provider must be signed up to the scheme.

Claim online

If you are eligible for help under the scheme, you will need to apply for a childcare account online (see <https://www.gov.uk/apply-for-tax-free-childcare>). You will need to reconfirm your details every three months.

We can help

If you would like help with any of the above, please contact us to speak to a member of our dedicated team, call us on **01753 888 211** or email **info@nhllp.com**