



LOW TAKE-UP OF TAX FREE CHILDCARE LINKED TO POOR UNDERSTANDING OF SCHEME

Research commissioned by HMRC has suggested that low take-up of the Tax-Free Childcare (TFC) scheme is linked to a 'poor understanding' of the initiative.

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

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 £131 a week) and each earn less than £100,000 a year and not already be receiving support through Tax Credits or Universal Credit.

According to the research, 1.3 million UK families are eligible for the TFC scheme. The study found that many families were unaware of the initiative, and others who were aware of TFC had poor understanding of its key aspects.

The research also revealed that a small number of families set up a TFC account, but failed to make use of it. 21% of these families said that they decided not to use their account after they had set it up, and an additional 21% stated that they set up an account in advance of being required to make a payment.

Meanwhile, a handful of taxpayers believe other schemes are more suitable for their needs, and a small number prefer to use childcare vouchers, which are believed to provide additional benefits.

NAO finds tax reliefs cost UK £155 billion per year

Research carried out by the National Audit Office (NAO) has found that UK tax reliefs cost £155 billion per year.

The NAO identified 362 'tax expenditures'. It classes these expenditures as tax reliefs that 'support government economic and social objectives'. The Office stated that tax expenditures differ from public spending in that they reduce the amount of tax collected, rather than consume resources after tax is collected.

According to the NAO, HMRC only costed 111 tax expenditures. These had a combined cost of £155 billion in 2018/19.

The research also revealed that 23 tax expenditures cost more than £1 billion in 2018/19. These 23 tax reliefs represented 92% of the total forecast cost in 2018/19.

In July 2019, the Office for Budget Responsibility (OBR) identified the costs of tax reliefs as one of four new 'fiscal risks' to public finances.

Specifically, the OBR warned that the government did not know the full cost of tax reliefs, and that costs could rise beyond expectations; that tax reliefs lacked transparency and scrutiny; and that they add complexity to the UK tax system.

Alongside the Public Accounts Committee (PAC), the NAO raised concerns about HMRC's management of tax reliefs, including whether they deliver value for money.

HMRC plans to estimate the costs of more tax expenditures between 2020 and 2022.

The Great British Spring Clean 2020 – 20th March

Nunn Hayward will be getting involved in the country's biggest mass-action environmental campaign. Along with other local businesses, staff at Nunn Hayward will be helping to clean up the town on Friday 20th March.

Steve Cook, Tax Partner commented 'This is a great initiative and we are delighted to be involved in supporting our local community'.



ESSENTIAL TAX DATES FOR MARCH

1 March

New Advisory Fuel Rates (AFR) for company car users apply from today.

3 March

5% late payment penalty on any 2017/18 outstanding tax which was due on 31 January 2020 and still remains unpaid.

19 March

PAYE, Student loan and CIS deductions are due for the month to 5 March 2020.

31 March

End of corporation tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 March 2019.

Last minute planning for tax year 2019/20 – please contact us for advice.

Reserve your FREE 2020 Budget Summary

The Chancellor announced that the 2020 Budget will be delivered on Wednesday 11 March.

If you would like to receive our Budget Summary straight to your inbox on the 12th March, then register your interest on our website www.nhllp.com

Email us on info@nhllp.com or call **01753 888211**