

# New tax-free childcare scheme<sup>[1]</sup>

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## AVAILABILITY

Read Online<sup>[2]</sup>

## EXCERPTS

The government initially announced its intention to replace childcare vouchers with a tax-free childcare scheme in 2013. The Childcare Payments Bill is now proceeding through the Commons Committee and is due to come into force in Autumn 2015.

### How will it work?

Eligible parents will be able to open an account, which they will use to pay for childcare. For every 80p paid into the account (by the parents or by another third party), the government will pay in an extra 20p. This represents a 20% top up, which is the level of tax most people pay (this is why it has been called the "tax-free childcare scheme").

All families falling into the following salary bracket will be eligible for the scheme. Parents need to be earning at least £50 per week and no more than £150,000 per year to be entitled to use the scheme. Parents can pay into the account whenever they like (and others can pay in for them). If their circumstances change, they will be permitted to withdraw the money from the account and, when they do this, the government will also withdraw its contribution.

### How does it compare to childcare vouchers?

Many more families will be entitled to the support under the new scheme, as it does not rely on employers to provide it to their workforce. It is government-run and will be open to all working parents, including self-employed people. Those on the childcare vouchers scheme can continue with it if they choose, but it will no longer be available to new users once the tax-free childcare scheme is introduced in Autumn 2015.

Parents can put more into the new scheme - up to £10,000 per year, compared to the £933 per parent that can currently be put into Childcare Vouchers. You can also have more flexibility on who can put money in and when you can take it out. However, those with older children may be better off retaining the childcare vouchers, because the new scheme applies only to children to the age of 12, not 15 as with the voucher scheme. The new scheme also requires that both parents in a household have to be working in order to be eligible for the new tax-free childcare scheme.

**Region:** Europe<sup>[3]</sup>

**Tags:** funding<sup>[4]</sup>

**Source URL (modified on 27 Jan 2022):** <https://childcarecanada.org/documents/child-care-news/15/04/new-tax-free-childcare-scheme>

## Links

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