

BACK TO SCHOOL – SET UP A TAX FREE CHILDCARE ACCOUNT?

The Government's Tax-Free Childcare Accounts provide a 25% subsidy towards the cost of childcare. The account can be used to pay nursery fees, breakfast clubs, after school clubs and registered childminders.

The scheme operates by topping up savings of up to £8,000 per child by 25%, potentially an extra £2,000 a year from the Government to spend on qualifying childcare. The scheme generally applies to children under 12. In the case of disabled children the age limit is 16 and the amount that can be saved is £16,000 a year, topped up by the Government by a further 25% to potentially £20,000.

Unlike childcare vouchers, still provided by some employers, tax free childcare accounts are available to both employees and the self-employed. To be eligible, the parent generally needs to be working and earning at least the National Minimum Wage or National Living Wage for at least 16 hours a week on average. However, parents are not eligible if either of the parents' adjusted net income is more than £100,000 a year.

Note that where an employer provides Childcare Vouchers then the parents are not allowed to set up a Tax-Free Childcare Account as well. Please contact us for advice on whether or not it would be beneficial to leave your employer's Childcare Voucher Scheme, noting in particular that the voucher scheme applies to children up to age 16, rather than age 12.