

## **Tax Free Childcare Update - Feb 18**

Further to our previous communications regarding the roll out of the new Tax-Free Childcare Scheme (TFC), you will already be aware that the roll out is due to be completed by March 2018.

HMRC have confirmed that TFC was made available on 15th January 2018 to families whose youngest child was aged under 9 or who had their 9th birthday on this date. All remaining eligible parents will be able to apply from 14th February 2018.

Parents can apply for TFC via the Childcare Choices website. The website also provides information to families about all financial support available to them to support with the cost of childcare. This includes free childcare hours (for children aged 2, 3 and 4), TFC, Childcare Vouchers, Tax Credits and Universal Credits.

### **Key Information about the existing Employer Supported Childcare (ESC) voucher scheme:**

New ESC Parent/Joiner Information:

- ESC will remain open to new parents until April 2018.
- However, HMRC have confirmed that in order to access ESC as a new entrant before the April 2018 cut-off, a parent will have to have made a salary sacrifice/had a voucher issued before 5th April 2018. The act of making an application will not be sufficient and is not recognised in legislation.
- Employers will need to factor in their own payroll cut off dates but it means that a new parent MUST have made a salary sacrifice/had a voucher issued before the 5th April 2018 at the latest, typically this will be a deduction through their March 2018 salary.

### **Existing ESC Parent Information:**

- Parents who are currently registered on the existing ESC voucher scheme will be able to remain on the scheme for as long as they have childcare costs.
- If a parent changes employer after April 2018 they will lose this entitlement and will not be able to join an ESC scheme with their new employer.
- If a parent is on an ESC scheme with an employer and have their contracts transferred to another employer under TUPE, the new employer will be able to add them to any existing scheme they are running or set up a new scheme for the transferred staff. The new scheme will be counted as a continuation of the old ESC scheme.
- Parents will be able to choose whether they continue on the existing ESC scheme or move to the new TFC scheme. However, they cannot be in receipt of support through both schemes at the same time.
- When parents initially apply for TFC they do not need to have already left their ESC scheme, but if their application is successful they are required to give a CAN to their employer. The giving of a CAN

to their employer permanently removes them from their ESC scheme and they will not be able to re-join ESC at a later date.

- A Childcare Account Notice (CAN) is a notification from an employee to their employer saying that they wish to leave the employer's ESC scheme in order to use TFC.
- Parents who are currently registered on the existing ESC voucher scheme will not be considered to have left until they either make no salary deduction for a whole year, or if they serve their employer with a CAN. This will allow these parents to re-join the scheme within 12 months from their last salary deduction. However, if they change employers they lose this right.

Not all parents will benefit from the new TFC scheme and will find they are better off remaining on the current ESC voucher scheme.