

1 Childcare exemptions: meaning of disabled child

- (1) In section 318B of ITEPA 2003 (childcare: meaning of “disabled” etc), in subsection (3)(a), after “allowance” insert “or personal independence payment”.
- (2) The amendment made by this section has effect for the tax year 2013-14 and subsequent tax years.

EXPLANATORY NOTE

CHILDCARE EXEMPTIONS: MEANING OF DISABLED CHILD

SUMMARY

1. This clause adds a further reference to the definitions of “disabled child” provided for in section 318B(3) of the Income Tax (Earnings & Pensions) Act 2003 (ITEPA). The effect is to allow tax relief for employer-supported childcare to continue where a child is in receipt of a Personal Independence Payment (PIP) rather than a Disability Living Allowance (DLA).

DETAILS OF THE CLAUSE

2. Subsection (1) of the clause amends section 318B(3)(a) ITEPA by adding a reference to a personal independence payment.
3. Subsection (2) of the clause provides that the amendment is to come into effect on or after Royal Assent to the Finance Bill.

BACKGROUND NOTE

4. The Government announced, as part of the June 2010 Budget, its intention to reform DLA with effect from 2013-14. Proposals for replacing DLA with a new PIP formed part of the consultation on welfare reform, and PIP was introduced in Part 4 of the Welfare Reform Act 2012.
5. The purpose of the benefit is to contribute to the extra costs faced by long-term disabled people to leading full and active lives.
6. Tax relief for employer-supported childcare is available as long as certain conditions are met. Normally the age criterion for a child is until the first week of the September following their 15th birthday. However, for disabled children that is extended to the first week of the September following their 16th birthday.
7. Definitions for qualifying disabled children include being in receipt of DLA which now needs to be extended to children in receipt of PIP to ensure consistency of treatment in line with welfare reforms.
8. PIP will initially be phased in for new applicants; therefore for disabled children the reference to both DLA and PIP is required until such time as DLA is replaced completely.

FINANCE BILL

9. If you have any questions about the change, or comments on the legislation, please contact Su McLean-Tooke on 020 7147 2665 (email: susan.mclean-tooke@hmrc.gsi.gov.uk).