



Tax-free Childcare

New tax-free Childcare for 2.5million working families

What are we announcing?

From Autumn 2015, the Government will meet 20% of childcare costs for working families, building up to

£1,200

per child under 12, per year, once scheme is fully implemented

A working family with 2 children would receive up to

£2,400

every year in support

Families will be able to open an online voucher account and have their payments 'topped up' by the Government. For every 80p they pay in the Government will put in 20p up to an annual limit per child – so the equivalent of the basic rate of income tax.

To qualify all parents living in the household must be working, not receiving tax credits or Universal Credit, and neither earning over £150,000.



The existing voucher scheme, Employer Supported Childcare (ESC), will continue for current claimants if they want to stay in it but will be replaced by the new scheme when phased in. Workplace nurseries will continue unchanged.

The Government will also extend childcare support in Universal Credit by a further £200million.

How much is the Government investing?

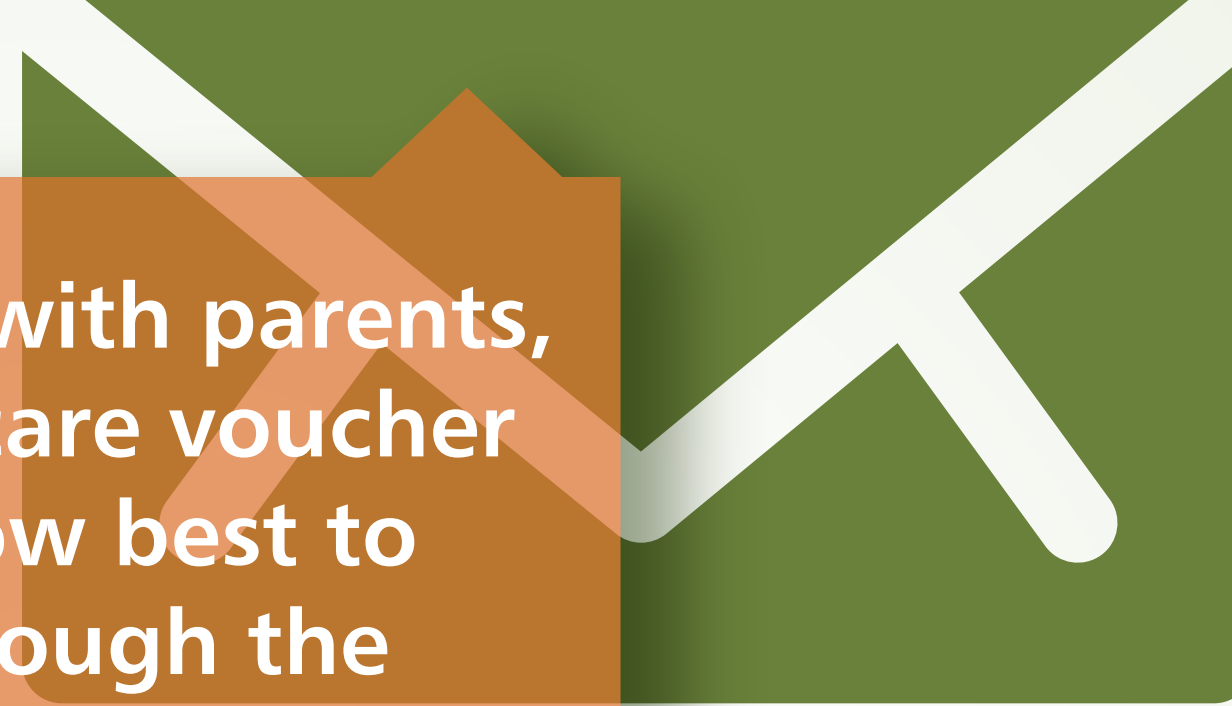


the Government will put **£750million**

towards tax-free childcare and £200 million in childcare support for those on Universal Credit.

What's next?

The Government will consult with parents, childcare providers, the childcare voucher industry and employers on how best to deliver support to parents through the voucher system. We aim to phase in the vouchers from Autumn 2015.

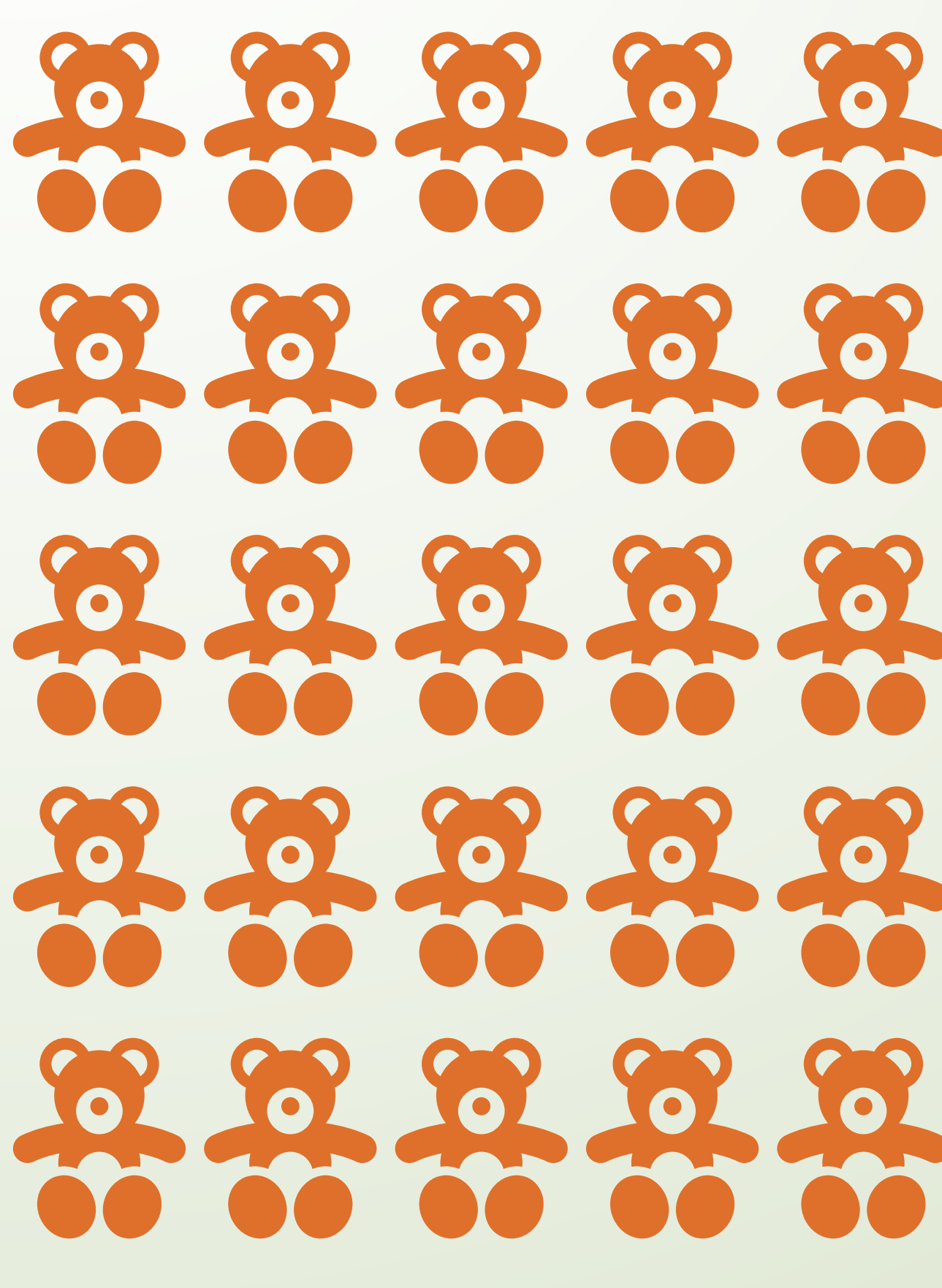


How will this differ from the existing voucher scheme?



500,000 families

The existing voucher scheme, Employer Supported Childcare (ESC), is only available to around 500,000 families. Fewer than 5% of businesses choose to offer it.



2,500,000 families

Anyone receiving support through ESC will be able to stay in that scheme if they want to, but it will be replaced for new entrants by the tax-free childcare when they are launched. The new vouchers will build up over time to include all children under 12, with those under 5 eligible in the first year.

How can I get support before Autumn 2015?

The Government already invests £5 billion a year to support parents with childcare.



If you have a child aged 3 or 4 you are entitled to 15 hours a week of free early education and childcare. From 2014 around 40% of 2-year-olds will also be able to receive this.



If you receive tax credits and you (and your partner both) work 16 hours or more a week you can get up to 70% of childcare costs paid by government.



If you don't receive tax credits, you may be able to get support through ESC, if your employer participates in the scheme. ESC is where the Government allows a tax exemption on childcare vouchers. ESC will begin to be phased out when the new voucher system is introduced.

Source