

TAX FREE CHILDCARE

Julia's Journey - Nanny Tax-Free Childcare Process



What is the Tax-Free Childcare scheme?

This is a new scheme that started in 2017 with parents of babies and is now available to parents of children up to age 11. The scheme enables parents who have an income of less than £100,000 each to claim up to 20% of their childcare cost if they use an approved or registered childcare provider, which includes nannies who are registered with the childcare regulator. For each child in their family aged 0-11 they can pay in up to £8000 and get a top-up of up to £2000.

All current registered childcare providers have been sent an invitation letter to join the Tax-Free Childcare scheme. Nannies who are registered and have not received a letter should call the Tax-Free Childcare helpline 0300 123 4097 asking them to issue you with a duplicate provider invitation letter. They will ask you for details about your registration.

What do I do with the letter?

Follow the instructions given to sign up with TFC. The letter contains a unique User ID. When prompted for your Business Postcode, enter the postcode which appears on the letter. By signing up you will enable parents in the future to pay you using this new scheme. If you do not sign up, parents will be unable to benefit from the new scheme should they wish to use it.

Will I need to provide my bank details?

Yes, as part of online sign up you need to provide your Sort Code and Account Number. This is so TFC can create a payment account for you. Payments from the parents account to your bank will take at least three working days (Monday-Friday excluding bank holidays). Therefore parents should ideally activate payment on the Monday so you get paid by the Friday.

Do I still need to pay my Ofsted annual fee?

Yes. You must remain registered with Ofsted or other regulator for those in Wales/Scotland/Northern Ireland. If you end your registration or fail to pay your annual fee, you will be de-registered by the regulator and TFC will be notified to freeze your account so no further payments can be made to you.

Can parents use childcare vouchers and TFC?

No. Parents will need to decide which scheme is better for them based on their personal circumstances. There is a grace period of three months to enable parents with some left over vouchers to use those whilst also using Tax-Free Childcare. Government has provided a calculator to help parents determine which scheme is best given their circumstances: www.gov.uk/childcare-calculator

Can parents continue to use childcare vouchers?

Yes. Parents already in childcare voucher scheme will be able to stay in that until their employer ceases to provide the scheme. Childcare voucher schemes cannot be joined from April 2018.

Will more parents be able to use TFC than childcare vouchers?

Yes. TFC will be available to more parents as it is not reliant on employers. It is also available to parents who are self-employed. However it does have a maximum income limit so the voucher scheme is better for parents with incomes exceeding £100,000.

One of the parents I work for earns over £100,000 will the family be able to use this new scheme?

No. Once a parent earns over the maximum limit then the family becomes non-eligible.

I care for more than one child, will I get multiple payments each month?

Yes. It will depend on how parents manage their Tax-Free Childcare account. The parents have one account under which each child has their own account. Payments are made to childcare providers from each child account. However parents could choose to pay all of one month salary from one child account, then pay all of the next month salary from another child account.

How long do payments take?

The parents pay in to their childcare account using debit card (this method is fastest) or by standing order. Payments in will take time to clear, debit card payments typically clear within 24 hours. Then the top-up is added by Government and then parents tell the system to pay their childcare provider. The payment takes 3-4 working days to reach your bank account. So parents should allow at least 7 days for the payment to go through in total.

Can parents pay their PAYE bill using money from their Tax-Free Childcare account? (nanny's Income Tax, nanny's National Insurance, employers National Insurance)

Yes, BAPN has been working with HMRC and others to have this functionality in the system. Parents need to add HM Revenue and Customs as a 'Childcare Provider' to each of their child accounts.

The screenshot shows the 'Summary for Emily Smith' page on the GOV.UK Tax-Free Childcare service. At the top, it says 'The childcare service' and 'BETA This is a new service - your feedback will help us to improve it.' Below this, there are links for 'Get help' and 'Sign out'.

Summary for Emily Smith

Money in this account

Paid in by you	Paid in by government	Total balance
200	50	250

Links: [Pay money in](#) [Withdraw your money](#)

You can get a maximum of £500 from government for each entitlement period. You've £300 left for this period.

[How is your balance calculated?](#)

Your childcare providers

Any payments you make will go straight to your childcare provider's bank account. You should let them know that the reference they'll see is ESMH789011FC

[What to do if you employ a nanny](#)

If you employ a nanny, you can also pay your PAYE bill by adding HM Revenue and Customs to your list of childcare providers.

[Add HM Revenue and Customs](#)

Childcare providers	Payment amount	Frequency	Manage payments
A N Other Nursery	Remove		Set up new payment
Cottage Nursery	Remove 100.00	Weekly Every Tuesday From 28 June 2016	Change or cancel payment Set up new payment
Day Care Nursery for Busy Bees	Remove 100.00	Monthly From 28 June 2016	Change or cancel payment Set up new payment

[Add a childcare provider](#)

[Back to your Tax-Free Childcare accounts](#)

They can then pay money from each child account to HMRC directly.

The screenshot shows the 'Summary for Emily Smith' page on the GOV.UK childcare service. At the top, there's a header with the GOV.UK logo and 'The childcare service'. Below that, a beta notice and links for 'Get help' and 'Sign out'. The main heading is 'Summary for Emily Smith'. Underneath, there's a section 'Money in this account' with a table showing 'Paid in by you' (200), 'Paid in by government' (50), and 'Total balance' (250). There are links for 'Pay money in' and 'Withdraw your money'. A note states: 'You can get a maximum of £500 from government for each entitlement period. You've £300 left for this period.' with a link 'How is your balance calculated?'. Below that is 'Your childcare providers' section, explaining that payments go to the provider's bank account and providing the reference ESMI78901TFC. A table lists providers: 'A N Other Nursery', 'Cottage Nursery', 'Day Care Nursery for Busy Bees', and 'HM Revenue and Customs', each with 'Remove' and 'Set up new payment' links. A green button 'Add a childcare provider' and a link 'Back to your Tax-Free Childcare accounts' are at the bottom.

Parents will need to know their PAYE scheme Accounts Office Reference number. This is typically provided to them on the tax bill from their nanny payroll provider.

The screenshot shows the 'Pay your PAYE bill' form on the GOV.UK childcare service. The header is the same as the previous screenshot. The main heading is 'Pay your PAYE bill'. There's a 'Payment amount' field with a pound sign and a text input box. A note says: 'If you want to make a payment for another child you'll have to do this through their own childcare account.' with a link 'If no payment is due'. Below that is 'Your Accounts Office reference' field with an example '12345678901' and a link 'How to enter your Account Office reference number'. There's a 'Payment date' section with 'Day', 'Month', and 'Year' dropdown menus. A note at the bottom says: 'For further help about PAYE, phone the HM Revenue and Customs Employer Helpline on 0300 200 3200.' There are links for 'Cancel this payment', a green 'Continue' button, and a 'Back' link. The footer contains the GOV.UK logo, a list of links (Help, Cookies, Contact, Privacy policy, Terms and conditions, Right to Withdrawal Consent), the Creative Commons License (CC BY), and the Royal Coat of Arms.