

CHILDCARE PAYMENTS BILL

The Childcare Payment Bill was introduced in the House of Commons on 5 June 2014. The Bill extends to 46 pages, and the accompanying explanatory notes are of similar length. The Bill was preceded by a general consultation in August 2013, and a consultation on childcare account provisions in May 2014. The Bill is subject to amendments. Some details will follow through regulations to be later issued.

1. Overview

The Childcare Payments Bill introduces a new scheme for providing financial support for the cost of childcare. Some key points are:

- The government will make what they term a 'top up' payment of £2 for each £8 a person pays towards childcare.
- The maximum government support is £2,000 per year per child. There is no limit on the number of children that can benefit.
- The system is not as such a tax relief, but will be administered by HMRC.
- The rules will require an account to be set up for each child. HMRC and the account holder will make payments into the account, from which the provider will be paid for the childcare.
- The government intends to start the scheme in Autumn 2015.
- When the childcare payment scheme starts, childcare vouchers will be closed to new entrants.
- The rules for workplace nurseries will continue unaffected.

Under the present support for childcare, only a minority of employers offer childcare vouchers, and there is no access for the self-employed. Workplace nurseries, which will continue to be available as a tax-free benefit, are rare. By contrast, most employees and the self-employed will be eligible for the new childcare payments.

2. Claimant

The claimant must be responsible for the child, but need not be a parent. The claimant must be at least 16 years of age. Normally the child will live with the claimant. Adoptive parents and extended family members will be eligible to claim childcare payments.

The key conditions for the claimant are:

- The claimant must be in paid work, whether as an employee or as a self-employed person. There is a minimum income level, to be set at 8 hours at the national minimum wage, currently just over £50 per week. For the self-employed, the rules allow for the minimum income levels to be ignored for a year, to allow for start-ups.
- The claimant's total income does not exceed a threshold, expected to be set at £150,000.
- The claimant is not claiming universal credit.

Claimants with Partners

The above rules are adopted for claimants who have partners. The key points are:

- "Partner" will be defined as under existing rules for tax credits and universal credit. It is not necessary that the two parties are married.
- The two individuals can decide between themselves who should claim the childcare payments.
- Both parties need to meet the above three conditions.

3. Qualifying Childcare

The key conditions for qualifying childcare are:

- The childcare is registered or approved.
- The main reason for incurring the costs of the childcare is to enable the claimant (or both the claimant and their partner) to work.

Childcare:

- Covers any type of supervised activity or care. This includes nurseries, play schemes, child minders and nannies.
- Excludes any care received in the course of a child's compulsory education.

4. Qualifying Child

It is intended that a qualifying child for the childcare payments scheme will be:

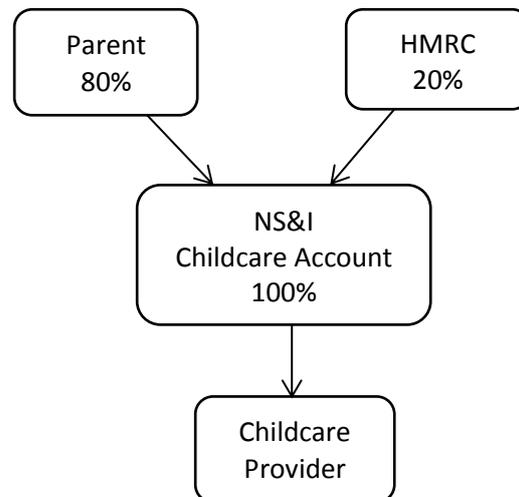
- A child under 12.
- For a disabled child, a child under 17.

The government may later introduce future detailed regulations.

5. Childcare Accounts

Payments for childcare will be made through an account provider. Final decisions on the account provider have still to be taken, but it is likely that this will be through National Savings and Investments (NS&I).

In diagrammatic terms, payments would flow as follows:



Some points to note are:

- A separate childcare account would be required for each child.
- The claimant would open the account through the GOV.UK portal.
- Claimants would manage the childcare payments into the account by means of electronic fund transfers, online debit card payments or telephone debit card payments.
- Others, such as family members, may make payments into the childcare accounts.
- Claimants would instruct the payments to the childcare provider.
- It is intended that the accounts will operate on a flexible basis. So claimants might pay into the account as required, receive the top up payment, and immediately pay for childcare. Alternatively, claimants might pay in by monthly direct debit, build up funds and say use them to pay for childcare in the school summer holidays.

6. Administrative Matters

Some key administrative matters are:

- The claimant must make a declaration of eligibility to HMRC.
- A “check now, process later” basis will apply, whereby HMRC will check on eligibility before accepting the declaration and therefore allowing access to childcare payments.
- Once a claimant meets the conditions for childcare payments, they will remain entitled for an “entitlement period”, which will generally be three months.
- The claimant will need to make further declarations before the start of the next three month period.
- Generally, applications and payments will need to be made electronically.

7. Other Points

Some other points to note are:

- The receipt of childcare payments will not give rise to any liability to income tax or national insurance.
- Regulations will be introduced to ensure that payments can be claimed by members of the armed forces who are posted overseas.
- The scheme will apply in Scotland, England, Wales and Northern Ireland.

This 'inform' is designed to give a brief summary of relevant rules, as known at the date of issue. French Duncan can accept no responsibility for any loss arising to any person acting or refraining from action as a result of this 'inform'. Advice should be sought in relation to individual circumstances.