

Closure of childcare vouchers – information for employers

September 2018

Background

As you may be aware the childcare voucher scheme is closing to new entrants from 4 October 2018. We have assessed how this affects you, parents and voucher providers and pulled together scenarios (see Annex) to help you understand what it means for you.

What you will need to do

As long as you continue to offer your voucher scheme, employees who join with the relevant changes made to their wage **before** 4 October 2018 will still be able to use it and receive the associated income tax and National Insurance Contributions (NICs) reliefs. You will continue to receive employer NICs relief for those employees.

If you continue to offer your voucher scheme and employees join **after** 4 October, you will need to deduct income tax and NICs on any vouchers given and pay employer NICs. However, if these employees meet the Tax-Free Childcare eligibility criteria, they will also be able to open an online Tax-Free Childcare account (see below for further information on Tax-Free Childcare).

You must stop giving childcare vouchers with income tax and NICs relief to employees who join before the 4 October if they wish to leave the scheme and start using Tax-Free Childcare. If this means stopping or changing a salary sacrifice arrangements, you must also update your employee's contract and your payroll software.

Tax-Free Childcare

Tax-Free Childcare was introduced in 2017 to help working parents with the cost of childcare. Tax-Free Childcare is available to working parents including the self-employed. To be eligible, parents (and their partners if they have one) must earn at least the equivalent of 16 hours per week at the national minimum wage, have an eligible child (under 12 or 17 if disabled) and earn under £100,000 each per year.

Eligible parents are able to apply and open a childcare account online. For every £8 families pay in, the government will pay in £2, up to a maximum government contribution of £500 every 3 months equating to £2,000 per child per year, or £4,000 for disabled children. Parents can use this to pay for regulated childcare.

Further information and a calculator, to help parents understand what government help they might be entitled to, can be found on the [Childcare Choices](#) website. Toolkits including email templates and leaflets are also available on the Childcare Choices website to help you communicate information about Tax-Free Childcare to your employees.

You can also pay into your employees' Tax-Free Childcare account

As an employer you can pay directly into an employee's childcare account(s), either as a one-off bank transfer or by setting up a regular payment.

To pay into a parent's account, you'll need:

- the account sort code. This is 60-89-71 for all accounts
- account number. This is 10027165 for all accounts
- the parent's unique 13-digit childcare account number as the payment reference, which your employee will be able to provide you with.

You need to make all payments individually. You cannot send HMRC a bulk payment with a list of parent childcare account numbers and then ask HMRC to distribute that money appropriately.

If you pay money into your employee's account, you must deduct the income tax and NICs and pay employer NICs on any money that you pay into the account.

If you've paid money into your employee's childcare account by mistake, and they've agreed to pay you this back, your employee can choose how to do this. Any payment back from the employee must not offset the employee's income tax and NICs, or offset your employer NICs.

If you would like any further information about the closure of vouchers or Tax-Free Childcare, please contact tax-free.childcare@hmrc.gsi.gov.uk.

Annex: Voucher closure scenarios

Scenario	What this means for the parent	What this means for the employer and their voucher provider
<p>Parent is in a voucher scheme. Parent then decides to open a Tax-Free Childcare (TFC) account.</p> <p>Parent uses TFC account to deposit funds and make payments to their provider during the first 3 month Eligibility Period (EP).</p> <p>Parent never submits their Childcare Account Notice (CAN) to their employer</p> <p>Parent wishes to leave TFC and continue in their voucher scheme at the end of the first EP</p>	<p>Parent is free to continue in their voucher scheme as they never submitted their CAN.</p> <p>Parent will not be able to reconfirm for TFC and will be liable for any government contribution credited to their TFC account. HMRC can recover this element of any funds they have paid out of their TFC account to their provider.</p> <p>The parent can return any unspent top-up by withdrawing any remaining funds in their childcare account.</p>	No impact
<p>Parent is in a voucher scheme</p> <p>Parent decides to open TFC account</p> <p>Parent uses TFC account and submits CAN to their employer</p> <p>Parent decides they wish to re-join their voucher scheme and cease to use TFC</p>	<p>Parent cannot re-join the same voucher scheme once the parent has submitted the CAN.</p> <p>Parent can continue to use any vouchers they have already accrued to pay for childcare.</p> <p>Parent can join another voucher scheme and continue to receive tax and NICs relief if they move employer and their employer offers one, but only before 4 October 2018.</p>	Employer processes the CAN and stops giving the employee childcare vouchers as well as making any payroll adjustments.
<p>Parent has never been part of a voucher scheme.</p> <p>Parent is currently using TFC.</p> <p>Parent decides to cease using TFC and join their employer's voucher scheme (before 4 October 2018)</p>	<p>Parent has never given a CAN so is free to join their employer's voucher scheme before 4 October 2018.</p> <p>The parent will not be able to reconfirm their eligibility for TFC at their next reconfirmation point so their account will become 'pay only'.</p> <p>The parent can use up any remaining balance within their childcare account, including government contribution, to pay for childcare if they wish</p>	Employer – all new joiners must have joined a scheme with the relevant changes made to their wage before 4 October 2018 to receive the income tax and NICs relief on their vouchers.

<p>Parent doesn't have a TFC account</p> <p>Parent has never been part of their employer's voucher scheme</p> <p>Parent wants to join TFC</p>	<p>Parent applies and is eligible.</p> <p>TFC account open.</p>	<p>No impact (employer can pay into employee's TFC account if they wish).</p>
<p>Parent doesn't have a TFC account.</p> <p>Parent has never been part of their employer's voucher scheme</p> <p>Parent wants to join employer's voucher scheme</p>	<p>Parent is free to join their employer's scheme (if they offer one) and will receive income tax and NICs relief if they join before 4 October 2018.</p>	<p>Employer – all new joiners must have joined a scheme with the relevant changes made to their wage before 4 October 2018 to receive the income tax and NICs relief on their vouchers.</p>
<p>Parent has a TFC account and a 30 hours code but has never used their TFC account.</p> <p>Parent has never been a member of their employer's voucher scheme</p> <p>Parent decides to join their employer's voucher scheme (before 4 October 2018)</p>	<p>Parent is free to join their employer's scheme (if they offer one) and will receive income tax and NICs relief if they join before 4 October 2018.</p> <p>At their next reconfirmation point the parent will need to say they have vouchers if they are a 30 hours free childcare parent. This will allow them to reconfirm for 30 hours free childcare, but not TFC</p>	<p>Employer – all new joiners must have joined a scheme with the relevant changes made to their wage before 4 October 2018 to receive the income tax and NICs relief on their vouchers.</p>
<p>Parent joined their employer's childcare voucher scheme before 4 October 2018.</p> <p>Business is taken over by a new business after 4 October 2018.</p> <p>Parent moves to new business (after 4 October 2018), with their work, under a business transfer, that's covered by the Transfer of Undertakings-Protection of Employment (TUPE) and their terms and conditions remain the same.</p>	<p>Parent can join their new employer's existing childcare scheme, or the new employer can start a new scheme for them, and can continue to receive tax and NICs relief</p>	<p>Employee can join the new employer's existing childcare scheme or a new scheme can be opened for the employee (as long as they were in the previous employer's childcare voucher scheme)</p>