

boosst

Understanding the Childcare System



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We all know children are expensive, but who would have thought that the early years are some of the most financially demanding? From the moment you discover you are expecting, to the day you bring your baby home, there is so much to think about as a new parent!

This guide is aimed at families living and working in England, and will remove some confusion around childcare support available to new parents. We hope this allows you to focus on the truly important aspects of parenthood!

Tax-free childcare for working families

What's included...

- Receive up to £2,000 per child annually to support expenses related to childminders, nurseries, before and after school clubs, and holiday clubs.

Am I eligible...

- Both you and your partner should anticipate earning at least the minimum wage for an average of 16 hours per week. Minimum wage rates can be found [here](#).
- Both you and your partner must have 'Adjusted Net Income' below £100,000. Please speak to your lead planner at boostt, as they can help you calculate this.
- Your child must be 11 years old or younger and living with you.
- To qualify, you must hold a National Insurance number and be a British or Irish Citizen.

Things to be aware of...

- If you currently receive Working Tax Credit, Child Tax Credit, Universal Credit or Childcare Vouchers, you cannot receive Tax-Free Childcare simultaneously. Speak to your lead planner at boostt to determine which is more cost effective for you to claim.
- If your child is disabled and in receipt of Disability Living Allowance, Personal Independence Payment, Armed Forces Independence Payment or is certified as blind, you can receive up to £4,000pa until 1st September following their 16th birthday.

How do I claim the Tax Free Childcare...

- The diagram below explains the process to claim the tax free childcare.
- It's important to note that the £2,000 is split over the year in quarterly instalments (£500 per quarter). If you were to become eligible part way through a tax year, you could apply for the quarter you are in, but are unable to backdate and claim previous quarters.

Tax-Free Child Care Roadmap

APPLY FOR TAX-FREE CHILDCARE:

Apply here: www.gov.uk/apply-for-tax-free-childcare

If you are eligible, you'll receive an online childcare account



PAY MONEY INTO YOUR CHILDCARE ACCOUNT:

Deposit funds into your childcare account. The government then top this up automatically and you can use this money when it shows as 'available'.



RECONFIRM:

To continue getting the government top-up, you'll need to reconfirm your details are up to date every 3 months.



1

CHECK YOUR ELIGIBILITY:

See section above, or click here to find out more about your eligibility:

www.gov.uk/tax-free-childcare



2

3

SELECT YOUR PROVIDER:

Your childcare providers must sign up to receive Tax-Free childcare payments



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PAY YOUR PROVIDER:

Use the money in your childcare account, including the government top up, to make one off or regular payments to your childcare provider(s).



6

Free hours of childcare for working families

What's included...

- Up to 30 hours per week of free childcare to support families.
- Currently this is available for 3 and 4 year old children, but the Government is gradually rolling out expanded provisions for children as young as 9 months.

Understanding how the phased release of free hours impacts your child:

'Key Dates'	Age at 'Key Date'			
	0 to 9 months	9 months to 2 Years	2 Years to 3 Years	3 Years to starting school
January 2024	None	None	None	30 hours per week
April 2024	None	None	15 hours per week	30 hours per week
September 2024	None	15 hours per week	15 hours per week	30 hours per week
September 2025 onwards	None	30 hours per week	30 hours per week	30 hours per week

Am I eligible for these free hours...?

- Both you and your partner should anticipate earning at least the minimum wage for an average of 16 hours per week. Minimum wage rates can be found [here](#).
- Both you and your partner must have 'Adjusted Net Income' below £100,000. Please speak to your lead planner at boostt, as they can help you calculate this.
- You must hold a National Insurance number and live in England to qualify.
- The childcare must be with an approved childcare provider. You can check [here](#).

Things to be aware of...?

- You can claim both Tax-Free Childcare and these free childcare hours.
- Free hours are typically only during term time (38 weeks of the year).
 - Occasionally, providers allow you to stretch the hours over an entire year (52 weeks), but this depends upon the provider's opening hours.
- Free hours do not cover things like nappies, food, or any trips, so you must pay for these separately.

When to apply for free hours

Childs next 'Key Age' (9 months, 2nd birthday or 3rd birthday) is between...	When to apply	Start getting free hours from...
1st September to 31st December	Before 30th November	1st January
1st January to 31st March	Before 28th February	1st April
1st April to 31st August	Before 31st July	1st September

Confused yet?! It's all about the 'Key Dates' and 'Key Ages'

- If your child passes a **Key Age** before the new level of free hours is phased in at a **Key Date** (*in the first table above*) then you may miss out.
- To be certain about what you are entitled to, you need to understand the Key Dates in the first table. **If** you are eligible for free hours, **then** use the second table to know when to apply and when the free hours will begin.
- Any child born after 1st January 2025 will be eligible for 30 free hours per week. Free hours will begin from the term after they reach 9 months, assuming the parents meet the eligibility criteria.

How to Apply For Free Hours Of Childcare

WHEN CAN I APPLY FOR FREE HOURS?

You need to apply the term before you want to take up a place. View graphic above for exact dates.



GIVE THE CODE TO YOUR CHILDCARE PROVIDER:

Give the code in your childcare account to your provider(s) along with your National Insurance number and your child's date of birth.



1

CHECK YOUR ELIGIBILITY:

The sections above should help you understand if your family is eligible for the free hours.

If you're unsure, click here to find out more: www.gov.uk/30-hours-free-childcare or speak to your lead planner at boost.



2

3

APPLY FOR YOUR FREE HOURS OF CHILDCARE:

If eligible, you'll get an online childcare account and a code for 15 or 30 hours childcare. Apply at www.gov.uk/apply-30-hours-free-childcare



4

5

RECONFIRM:

You must confirm your details every 3 months or your code will expire.

Sign into your childcare account to reconfirm your details. You will receive a reminder to do this.



FAQs

What if I don't meet the eligibility requirements for the free hours or tax free allowance?

The good news is that you do not need to apply for 15 free hours for 3 and 4-year-olds because it is a universal entitlement, regardless of eligibility. You should speak to your childcare provider, who can claim the free hours on your behalf.

I am not eligible as my earnings exceed £100,000. Is there anything I can do about this?

Our clients often ask this question, and the answer is usually YES!

There are several ways you can keep your total earnings under £100,000:

1. Use salary sacrifice at work to contribute more to your pension.
2. Salary sacrifice some or all of your bonus to your pension.
3. Make personal pension contributions if salary sacrifice is not available.
4. Gift money to charity.
5. Move taxable assets to your lower earning spouse.
6. Use a salary sacrifice car scheme.

Remember, the £100,000 is the limit for each of you individually, not combined, and it includes things like your salary, bonuses, benefits in kind, savings interest and dividends.

To give you a better idea of how tax efficient this can be, we have a fairly typical example below where we helped a client to use 'bonus salary sacrifice' to keep their adjusted earnings below £100,000:

“ In April 2024, Jack earns £120,000 per annum, and his wife Lindsay earns £70,000. They have two children, Kate (age 2) and Joe (age 3).

Currently, the family are only entitled to 15 free childcare hours for Joe, as Jack's earnings prevent him from being eligible for anything more.

If Jack were to sacrifice £20,000 of his bonus to his pension, the family would be entitled to 30 free hours of childcare for Joe and 15 free hours for Kate. They would also be eligible to use the tax-free childcare scheme, providing a further £2,000 for each child.

The Income tax and National Insurance savings for Jack to salary sacrifice £20,000 to his pension would be £12,400, meaning the contribution costs him just £7,600 of net income. This is so efficient as the contribution re-instates Jack's Personal Allowance.

When you then account for the tax-free childcare scheme, the family saves a further £4,000pa, taking the net cost of the pension contribution down to £3,600.

If you then account for the free childcare hours, it is estimated that 30 free hours save a family more than £6,000pa (far higher for London nurseries). With two children being entitled to a further 15 hours each, this adds a further £3,000pa of savings per child.

The £20,000 pension contribution has made the family cashflow £2,400 better off... and added £20,000 to Jack's pension! ”

Does this scenario sound familiar?

Ask your lead planner at boost about how we can replicate this solution for your family.

What if my earnings are over £100,000 for the majority of the tax year, but I plan to make a large pension contribution to bring me below £100,000 in March?

No worries, you are still eligible from the start of the tax year in question. When asked what your 'projected earnings' will be for the tax year when you confirm your eligibility, you can say £99,999, as this is an estimate. This is regardless of whether your monthly payslip says more, as the pension contribution will bring your *total* earnings down below £100,000 before 5th April (end of the year). A downside of this approach is that if you do not make the pension contribution for any reason, then you would need to repay what you have received. See below.

What if I expect to earn under £100,000 and then exceed £100,000 at the end of the tax year?

Unfortunately, this can happen, and it is often due to other sources of income being unaccounted for, like interest from bank accounts, dividends from investments, or an unexpected bonus.

If this is spotted after a tax year has ended, you cannot retrospectively use any of the options listed above to reduce your earnings in that year, and will need to contact HMRC immediately.

The good news is that HMRC is often very reasonable about this, provided the additional income has happened in good faith and the expectation was that you would be under £100,000. You should be prepared for HMRC to ask you to repay all of the childcare hours received.

The best way to avoid this is by regularly checking your total income throughout the year, including bank interest and dividends. If in doubt, speak to your lead planner at boosst for help. This is especially important in the months leading up to the end of the tax year, as this will allow action to be taken if your earnings are likely to tip over the £100,000 threshold.

What if I become eligible part way through a tax year?

This could happen for a variety of reasons:

1. Losing a job.
2. Receiving a lower bonus than expected.
3. Changing job part way through a tax year and having a period unpaid.
4. Your spouse/partner goes back to work after a period of being unemployed.

If this happens to your family, you should apply for childcare hours immediately. You will then start receiving the funded hours no later than the start of the next new term.

You should also apply for the tax free childcare scheme at this point, as you will become eligible for up to £500 of assistance in the current quarter. The Tax Free Scheme works on a quarterly basis, so although you cannot claim previous quarters, you can become eligible for the current quarter straight away.

What tax year of earnings do the Terms refer to when claiming the free hours?

The first 'term' of a tax year is the one starting 1st September and the last 'term' of the tax year is the one starting 1st April. This is a little confusing, as the new tax year starts on the 6th April, so the final term is *mostly* in the following tax year, but eligibility is based upon earnings in the previous tax year.

Are there any other questions you would like answered about childcare...?

Please reach out to your lead planner at boosst through the [boosst portal](#), or call us on 01908 584925.

Need advice?

Claiming all of the childcare you are entitled to can make a meaningful difference!
Please note that this document does not constitute personal advice and we encourage anyone reading this guide to contact us to check your personal circumstances before taking action.



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