

Tax-Free Childcare: A Parent-Friendly Guide

What It Is

Tax-Free Childcare is a government scheme where you top up your childcare payments with a 20% bonus from HMRC. For every £8 you pay in, HMRC adds £2, up to £500 every three months (max £2,000 per year) per child. If your child is disabled, this increases to £1,000 every three months (max £4,000 per year). You use the funds in your online account to pay an approved childcare provider such as nurseries, childminders, nannies, after-school clubs, and holiday schemes.

Who Can Get It

You're eligible if: Your child is aged 0–11 (or up to 16 if they're disabled); You and your partner (if applicable) are working, self-employed, or on paid leave; You each expect to earn at least the equivalent of 16 hours per week at National Minimum/Living Wage; Neither you nor your partner expect to earn over £100,000 adjusted net income per year; You must not be receiving Universal Credit, Child or Working Tax Credit, or employer childcare vouchers.

How It Works

1. Set up an online childcare account via GOV.UK.
2. Add your provider, ensuring they're registered for Tax-Free Childcare.
3. Pay into the account (e.g., deposit £800).
4. HMRC automatically top-ups £200.
5. Use the combined £1,000 to pay your provider.
6. Reconfirm eligibility every 3 months.

Childcare You Can Pay For

You can use funds to pay: Nurseries, childminders, nannies; Breakfast clubs, after-school clubs; Holiday clubs or play schemes.

Benefits & Considerations

Not linked to your tax rate; it's simply a childcare top-up scheme; Can be used alongside 30 free hours for 3–4-year-olds if eligible; Cannot be used with childcare vouchers or certain tax credits/Universal Credit; Helps working families manage childcare costs — especially valuable for parents not claiming other support.

Key Takeaways

Government help: Up to £500 per 3 months per child, or £1,000 per 3 months if your child is disabled; Eligibility: Working families earning under £100,000 each, not claiming conflicting benefits; Set it up online and reconfirm every 3 months; Funds can only be used for approved childcare.

