

Childcare costs: getting support



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Child Poverty Action Group works on behalf of the one in four children in Scotland growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good.

We provide training, advice and information to make sure hard-up families get the financial support they need.

Childcare costs: getting support is one of a series of Child Poverty Action Group in Scotland leaflets giving guidance to advisers and those working with families in Scotland about aspects of the social security system of particular concern.

Introduction

Support with childcare costs for working parents on lower incomes is available through either tax credits or universal credit.

You cannot get tax credits and UC at the same time. Tax credits are being replaced by UC. If you are currently getting tax credits, you can continue to get them unless you make a claim for UC, or you are notified that your tax credits are ending and you need to claim UC by a specified date. This process, known as 'managed migration', has started already for all claimants getting tax credits only, and is intended during 2024/25 to include those getting tax credits and other legacy benefits.

The percentage of childcare costs and limits covered by universal credit are higher than in working tax credit, but this does not always mean that you are better off - get advice before claiming. See [Tax credits: moving on to universal credit](#) for more information.

Tax credits and childcare costs

If you are still getting tax credits, you may be getting:

- child tax credit (CTC) if you are responsible for a child, or young person under 20 in full-time non-advanced education or approved training, whether or not you are in work;
- working tax credit (WTC) if you are:
 - working at least **16 hours** a week and you are a lone parent, or a disabled worker or aged 60 or over, or you are a couple with children and your partner is ill, disabled, a carer or in hospital or prison;
 - working at least **24 hours** a week and you are a couple with children, (one can work at least 24 hours or you can combine your hours as long as one of you works at least 16 hours a week).

Tax credits are made up of various 'elements'. WTC is made up of a basic element which is included in every award, and either a couple or lone parent element. There is an extra element if you work at least 30 hours a week. Couples with a child can combine their hours to reach the 30 hours threshold. There are extra elements for disabled claimants.

Childcare element

WTC also includes a childcare element to help towards the cost of paying a registered or approved childcare provider for looking after your children.

You cannot get the childcare element if you are not working enough hours to qualify for WTC.

You cannot get the childcare element if you are not responsible for the child for CTC. You do not have to be the child's parent, but you must be entitled to CTC for her/him.

There is no requirement for the childcare to be provided while you are in work. For example, if you work nights and a relative looks after your child while you are at work, but you pay for childcare to allow you to sleep during the day, these costs are included.

Work

Lone parents must be working at least **16 hours** a week to qualify for the childcare element.

Couples must usually *both* be working at least **16 hours** a week to qualify for the childcare element.

Couples can qualify for the childcare element if one is working at least **16 hours** a week and the other is:

- 'incapacitated' (see box on right);
- entitled to carer's allowance; or
- in hospital or in prison.

'Incapacitated' includes getting one of the following:

- attendance allowance
- disability living allowance
- personal independence payment/adult disability payment
- incapacity benefit
- severe disablement allowance
- contributory employment and support allowance (ESA) for at least 28 weeks (including periods on statutory sick pay or on credits after ESA has ended)
- housing benefit with a disability premium, or childcare earnings disregard due to other partner's limited capability for work
- constant attendance allowance
- armed forces independence payment
- an equivalent benefit from an EEA member state

There are some situations when you can still get the childcare element even though you are not currently working. If you have stopped work, you can still get the childcare element during the 4-week run-on of WTC after stopping work.

The childcare element is still payable for up to 39 weeks of statutory maternity, shared parental, paternity, parental bereavement or adoption leave (or as long as receiving statutory maternity, shared parental, paternity, parental bereavement or adoption pay or maternity allowance).

The childcare element can be payable for the first 28 weeks off work sick.

What childcare is covered?

The childcare element can cover approved childcare costs incurred and paid by the parent from birth until the age of 15, or 16 if the child is disabled. Childcare costs are included until the last day of the week in which 1 September falls after the child's 15th or 16th birthday. A disabled child is one who gets disability living allowance, child disability payment, personal independence payment or adult disability payment, or has been certified as blind or severely sight impaired by a consultant ophthalmologist, or was in the last 28 weeks.

Claiming help with childcare

If you are already getting tax credits, you should claim the childcare element within one month of starting to pay childcare costs. Only one month backdating is possible so if you delay you will lose out on help with childcare costs. Phone the Tax Credit Helpline or write to HMRC.

You should provide contact details for the childcare provider, the childcare provider's registration number and details of the average weekly childcare costs paid. You should work out the average weekly cost and put this figure in the claim form. See below for how to do this.

How much is the childcare element

Working tax credit never covers childcare costs in full. The most help that you can get with childcare costs is 70% of the actual weekly costs, up to a maximum payment of:

- £122.50 if you have one child, or
- £210 if you have 2 or more children.

The amount you get may be less than the maximum because working tax credit is means-tested and therefore the amount actually paid will depend on the level of earnings and other income. You might not actually receive the working tax credit if your income is too high, but you may be entitled to additional child tax credit when childcare costs are included in the overall calculation.

Average weekly cost of childcare

If the childcare costs do not vary, the average weekly cost is just the weekly cost you pay. To convert a monthly payment, multiply by 12 and divide by 52. However, the amount you pay for childcare may vary during the year. For example you may pay more or less during school holidays. The childcare element is based on an average over the year. If costs vary, work out the average weekly costs by adding the last 52 weeks before the claim and dividing by 52. If the costs are paid monthly, add the last 12 months and divide by 52. Round up the result to the nearest pound.

Example

Joan's son Curtis goes to an after-school club every week during school term and a childminder in the school holidays. Joan pays £50 a week during school terms (36 weeks) and £120 a week during the holidays (16 weeks). The average weekly charge is:

36 weeks x £50 = £1,800

16 weeks x £120 = £1,920

TOTAL = £3,720 divide by 52 = £71.54

Round this up to £72. This is the average weekly cost.

If there is insufficient information to establish the cost, HMRC calculates the weekly charge using any method which in its opinion is reasonable. If you have just entered into an agreement to pay for childcare, you can estimate the costs of the average weekly charge.

If you only pay childcare costs for a short period of time, for example during the school holidays, you can ask for your weekly charge to be averaged and paid over that fixed period rather than over a year.

Reporting changes of circumstances

You must report if your average weekly childcare costs go down by at least £10 a week for four weeks in a row. It is your responsibility, not the childcare provider's, to report a change of circumstance, including changes to your childcare provision. The childcare provider will not be responsible for any tax credit overpayment or penalty arising because you have not reported a change. If HMRC asks childcare providers for information about your childcare usage and cost then the childcare provider must supply it.

If average weekly childcare costs go down by £10 a week or more, there is a 4-week run-on period during which the childcare element remains the same before HMRC takes the change into account. Similarly if childcare costs stop altogether, there is a 4-week run-on period (unless your childcare costs were calculated over a fixed period, for example over the school holidays). You must tell HMRC within one month of the date childcare costs went down or the date you became aware of the change if that was later (although if you pay a fixed weekly charge and this has gone down, you should have one month from the end of the 4-week run-on period). If you do not tell them within this time limit, HMRC can impose a penalty of up to £300. The best advice is to notify HMRC as soon as possible to avoid any overpayment or penalty.

If average weekly childcare costs go up by £10 a week or more for 4 weeks in a row, the childcare element goes up from the first week in which the costs increase, so long as you tell HMRC within one month. Only one month backdating of an increase in childcare costs is possible.

You must also tell HMRC if childcare is not being provided for more than 4 weeks, even if you are still paying for it (i.e. a retainer). The childcare element will only be included for childcare that is provided.

Universal credit and childcare costs

Universal credit (UC) can include an amount to help with registered childcare costs paid by working parents, to replace the childcare element of working tax credit (WTC).

Work

There is no 16-hour rule in UC, so any work can qualify as long as the amount of childcare costs claimed is not considered excessive in relation to your hours. For couples, both must be working unless one is a carer, or has limited capability for work, or is temporarily absent from the household. Childcare costs can continue if you are receiving statutory maternity pay, statutory paternity pay, statutory sick pay, statutory shared parental pay or maternity allowance, to allow you to maintain childcare arrangements in place when you stopped work or started to receive those benefits.

What childcare is covered

The childcare element in UC can cover approved childcare costs paid for a child for whom you are responsible, up to the 1st September after the 16th birthday. Childcare costs include:

- an amount paid up to a month before starting work if you have been offered a job, to allow a settling in period for the child;
- upfront fees or costs paid up to two months in advance, (but universal credit is paid in arrears, and only after the childcare has been both provided and paid for);
- costs paid in a monthly assessment period for childcare provided in a previous month, i.e. if you are in arrears with your childcare provider (but subject to the monthly limit on amounts);
- costs in the month after stopping work, to allow a chance to find another job without losing the childcare place.

UC cannot include amounts covered by other support, met by the employer or someone else.

How much is the childcare element

The amount covered by UC is 85% of the actual costs, up to a maximum payment of:

- £1,014.63 a month for one child; *or*
- £1,739.37 for two or more children.

Although this is more than the amount allowed in WTC, in other ways UC is different, so the overall amount may be less. UC is means-tested and therefore the amount actually paid will depend on the level of earnings and other income. A detailed better off calculation is required if you have a choice between staying on tax credits and claiming UC.

Reporting childcare costs

You can only get an amount for childcare costs after you have paid and reported them, and childcare has been provided. Evidence of the amount paid may also be required. Childcare costs must be reported in each monthly assessment period in which they were paid, or the following monthly assessment period. A late notification may be accepted up to 13 months late with good reasons.

UC claims must be made online, and reporting of changes (including childcare costs) must usually be made online. Payment is made by one monthly payment into the claimant's account to include money for the adult, children, housing costs and childcare costs.

Budgeting advance

You can apply for a budgeting advance of UC to help pay for childcare costs (but if you are starting work or increasing hours, it is better to request a payment from the Flexible Support Fund – see below). There is no requirement to have been on UC for any length of time if you need the advance to help you start or stay in a job. The budgeting advance is discretionary, you must be earning below a certain level and the DWP must be satisfied that you can repay it. The maximum payable is £812 if you have a child. You should include childcare costs you pay in your UC claim, and can still get the childcare element to help you repay the budgeting advance.

Childcare costs and the ‘two child limit’

The two child limit in CTC and UC may apply so that a child element is not payable for a third or subsequent child born on or after 6 April 2017 (subject to some exceptions – see [gov.uk/guidance/claiming-benefits-for-2-or-more-children#special-circumstances](https://www.gov.uk/guidance/claiming-benefits-for-2-or-more-children#special-circumstances)).

The childcare element is not affected by the two-child limit. You should still report childcare costs incurred for all children, even if the basic child element is not payable.

Other help with childcare

Flexible Support Fund

If you cannot afford to pay childcare costs when you start work or increase hours, you can request help through the Job Centre’s Flexible Support Fund, which provides discretionary help to remove barriers to work. The government has said that the fund can be used to pay 100% of upfront childcare costs within the set limits for claimants on UC. This is paid directly to the childcare provider and is not repayable. You can also include these childcare costs in your UC claim, and get 85% reimbursed. You cannot include this amount in a WTC claim. You cannot get the childcare element in UC or WTC for costs met or reimbursed by any other third party.

Childcare vouchers

Some employees may be receiving childcare vouchers as a salary sacrifice scheme, instead of cash pay, of up to £55 a week per employee. You only pay income tax on your earnings after the vouchers. You cannot get WTC or UC childcare element for the part of the childcare costs covered by the vouchers. You can only get help with any childcare costs still to pay once the amount of the voucher is taken off (subject to the maximum levels as explained above). This scheme is closed to new entrants.

Tax-free childcare

This scheme is for families on middle to higher incomes, as it includes those with individual earnings from £115 a week up to £100,000 a year – for couples, both must be in work unless one is entitled to contributory employment and support allowance or carer’s allowance. The government will pay £2 for every £8 the claimant pays into an online childcare account, up to a maximum of £2,000 a year per child under the age of 12 (up to £4,000 per disabled child under 17).

Claiming tax-free childcare is *not* a useful option if you are on a low income, because being awarded tax-free childcare will mean that your entire tax credits award (not just the childcare element) will be terminated, or you will have to stop claiming universal credit. More information and a better off calculator is available at [childcarechoices.gov.uk](https://www.childcarechoices.gov.uk)

Housing benefit and council tax reduction

If you still get housing benefit, you can get increased help through housing benefit and council tax reduction if you meet the conditions for the childcare element of WTC (except if your partner is a carer). Your childcare costs are deducted from your earnings when calculating these benefits.

Student childcare grant

Colleges and universities may provide a childcare grant to cover your childcare costs. If you qualify for a student childcare grant and are also in paid work, you can only claim the childcare element in WTC or UC for any remaining costs that you pay yourself.

Free pre-school early education and childcare places

Local authorities are under a duty to secure a pre-school education place for all three and four-year-olds whose parents want one, and some two year olds.

Every three and four-year-old in Scotland is entitled to a minimum of 1,140 hours (about 30 hours a week during term-time) of pre-school education. Generally, entitlement begins from the start of the term following the 3rd birthday and continues until the child starts school.

This free early years provision in Scotland is also available for two year olds who are looked after, under a kinship care order or with a Parent Appointed Guardian, or in families in receipt of income support, income-based jobseeker's allowance, income-related employment and support allowance, incapacity benefit, severe disablement allowance, pension credit, child tax credit (with an income below £19,995) or working tax credit (with an income below £9,552), or universal credit (with earnings no more than £796 in the monthly assessment period before applying for the place). The childcare place continues if the qualifying benefit stops.

Not all childcare services offer funded pre-school education places. Local authorities are in charge of commissioning places and centres must be working in partnership with them. WTC or UC cannot include an amount that is covered by this free provision. If you are paying for separate or additional childcare, you can include these childcare costs.

Approved childcare

For all the help with childcare mentioned in this factsheet, childcare must be provided by a Care Inspectorate registered provider, including:

- registered childminder;
- nursery, after-school club;
- childcare at home by childcare agency such as a sitter service or nanny agency.

It is the claimant's responsibility to make sure that the childcare provider is correctly registered with the Care Inspectorate – see *Further information and advice*. You cannot claim for childcare provided in the child's home by the child's parent, grandparent, aunt, uncle, brother or sister, or a partner of any of these. Childcare provided by a relative may qualify if the relative is a registered childcare provider and looks after the child somewhere other than the child's home. In practice, the childminder must usually be looking after other children as well, to whom s/he is not related, in order to remain correctly registered.

Further information and advice

Child Poverty Action Group in Scotland

0141 552 0552 advice line for advisers on benefits and tax credits,
Monday to Thursday 10am to 4pm, Friday 10am to 12 noon

Email: advice@cpagscotland.org.uk

email advice for advisers on benefits and tax credits

cpag.org.uk/welfare-rights/benefits-scotland for more information from CPAG in Scotland

CPAG publishes the *Welfare Benefits and Tax Credits Handbook*, a comprehensive guide to benefits and tax credits for claimants and advisers.

CPAG in Scotland's advice line is only for advisers. If you are having problems with your own tax credit or benefit claim and are in need of advice you should contact your citizens advice bureau or other local welfare rights service.

Scottish Government Information

mygov.scot/childcare-costs-help

Care Inspectorate

Telephone 0845 600 9527

e-mail: enquiries@careinspectorate.com

Website: careinspectorate.com/

HM Revenue and Customs

Tax Credit Helpline

Telephone: 0345 300 3900

Textphone: 0345 300 3909)

gov.uk/benefits-credits/tax-credits

Department for Work & Pensions

Universal Credit Helpline

Telephone: 0800 328 9344

Textphone: 0800 328 1344

gov.uk/universal-credit

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