

EXPLANATORY MEMORANDUM TO
THE CHILDCARE PAYMENTS ACT 2014 (AMENDMENT) REGULATIONS 2015

2015 No. 537

1. This explanatory memorandum has been prepared on behalf of the Treasury by HM Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument amends the Childcare Payments Act 2014. It doubles the maximum level of government support available to the parents or guardians of disabled children in paying for childcare needed in order to work.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 The Childcare Payments Act 2014 enacted a new scheme designed to provide financial support to help working families with the cost of childcare. The scheme will be based on a system of childcare accounts. Eligible parents will open an online account into which they will pay money and the Government will automatically top-up amounts in the account at a rate of 20p for every 80p paid in by the parent up to a maximum amount for each entitlement period (normally lasting three months). The amounts held in the childcare accounts will have to be used to pay for qualifying childcare.

4.2 Section 19(5) of the Act sets out the maximum amount that may be deposited and topped-up as being £2,000. Section 19(7) enables regulations to substitute a different amount or amounts for the amount currently specified in section 19(5).

4.3 This instrument uses the power in section 19(7) to set the amount that may be paid into a childcare account and topped-up in the case of disabled children as £4,000. The amount for other children remains at £2,000.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

Priti Patel, Exchequer Secretary to the Treasury, has made the following statement regarding Human Rights:

‘In my view the provisions of the Childcare Payments Act 2014 (Amendment) Regulations 2015 are compatible with the Convention rights’.

7. Policy background

7.1 At Budget 2013, the Government announced the introduction of a new scheme, referred to as Tax-Free Childcare, designed to provide financial support to help working families with the cost of childcare. In particular the new scheme aims to support parents to take up paid work, or increase their existing working hours, should they wish to do so.

7.2 The scheme will be based on a system of childcare accounts. Eligible parents will open an online account into which they will pay money and the Government will automatically top up amounts in the account at a rate of 20p for every 80p paid in by the parent. The amounts held in the childcare accounts will have to be used to pay for qualifying childcare that is needed in order to work.

7.3 Government support was designed to be up to £2000 per child per year. However, during the parliamentary stages of the Bill, it was pointed out that costs for disabled children are often higher and that this is a barrier to work for parents of disabled children. The government agreed to look into the feasibility of increasing support for disabled children.

7.4 The Government announced on 9th February 2015 that the maximum support available in relation to disabled children will be double the amount available for other children. This instrument makes good that commitment.

8. Consultation outcome

8.1 The Government published a formal consultation document on the design and operation of the new scheme on 5th August 2013 and the consultation ended on 14th October 2013. The response to the consultation was published on 18th March 2014. A further consultation was published on 23rd May 2014 and ran until 27th June 2014 on how childcare accounts will be provided under the new scheme. The response to that consultation was published on 29th July 2014.

8.2 Formal consultation on the main regulations needed for the scheme took place between 14th July and 3rd October 2014 in line with Government guidance on public consultation. The response to that consultation was published on 9th February 2015.

8.3 No further consultation took place on the increasing of support for disabled children effected by this instrument.

9. Guidance

9.1 HM Revenue and Customs will be publishing further guidance on the operation of the scheme. Draft guidance was published on 16th October 2014. That guidance will be amended to reflect the increased support available in relation to disabled children

10. Impact assessment

10.1 The changes made by the instrument make a negligible difference to the impact of the Childcare Payments Act on charities, voluntary bodies or business.

10.2 An Impact Assessment for the Childcare Payments Act (including the main regulations) was published on 18th November 2014 and is available at <https://www.gov.uk/government/publications/tax-free-childcare-impact-assessment> and

<http://www.parliament.uk/documents/impact-assessments/IA14-09A.pdf>

It remains an accurate summary of the impacts of the scheme.

11. Regulating small business

11.1 The instrument does not regulate small business.

12. Monitoring & review

12.1 The policy will be reviewed two years after full implementation of the scheme to assess whether Tax-Free Childcare is delivered effectively and supports working families as intended. That review will include the effect in relation to disabled children. Further details are provided in the published Impact Assessment for the scheme at

<https://www.gov.uk/government/publications/tax-free-childcare-impact-assessment> and

<http://www.parliament.uk/documents/impact-assessments/IA14-09A.pdf>.

13. Contact

Craig Mason at HM Revenue and Customs Tel: 03000 585276 or email: craig.mason@hmrc.gsi.gov.uk can answer any queries regarding the instrument.