

# **Tax-Free Childcare**

**Supporting parents to access Tax-Free Childcare, through  
cashless payment systems (mainly via mobile apps)**



HM Revenue  
& Customs

# What is Tax-Free Childcare (TFC)?

[Tax-Free Childcare \(TFC\)](#) is a government childcare support scheme. Eligible parents can get up to £500 every 3 months (up to £2,000 a year) for each of their children to help with the costs of childcare. This goes up to £1,000 every 3 months if a child is disabled (up to £4,000 a year).

## How it works

- Parents can open an online Tax-Free Childcare account using their [Government Gateway / One Login](#) account. For every £8 a parent pays into their account, the government will pay in £2 for them to use to pay their provider. For example, if a parent's childcare bill was £500/month, they'd multiply £500 x 0.8 to get £400. They'd put £400 into their Tax-Free Childcare account and the remaining £100 (20%) will then be topped up by the Government. Across the year, this would reduce £6,000 annual costs to £4,800
- Available for children up to 11 (up to 16 if disabled) where their parent(s) meet eligibility criteria regarding their income. Information for this is available online at [www.gov.uk/tax-free-childcare](http://www.gov.uk/tax-free-childcare)
- Parent applies for TFC and, if eligible, a TFC account is set up for each child they applied for. Parent then reconfirms details every three months
- Parent deposits money into child's TFC account, government adds top-up, then parent pays out money to a childcare provider

# Our challenge

Many schools adopt cashless payment systems to manage and process payments from parents such as dinner money, school trips and before and after school clubs. These applications currently do not allow parents to access government childcare support, with many working parents missing out on childcare funding for breakfast and after school clubs, which they may be entitled to.

Currently parents are only able to use government funding to pay for their childcare by logging into the [Childcare Service](#) on gov.uk. We want to help parents, making it easier for them to access government support, through other digital systems.

# Your opportunity

HMRC are scoping technical requirements and would like to understand market interest and insight on the effectiveness on potential Application Programming Interface (APIs). Our ambition is a smoother customer journey for parents who use cashless payment systems to access government support to support their childcare costs. Therefore, we are keen to understand how our APIs can work with cashless payment systems to support eligible working parents access the government funding they are entitled to.

If you are a software company that operates a cashless payment system that has been adopted by schools that parents use to pay for their breakfast and after school childcare costs and would like to find out more about our solution, please contact [the team](#).

# Tax-Free Childcare current payment process

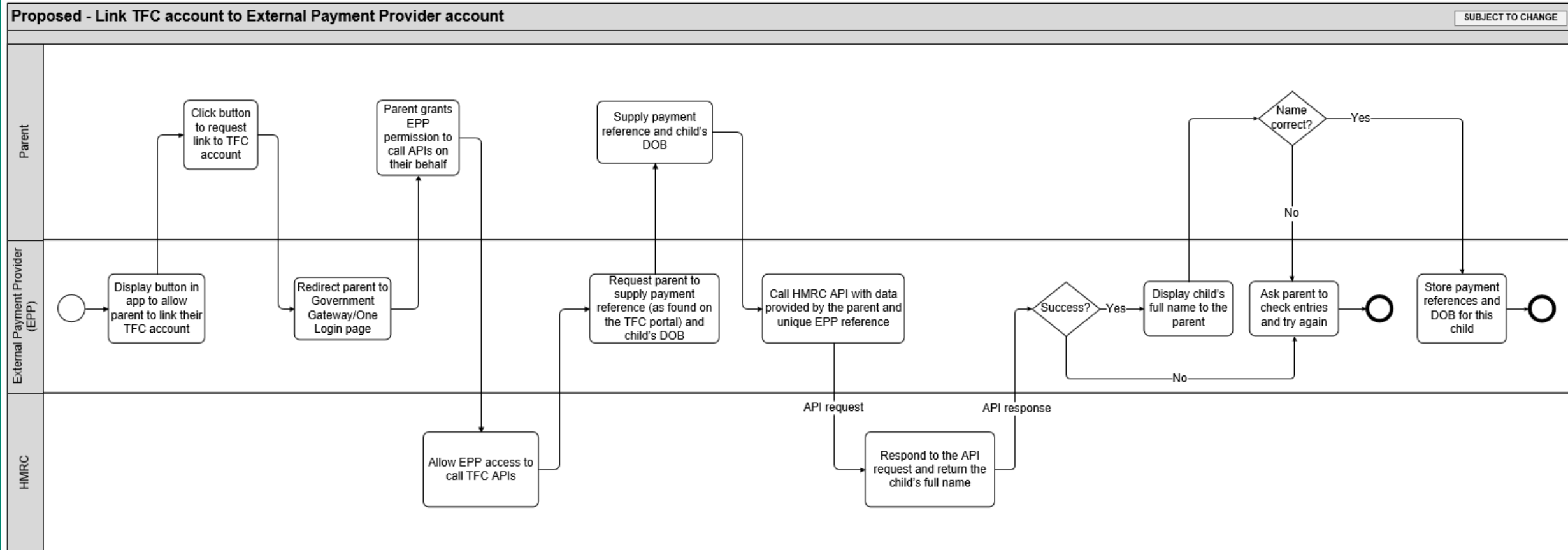
- Parents pay into their child's TFC account via a debit card by logging into the [Childcare Service](#) on gov.uk or via bank transfer from their online banking
- Top-up is added as soon as deposited funds have cleared (up to £500 top-up per quarter or £1000 per quarter for disabled children)
- Childcare providers (CCPs) are added to TFC by their regulators (only registered CCPs are eligible to receive TFC payments)
- Parent selects their CCP on the TFC website and initiates a payment to them. Funds are sent via Faster Payments which take up to two hours to reach the CCP's bank account

# Proposed high-level solution

## Process steps

- Parent has already applied for TFC, been found to be eligible, and had TFC accounts created for their child/children.
- Parent will use their Government Gateway/One Login account to grant authority so that the cashless payment system can connect to TFC Application Programming Interfaces (APIs) on the parent's behalf.
- Parent would enter their payment reference number (shown in their Childcare account on GOV.UK) into the cashless payment system for each child (only at registration).
- The cashless payment system would call an API to link a child's TFC account to their application.

# Proposed high-level solution – process map



## Glossary of terms

Tax-Free Childcare (TFC)

Date of Birth (DOB)

Application Programming Interfaces (API)

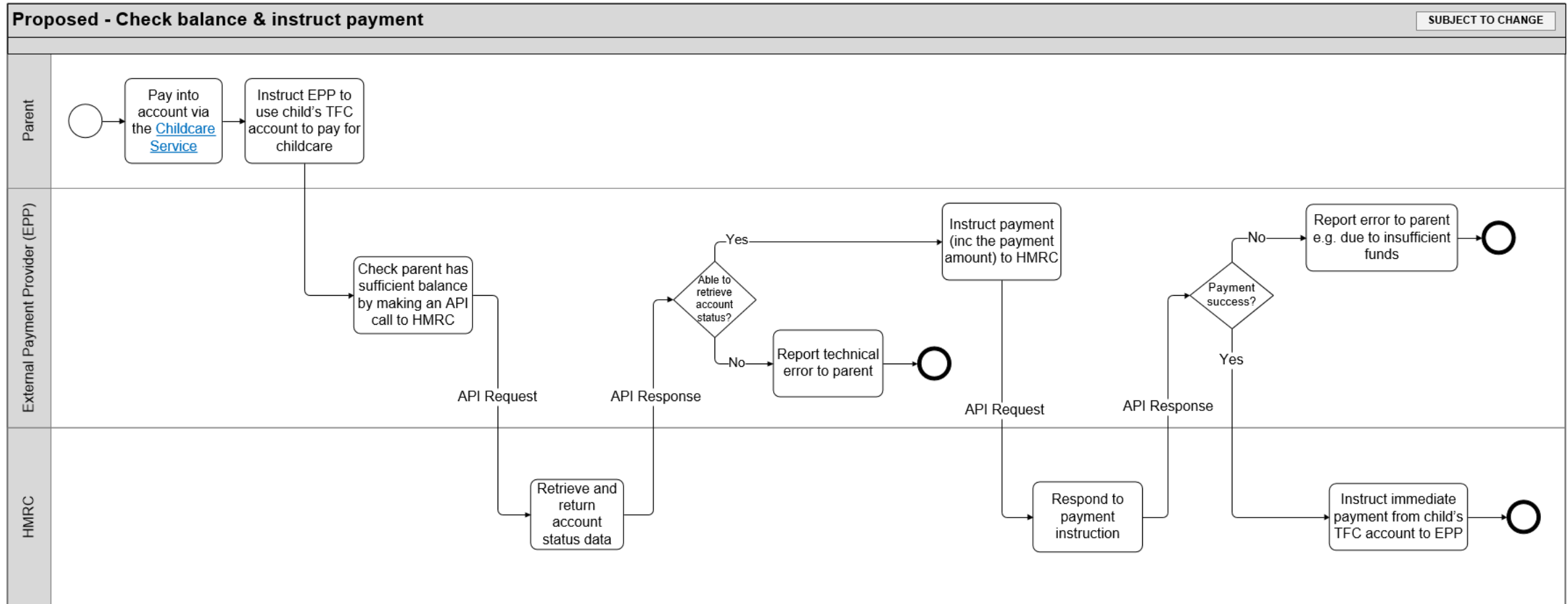
External Payment Provider (EPP)

# Proposed high-level solution – payment phase

## Payment steps

- Parent sends money either via standing order/BACS to their child's TFC account or by logging into the [Childcare Service](#) on gov.uk. This is then topped up by 20% e.g. if parent pays in £200, their childcare balance is £240. We do not intend to provide functionality which allows the cashless payment provider to deposit money into a child's TFC account.
- When parent needs to pay for TFC-eligible activity, the cashless payment system will use the API to check the current balance in child's TFC account.
- If the balance within the cashless payment system is sufficient, a request for payment from the child's TFC account on gov.uk will be made into the cashless payment system . This will be sent via Faster Payments during the same banking hours which are used for TFC payments to childcare providers. TFC payments are sent out between 00:40 and 14:40 on English banking days.
- If the balance is insufficient, the parent can make part-payment from TFC and part from another funding source.

# Proposed high-level solution – payment phase process map



## Glossary of terms

Tax-Free Childcare (TFC)

Application Programming Interfaces (API)

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## Additional points

- TFC payments must go to a [registered childcare provider](#). Details of the childcare provider need to be included in the payment request from the cashless payment system.
- TFC can only be used for eligible activities, so schools/childcare providers need to be able to separate which activities are TFC-eligible and which are not.
- To use the Application Programming Interfaces (APIs), companies that adopt the solution will need to go through a short onboarding process including testing the APIs in a technical sandbox environment.
- Only one parent can operate a child's TFC account.
- TFC payments are sent out between 00:40 and 14:40 on English banking days.

## Next steps

- This is a draft solution which is intended to be as simple as possible
- We are engaging with software providers to understand whether this solution could work with the customer journeys on their service.
- If you are a software company that operates a cashless payment system that parents' use to pay for their breakfast and after school childcare costs and would like to find out more about our solution, please contact [the team](#).