

**Tax-Free Childcare: consultation on childcare account provision**  
**Response from the Low Incomes Tax Reform Group ('LITRG')**

**1 General comments**

- 1.1 We welcome the opportunity to respond to this consultation on the provision of childcare accounts in the new Tax-Free Childcare (TFC) system.
- 1.2 We agree that the high costs and availability of childcare are two of the biggest challenges that parents face. We also agree that the costs of childcare can be prohibitive to parents looking to enter the workplace or increase their hours. We therefore welcome the Government's attempt to reduce some of the difficulties through the introduction of the TFC scheme.
- 1.3 We set out our concerns about the detail of the scheme in our response<sup>1</sup> to the design and operation consultation<sup>2</sup>. In particular we have raised concerns about the complexity of the scheme rules, how it interacts with other childcare support, the potential confusion for parents and those advising them and the cost to Government of operating the scheme.
- 1.4 The choice of childcare account provider(s) is important and will affect how well the scheme works for parents and ultimately whether it achieves its objectives. Accounts will need to be

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<sup>1</sup> [LITRG response to Tax Free childcare consultation](#)

<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/300297/PU1607\\_Tax\\_free\\_Childcare\\_response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300297/PU1607_Tax_free_Childcare_response.pdf)

simple for parents to open, operate and access if the scheme is to be successful and parents will need clear guidance about the rules and interactions with other childcare support.

- 1.5 In the Government’s response to the design and operation consultation, it appeared that a decision had been made to run accounts through National Savings and Investment (NS&I). Page 6 of that response said ‘After considering the results of the consultation, the Government has decided that HM Revenue and Customs (HMRC) will deliver Tax-Free Childcare in partnership with National Savings and Investment (NS&I)’.
- 1.6 We welcomed this announcement and agreed that not only would it provide a ‘smooth and simpler customer experience’ without the need to choose between providers but it would also mean a single point of contact with Government and, consequently, only one avenue to provide information about the scheme, which would alleviate some of the problems seen with childcare providers where multiple providers meant there was no one clear source of information and guidance.
- 1.7 We are therefore surprised that this decision has been reversed, not least because it means a further delay in starting work on delivery. No matter what option is chosen for delivery, a complex IT solution will be needed and this will need time to be developed and thoroughly tested so that it works as it should from the start of TFC.

## **2 About Us**

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.
- 2.2 LITRG works extensively with HM Revenue and Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT’s primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

## **3 Detailed Comments**

There are a number of factors that we think are important when choosing how the accounts are to be delivered.

### 3.1 **Digital exclusion**

- 3.1.1 No matter which option is chosen it is essential that provision is made for those who do not have online access. We welcome the Government's commitment in their response<sup>1</sup> that there will be assisted approaches available for those who cannot access the internet, however we are concerned that the current consultation on account providers only mentions telephone and SMS as supplements to the online offering in relation to a Government delivery option.
- 3.1.2 We do not think the option of telephone and SMS is adequate with respect to claims or the provision of information. Scheme users will need to have access to information and guidance in paper format (where they cannot access it online) as well as the option to make a paper claim for those unable to use a telephone. This will ensure there is no unlawful discrimination against (in particular) people with a disability.

### 3.2 **Provision of information and guidance**

- 3.2.1 One of the reasons we welcomed the announcement of NS&I as a single provider was in relation to the provision of information to parents.
- 3.2.2 We noted in our response that the success of the TFC scheme will depend entirely upon how well the provisions are explained to parents. Yet the complexity of the proposals as they currently stand will result in that challenge being extremely difficult to meet.
- 3.2.3 In particular, any materials need to take full account of both TFC and universal credit childcare – and, for so long as it lasts, employer-supported childcare (ESC) and tax credits. The information will need to clearly describe when and in what circumstances parents might be eligible for each and offer access to online calculators that will enable parents to decide under which alternative they will be better off. This will be no easy task.
- 3.2.4 Having a single provider will mean that there will be one source of information available to parents ensuring they get consistent information. We have seen examples in the ESC scheme of different providers providing misleading and inaccurate information, making it hard for parents to know where to turn for advice.
- 3.2.5 If there are multiple providers, parents will need even more information to help them understand the choices available to them in choosing an account provider in addition to the information they need about the scheme itself.

### 3.3 **Cost to parents**

- 3.3.1 We welcome the Government's commitment that there will be no fees for parents to pay in relation to the accounts.

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<sup>1</sup> Page 5 of the consultation document response

3.3.2 However, we are concerned by the potential for parents to suffer indirect fees through an increase in their childcare costs. Paragraph 3.6 of the consultation document states that responses from the childcare industry to the first consultation suggested that there would be higher administrative costs from having to register with and accept payments from a number of account providers. This could result in an increase in childcare costs for parents and is not desirable.

3.3.3 There will also be 'costs' to parents in terms of their time in choosing between multiple providers.

#### 3.4 ***Timescale for delivery***

3.4.1 The consultation document (Paragraph 3.7) notes that the speed at which each option can be delivered will be a factor in the final decision.

3.4.2 Whilst we understand the need to deliver TFC as quickly as possible, it is equally important that delivery is done well and that the IT systems and materials needed are in place to ensure that the scheme achieves its objectives. Rushing to implement a system that has not been adequately tested or does not have supporting guidance and information is not desirable for parents and could lead to problems, such as forcing them out of work, if the scheme is not delivered properly.

## 4 **Conclusion**

4.1 We believe that a single provider has far more benefits than multiple providers or an open market option. Although having multiple providers will allow parents to have a choice in childcare account providers, the potential downsides relating to the provision of information, potential costs to parents, impact on timescales for delivery and additional complexity in access accounts outweigh the benefits. We believe that having NS&I as the single provider would have benefits for users of the scheme as it is a trusted provider who already has a significant IT infrastructure.