

## Financial support for individuals working in childcare

Those working in childcare across Northern Ireland – whether childminders, playworkers, or staff in a day nursery or out of school club – are dedicated, committed and hardworking individuals. Due to the nature of the sector, however, many of them may be working on a low income and / or on part time hours.

If this applies to you, this factsheet will help you to identify what financial support you may be entitled to, or to **increase the hours you work** and be **better off financially as a result**.

There are two main forms of support for lower income workers:

- Working Tax Credits (for existing claimants)
- Universal Credit (for new claimants or those migrating from Tax Credits).

### Tax Credits

Tax Credits are payments from the Government that provide money to people responsible for children and/or workers on lower incomes. They can also help pay towards registered childcare costs. There are two types – **Child Tax Credit**, which supports families with children, and **Working Tax Credit**, for working people on a low income.

While there are no new claims for Tax Credits, to continue claiming Working Tax Credits, an individual must be working a certain number of hours per week:

- At least 30 hours if aged 25 to 59
- At least 16 hours if aged 60 or over, or if you have a disability
- At least 16 hours if you are single and have one or more children
- At least 24 hours combined if you are part of a couple and have one or more children (one parent must work at least 16 hours).

If you have children, and are paying for registered childcare costs, you may also be entitled to have 70% of your costs covered.

For every extra £1 you earn, 41p is deducted from your Tax Credits. As Tax Credits are calculated using annual figures, changes to income may not affect your Tax Credits until the next tax year. Understanding and calculating Tax Credits can be complex so for more advice contact our freephone advice line on 0800 028 3008.

*Tax Credits are currently being replaced by a new benefit called Universal Credit. As a result, there will be no new claims for Tax Credits (unless you get the severe disability premium or got it in the past month and are still eligible for it). Current claimants can continue to receive*

*Tax Credits until they are notified by the Government that they are being moved, or there is a significant change of circumstance that results in them being moved onto Universal Credit. We would advise anyone considering moving to Universal Credit to seek independent advice before doing so, to make sure it is the best form of support for them, as this is a permanent move and cannot be reversed.*

## **Tax Credit FAQs**

### **Q: If I work more than the minimum hours required will my Tax Credits stop?**

A: No, not necessarily. Increases in income will gradually reduce your entitlement. To encourage people to increase their working hours the Government will reduce Tax Credits by 41p for every £1 earned. This makes it more financially rewarding to increase your salary and the hours that you work.

### **Q: If I increase my working hours, will I automatically have to move to Universal Credit?**

A: No. You only move over to Universal Credit if you are making a new claim for one of the benefits it has replaced. Even though Universal Credit has replaced Tax Credits you would not be making a new claim, you would just be amending a current claim.

### **Tax Credit case study**

Jane is a lone parent with two children who works in a day nursery and earns the National Living Wage. She recently increased her weekly hours of work from 16 hours to 24 hours. This has increased her net earnings by £3,690 per year, and she is still entitled to Tax Credits of £7,979 per year, in addition to her salary. This leaves Jane more than £39 per week better off.

For more information about Tax Credits, read the factsheet available on our website here: [www.employersforchildcare.org/parents/download-library](http://www.employersforchildcare.org/parents/download-library)

## **Universal Credit**

Universal Credit is a benefit for people of working age, who are in or out of work. It combines the previous means-tested support for adults of working age and their children into one benefit, and is intended to simplify the benefits system. Universal Credit is made as a 'household' claim. As a 'means tested' benefit you will be awarded an amount based on your overall household income and family circumstances.

Universal Credit has been designed to ensure that you are better off in work, and working more hours. For every extra £1 you earn above a threshold (the work allowance), 55p is deducted from your Universal Credit. As Universal Credit is calculated monthly, changes in income will affect your Universal Credit from one month to the next.

Unlike Working Tax Credit, under Universal Credit you do not have to work a certain number of hours a week to qualify. You just need to be working. In a couple, either both individuals must be working, or one of them working and the other in receipt of Carer's Allowance, Employment and Support Allowance or in hospital or in prison (serving a sentence or remanded in custody).

Anyone who qualifies for Universal Credit can also get help with reasonable registered childcare costs. Universal Credit covers up to 85% of the cost.

Understanding and calculating Universal Credit can be complex so for more advice contact our freephone advice line on 0800 028 3008.

### Universal Credit FAQs

#### **Q: If I increase my hours of work will my Universal Credit stop?**

A: No, not necessarily. Increases in income will gradually reduce how much you receive through Universal Credit. To encourage people to increase their working hours the Government will reduce Universal Credit by 55p for every £1 earned. This makes it more financially rewarding to increase your salary.

#### **Q: If I'm working part-time will Universal Credit cover full-time childcare costs?**

A: No. Universal Credit covers reasonable childcare costs. If a claimant is only working two days a week then it would not be considered reasonable to have full-time childcare costs.

#### **Q: I'm worried about losing out on the support I get towards my rent if I increase my earnings. Will this be the case?**

A: Rarely. As household income goes up, the amount of Universal Credit you will be entitled to reduces. However, the housing costs element will always be the last element to be reduced. The other elements in the claim would need to be reduced to zero first.

#### **Universal Credit case study**

Elaine is a lone parent with two children, who works in a school age childcare setting and earns the National Living Wage. She recently increased her weekly hours of work from 16 hours to 28 hours. This has increased her net earnings by £5,151 per year, and she is still entitled to Universal Credit of £6,488 per year. This leaves Elaine more than £44 per week better off.

For more information about Universal Credit, read the factsheet available on our website here: [www.employersforchildcare.org/parents/download-library](http://www.employersforchildcare.org/parents/download-library)

## Financial support for registered childcare costs

If you are not eligible for Tax Credits or Universal Credit, but have registered childcare costs, you could still be entitled to financial support through Childcare Vouchers (if you are already part of the scheme) or through Tax-Free Childcare.

Tax-Free Childcare is available for new claimants. Both parents, or one parent in a lone parent household, must be working and each earning at least the equivalent of the National Minimum or Living Wage for 16 hours a week, and no more than £100,000 per annum.

You can claim 20% of your childcare costs, up to a maximum of £2,000 per child per year (£4,000 for a child with a disability) from the Government.

You can find out more on our website [www.employersforchildcare.org](http://www.employersforchildcare.org) or by speaking to one of our advisors.

## Where can I get further information?

To find out more about what financial support you may be entitled to, contact our Family Benefits Advice Service for free, impartial and confidential advice. Call us on Freephone 0800 028 3008 or email [hello@employersforchildcare.org](mailto:hello@employersforchildcare.org) – we are here to help.