



HM Revenue
& Customs

Report 353
February 2015

**Cognitive Testing of Tax-Free Childcare Draft
Guidance and Registration Pages: Research
with Parents and Childcare Providers**

Ipsos MORI Social Research Institute

Helen Greevy and Lucy Joyce

Disclaimer

The views in this report are the authors' own and do not necessarily reflect those of HM Revenue & Customs.

© Crown Copyright 2015

Copyright in the typographical arrangement and design rests with the Crown. This publication may be reported free of charge in any format or medium provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Published by HM Revenue and Customs, September 2015

www.hmrc.gov.uk

Contents

| | | |
|-------|---|----|
| 1 | Key Findings | 1 |
| 2 | Introduction, background and methodology | 3 |
| 3 | Awareness and attitudes to Tax-Free Childcare | 5 |
| 3.1 | Awareness of Tax-Free Childcare | 5 |
| 3.2 | Preparing for the scheme’s introduction | 5 |
| 3.3 | Communicating Tax-Free Childcare | 6 |
| 4 | Usability of Tax-Free Childcare Draft Guidance | 7 |
| 4.1 | Navigation through the guidance | 7 |
| 4.2 | Using the guidance | 8 |
| 4.3 | Views of online guidance | 8 |
| 5 | Content of Tax-Free Childcare Draft Guidance | 10 |
| 5.1 | Immediate impressions of the guidance | 10 |
| 5.1.1 | Clarification of eligibility and terminology | 10 |
| 5.1.2 | More information on the proposed ‘childcare account’ | 11 |
| 5.2 | Section 2 “Who can get Tax-Free Childcare” | 12 |
| 5.3 | Section 3 “How to apply” | 13 |
| 5.4 | Section 5 “Advice for Employers” | 14 |
| 5.4.1 | Responses to the updated version of the guidance | 15 |
| 5.5 | Section 6 “Advice for Childcare Providers” | 15 |
| 5.6 | Registration Pages | 16 |
| 5.6.1 | Parents | 16 |
| 5.6.2 | Providers | 17 |
| 6 | Appendix A | 18 |
| 6.1 | Parent Achieved Quotas | 18 |
| 6.2 | Childcare Provider Achieved Quotas | 19 |
| 6.3 | Tax-Free Childcare Draft Guidance Contents Page | 20 |

1 Key Findings

Tax-Free Childcare is a new scheme the Government is introducing to help working families with the cost of childcare. Draft guidance, which provides information about who is eligible and how the scheme will operate, was published for consultation on 16 October 2014.

Qualitative, cognitive-style research with parents and childcare providers sought their views on the draft guidance. The research explored clarity of messages, language, format and layout of the guidance. The findings are based on 24 interviews with parents and 17 with childcare providers (11 of which employed staff). A paper version of the draft guidance was used as stimulus within the interviews but it was explained to participants that the final guidance would be published on GOV.UK in an online format.

Prior awareness of Tax-Free Childcare was limited across all groups with the exception of owners and dedicated managerial staff of childcare settings. Both parents and providers were keen to know when the scheme would start and when the finalised information on the scheme would be provided.

Overall reactions to the guidance were positive. Parents and providers felt comfortable using online guidance and thought it would be easy to navigate and locate crucial information quickly in this format. Parents and providers appeared to want to use the online guidance differently. Parents said they would probably only read the information that was specific to their situation; whereas providers were more likely to read all of the information available so they can assist in answering parents queries. Some parents also called for a phone line option or online chat facility for assistance or reassurance. This was not a reflection of the guidance, but a reflection of past behaviour and personal preferences.

The overall look and feel of the guidance was viewed favourably. In particular, the use of headings, subheadings and bullets points were thought to work well and help participants navigate the information. This was consistent across the guidance.

Although the guidance was generally clear, there were certain terms which participants thought lacked clarity. For example, parents were unsure of the definitions of 'additional rate taxpayer', 'entitlement period' and 'Employer-Supported Childcare'.

There were a few areas that both parents and providers thought needed further explanation. These included:

- Which elements of tax credits would be replaced by Tax-Free Childcare - and more generally how Tax-Free Childcare interacted with other benefits in terms of which would be best in individual circumstances? Some participants suggested an interactive tool would support their decision-making.
- How the guidance would help if they experienced any issues with the registration pages/process?
- The rules around applying for Tax-Free Childcare for additional children.
- How the Tax-Free Childcare accounts would work in practice (e.g. how payments would be made and received)?
- For providers who employed staff, exactly how they would be involved in the scheme as an employer and what they would be required to do?

Parents and providers were shown example registration pages, and these were seen as typical of other online registrations that participants had encountered. They found the pages to be clear and have a clean and easily understandable format. They were said to give the impression that the process would be quick. Both groups felt that links/pop-ups to further information or linking

back to the guidance pages would aid understanding and ease of use.

2 Introduction, background and methodology

The new Tax-Free Childcare (TFC) scheme was announced by the Government at the 2013 Budget. The Government is aware that childcare costs are one of the biggest challenges faced by families. The aim of Tax-Free Childcare is to help those who work, those choosing to return to the workplace, and those who want to work more with these costs.

The scheme will provide eligible working parents 20 per cent support towards qualifying childcare costs, of up to £2,000 for each child (or up to £4,000 if a child is disabled) per year. The scheme will be operated through online childcare accounts. A parent can open an online childcare account and the Government will then automatically make 'top up' payments into this account at a rate of 20p for every 80p that families pay in up to the annual limit¹. Parents can make payments for childcare costs directly to their nominated childcare provider(s) through this account.

On 16 October 2014, Tax-Free Childcare draft guidance was published by HM Revenue and Customs (HMRC) for consultation to gather views on whether it provides easy to understand advice on the scheme². In addition HMRC commissioned Ipsos MORI to conduct qualitative research with parents and childcare providers in order to understand their views on the draft guidance and registration pages. This study aimed to inform further refinement of the guidance and registration pages. Specifically, the research explored:

- The format and layout of the guidance and registration pages;
- Ease of navigation to the relevant parts of the guidance;
- Clarity of the messages and the overall tone of the guidance;
- Level of information provided and whether any additional information was required;
- Ideas for improvements; and
- The extent to which parents and providers feel they would use the guidance and what they would do if something was unclear.

A qualitative cognitive-style approach was used to capture the immediate responses of parents and providers and to allow issues to be considered in depth. A paper version of the draft guidance was used as stimulus within the interviews but it was explained to participants that the guidance would in fact be available in an online format.

Qualitative research is descriptive and exploratory. The aim of qualitative research is to provide insight into people's perceptions, opinions and behaviours. Therefore it is important to note that findings from this report are not statistically representative of the wider parent and provider population. Words such as 'most', 'many', 'some' and 'few' are used to describe patterns in the data but the use of these words is illustrative not representative of the general public. It is also

¹ Further information on the policy can be found here: <https://www.gov.uk/government/consultations/tax-free-childcare>

² The draft guidance can be viewed here: <https://www.gov.uk/government/publications/draft-legislation-tax-free-childcare-draft-guidance>

important to note that we use 'providers' and 'parents' to differentiate between the views of these two groups interviewed. However, we are not stating that these opinions are representative of the wider population.

A total of 41 face-to-face in depth interviews were conducted: 24 with parents (in November and December 2014) and 17 with childcare providers (in December 2014 and January 2015). Eleven of the childcare providers we spoke to also employed staff. The interviews were conducted across three locations; London, Manchester and Cardiff.

A purposive sampling approach was taken to the study, whereby key quotas are set and participants are recruited according to these using a screening document. A mix of parents and providers were recruited. Parents were recruited to include a mix of income levels, tax credits claimants, Employer-Supported Childcare claimants and self-employed people. Childcare providers included: nursery chains, non-agency nannies and child-minders, independent and school-based nurseries and child-minder or nanny agencies.

Additional sample details can be found in the appendices.

3 Awareness and attitudes to Tax-Free Childcare

This section outlines levels of awareness among parents and providers and how they might prepare for and communicate the scheme.

3.1 Awareness of Tax-Free Childcare

Overall there was limited awareness of Tax-Free Childcare among parents and providers. Parents either had no prior knowledge of the scheme or just a sense they had heard the name. When pressed to say more about what they knew and where they had heard of it, they were generally unable to do so.

Initially some parents and providers expressed confusion between Tax-Free Childcare and Employer-Supported Childcare. The confusion was based on the fact both schemes were understood to be connected to un-taxed income and thus seen as ‘tax free’.

“Tax-Free Childcare? I guess, I mean, I assume well, I assume that the child care vouchers were part of the tax free, well in the sense that my wife isn’t taxed more.”

Parent, Self-employed, Partner claims Employer-Supported Childcare, London

Awareness of Tax-Free Childcare among providers was largely dependent on the position held within the organisation and the extent providers identified themselves as having a professional duty to keep abreast of government policies relating to financial assistance for childcare. Thus, business owners and dedicated managerial staff knew more about Tax-Free Childcare than nursery workers/managers, child-minders and nannies – who knew little or nothing at all. Where providers were aware, they usually described it as a new scheme coming in to replace childcare vouchers, but remained unclear on the detail. In more exceptional cases, they mentioned hearing about it in a Government White Paper. Despite having limited knowledge, nursery workers/managers and child-minders suggested they would need to know about and understand the scheme in due course so they could support parents.

3.2 Preparing for the scheme’s introduction

With awareness of the scheme raised through participation in this research, many parents and providers suggested they would look for further information on the scheme before it was implemented.

Both parents and providers cited online sources of information as primary sources including Google and other online search engines, HMRC website, GOV.UK, Local Authority websites and (for parents) the Citizens Advice Bureau. Providers also said they would look to their professional networks and relevant publications such as Nursery World, Early Years Educator and Nursery Management Today. All of these were perceived by parents/providers as familiar and reliable sources for childcare financial assistance.

3.3 Communicating Tax-Free Childcare

The extent to which providers perceive a responsibility to communicate details of Tax-Free Childcare to parents was largely dependent on the type of childcare provided and their role in the business. Some providers expressed concern about the role they would need to play in communicating and supporting parents to adopt the new arrangements, because of the time and resource they perceived this would take.

Business owners and dedicated managerial staff felt it would be their responsibility to communicate Tax-Free Childcare to parents and to employees within their organisation. This approach was reinforced by nursery managers and workers who said they would expect someone in a more senior position to synthesise the information and cascade it down to them (probably as part of a team meeting), which would enable them to pass on the relevant information to parents as required.

Child-minders shared different perspectives on whether or not they had a responsibility to tell parents about Tax-Free Childcare. Some considered it part of their role to understand and pass on information about financial assistance schemes to parents, whereas others did not. This appeared to reflect each child-minders' personal preference rather than any specific difference such as that relating to the type of care provided or number of children.

Nannies generally felt the responsibility for financial arrangements and assistance concerning childcare lay with the parents – not least because their employers tended to be comparatively wealthy. Financial affairs were considered beyond the scope of the nanny-employer relationship. Some nannies were keen to know more, however, if only to be in a position to pass on the basic information in a reasonably informed way.

“I'd want to tell my new employers as they wouldn't know anything about this, but it's definitely not my job to explain”

Nanny, London

Providers (who saw it as their role to tell parents about Tax-Free Childcare) said they would primarily communicate information verbally, directing others to further information online if requested. It was also said that information would be provided in written form for example, via newsletters and email communications and also by printing out or summarising segments of the guidance and providing this to parents. This approach reflected existing arrangements.

“Just having that conversation with them. That's how this industry works - having that open line of communication all the time, so if you can help your employees, parents or nurseries in any way then you need to be clear and concise and guide them where to go.”

Nanny and Nursery Staff Agency, London

4 Usability of Tax-Free Childcare Draft Guidance

This chapter explores the usability of the draft Tax-Free Childcare guidance, considering how user-friendly and functional parents and providers found it to be.

4.1 Navigation through the guidance

A hard copy of the guidance was provided to participants but it was made clear verbally and through an example of a GOV.UK webpage, that the information would actually be available in an online format on GOV.UK. Once this had been established, participants generally felt the guidance would be easy to navigate online.

When participants were first given the paper document, they either read all of the guidance very carefully from the beginning, or briefly flicked through looking for sections of interest and relevance. This reflected the way they said they would handle the information if they were actually reviewing guidance of this type. It is notable that many were drawn to the Contents page and used this to orient themselves to relevant sections. On first impressions providers and parents thought the guidance contained a lot of information. However, after a brief look through the document most felt it would be quite straightforward to navigate online in order to find the relevant sections for their situation. More exceptionally, the volume of information in the guidance was still thought to be overwhelming and in these instances participants often suggested they would call HMRC rather than search for relevant information. It should be noted that calling HMRC was a normal (knee-jerk) response for some participants and was not necessarily a reflection of the guidance. That said, the importance of producing easily navigable guidance was highlighted in order to help overcome this response.

"Whenever they send out documents they're always like this so I'd rather speak to somebody, tell them my circumstances and they'd be able to refer to me rather than to everybody"

Parent, tax credits claimant, Cardiff

The overall look and feel of the guidance was viewed favourably by most participants. In particular, the use of headings, subheadings and bullet points were praised as they were said to help structure the content into concise and easily digestible parcels of information. Although the guidance was viewed in hard copy format, it was generally felt that translating this kind of structure to an online format would ensure that the guidance is easy to navigate.

The 'Overview' section was viewed positively. The use of bullet points was said to highlight the specific eligibility criteria and this was a particularly important aspect of the guidance for parents and providers alike. Similarly, subheadings such as 'Eligibility' and 'Your other government support' were deemed helpful because these highlighted aspects of the guidance participants were looking for and expected to see.

The language used throughout the guidance was said to be reasonably clear and easy to understand, with participants able to understand the extracts shown. In part this was said to be a

reflection of how familiar parents and providers were with this type of guidance and the type of language used - having previously engaged with other HMRC guidance on financial assistance for childcare. This guidance was felt to be similar in terms of style, tone and content and that aided clarity.

“Not really, it’s, sort of, the general questions and layout that you’d get if you were applying for Working Tax Credit or Child Tax Credit anyway. It’s the same layout, nothing really much different, just maybe a few more sections to look at.”

Parent, tax credits claimant, London

4.2 Using the guidance

Parents and providers appeared to want to use the online guidance differently. Parents said they would probably read information that was specific to their situation, and use links to find information considered relevant to their circumstances. In contrast, providers said they would be likely to read the guidance in full, so they had a comprehensive understanding of the scheme and felt equipped to answer any questions parents put to them. That said, the key questions the guidance needed to answer for both parents and providers were similar. These included:

- Who is eligible for Tax-Free Childcare?
- How will Tax-Free Childcare work in practice?
- What do I need to do?

Providers suggested they would be likely to print the entire online guidance, so they could use it as a reference document. Some parents also suggested they may print out elements of the guidance but they were more likely to just print out specific sections.

There was an expectation, particularly among parents but also among some providers, that there would be an online chat function or a helpline that they could contact for reassurance or further clarification. They assumed there would be some form of contact facility as they couldn't comprehend an organisation not providing this. Regardless of how clear the guidance was, a few parents said that they would call a helpline as an extra layer of reassurance that they had understood the guidance correctly.

4.3 Views of online guidance

Participants were generally positive about using online guidance. All the parents and providers we spoke to said they were very comfortable and happy with this format. Some participants who were tax credits or self-employed customers mentioned that online guidance was very familiar to them as they had previously used this and found it to be helpful. More generally, participants suggested they were used to accessing information online, and as such they were happy with this channel. Furthermore, it was felt that offering information online, in a web page format, with internal links would make it easier to find relevant information than in a traditional hard copy format.

“I find it easier to read things on line because they tend to be a little more concise and you can get to the topics that way”

Parent, Self-employed, Cardiff

Providers noted a small concern in relation to online guidance. This focused on a concern that not all parents would be able to access the internet or feel comfortable doing so. Although it was acknowledged that this would only occur in more exceptional cases, providers felt this was likely to be the most disenfranchised group. Providers identified a role in helping to support this group.

“You say it is online, I want to draw your attention here that there are a lot of parents...who still do not have computers. We do have parents like that – both parents are working, but I don’t know that they would go online to read it, unless they had a letter to tell them to go online and read it. Most of our work is paperless, but I find that I send an email and some of our parents won’t read it because they don’t see email or the internet.”

Nursery Chain, Wales

5 Content of Tax-Free Childcare Draft Guidance

This chapter explores provider and parent views on the content of specific sections of the guidance. The section begins with a consideration of initial impressions of the guidance and then looks at each section in turn.

5.1 Immediate impressions of the guidance

When it was made clear to parents and providers that the information contained in the hard copy document would actually be made available in an online format, initial concerns about the amount of information and need to read and understand everything were mediated. Certainly it was acknowledged after an initial review that the guidance needed to include a lot of information.

At first glance, parents and providers felt the guidance was easy to understand. However, two specific phrases stood out.

- **‘Additional rate taxpayer’** (page 7). Both parents and providers highlighted this phrase as unfamiliar and in need of clarification. Notably, among parents, some higher rate taxpayers thought this might refer to them, but they were unsure. Providers felt it was important to understand this in order to be able to discuss parents’ eligibility.

“Yes, I highlighted ‘additional rate taxpayer’. I wouldn’t know what an additional rate taxpayer is.”

Parent, Self-employed, London

- **‘If you’re married to more than one person’** (page 2). This phrase was highlighted by parents and provider participants who were confused about its definition and relevance in this context. It distracted attention away from other content in this section.

The Introduction (page 6-10) was shown to parents and a sub-set of providers (those who were not employers). Initial reactions were positive, with the majority finding it reasonably clear and providing adequate clarification on the key questions of entitlement and eligibility. On closer inspection, however, parents did struggle to understand the specific meaning of certain terms (these are discussed further in section 5.2.1), and this impacted on their ability to assess their own eligibility for Tax-Free Childcare. Also, the cognitive process showed that in some instances parents unknowingly misunderstood the eligibility criteria.

5.1.1 Clarification of eligibility and terminology

The terminology used in the Introduction was generally understood, with both parents and providers noting a familiarity based on their engagement with other financial assistance schemes. However, there were a few areas that participants’ needed further clarity on.

Some parents wanted further information about how Tax-Free Childcare interacted with other financial assistance they were receiving from the Government:

- Tax credits customers expressed uncertainty about which element of their claim would be stopped. Some tended to assume that they could still claim the majority of their Working Tax Credit claim as they assumed that only the childcare element would end.
- Parents also raised questions over Child Benefit as it was not mentioned in the 'Overview' or 'Eligibility' subsections. Specifically, they were unsure if they could claim Child Benefit in addition to Tax-Free Childcare and whether they would be eligible for Tax-Free Childcare given that some are not currently entitled to Child Benefit and do not have a 'Child Benefit number' which is requested in the guidance (page 9).
- 'Universal Credit' was also raised by a few people as something that needed further clarification, as this was not a term that they had come across before.

In the 'Eligibility' subsection, the explanation of the minimum amount a parent needs to be earn to be eligible for Tax-Free Childcare used the example of '£52 per week on average'. This confused rather than clarified the eligibility for Tax-Free Childcare. Some parents misunderstood this and assumed that if they were earning more than '£52 per week' they would not be eligible.

Some participants expressed an uncertainty over the meaning of certain terms in relation to Tax-Free Childcare. This applies to the following terms:

- Reconfirmation
- Top-up payments
- Childcare account
- Eligibility
- Entitlement period

“The ‘3 month entitlement period’ might mean you are only entitled to it for 3 months.... Perhaps they need to clarify that it means they check on you every 3 months.”

Parent, Self-employed, Manchester

When prompted, parents generally said they understood the terms, but on probing it was clear that this was not always the case. For example, parents were not always clear what the entitlement period was and that they were required to reconfirm their details for each period. The use of reconfirmation confused some participants, they found the term 'reconfirm' perfectly clear but the extension of this word was less familiar and therefore needed clarification.

While parents and providers were aware of the term eligibility they were not completely clear on what this meant in regards to Tax-Free Childcare. As such participants suggested a glossary of terms or 'hover over' information pop ups could be used to aid clarity.

5.1.2 More information on the proposed 'childcare account'

Both parents and providers were keen to have more information on the proposed Tax-Free Childcare account in terms of its basic structure and how the transfer of money would operate in

practice. Without this information providers and parents were unable to understand how Tax-Free Childcare would work in practice, and therefore felt it was difficult for them to form an opinion about the offering without further information. Notably, the description ‘like a bank account’ (page 6) was found to be somewhat vague and unhelpful, and for many people it raised more questions than it answered.

“If it’s like a bank account what is it? They haven’t quite explained what that is.”

Parent, tax credits claimant, London

“Are parents in charge of the account?”

Child-minder, Manchester

5.2 Section 2 “Who can get Tax-Free Childcare”

Section 2 offers further information to help parents determine their eligibility for Tax-Free Childcare based on their income, employment status and age of their child(ren). Only parents were asked for their views on Section 2 and only in relation to the specific sub-sections that related to their current personal circumstances.

While on first impressions Section 2 was felt to be detailed, parents generally found it helpful in clarifying some of the questions that had arisen in Section 1. Encouragingly, after reading this section, most parents felt they would be able to establish whether or not they were eligible for Tax-Free Childcare from the information provided.

The following subsections were discussed in depth, resulting in some suggestions from parents to enhance their usability:

- **‘Age of your child’** (page 12). Feedback from parents suggested the general explanation of how long a child would qualify for Tax-Free Childcare was unclear and thus an alternative phrase should be used.
- **‘Pay-only’** (page 12). The term ‘pay-only’ was not immediately understood. In addition, it was unclear how and when a shift to a ‘pay-only’ account would occur, and what this change in status would mean in practical terms. For example, how long parents would subsequently have access to the account once it became ‘pay-only’.
- **‘Additional rate taxpayer’** (page 17-18). The explanation provided in this subsection defining an additional rate taxpayer as ‘someone earning £150k or more’ was sufficient to help parents understand whether or not this applied to them and it clarified any queries that had arisen earlier in the discussion. Several parents remarked that they felt this explanation should appear earlier in the guidance.

“That’s a bit far in the document to tell you about this now when they’ve been mentioning it from way back there.”

Parent, tax credits claimant, London

- **‘Self-employed people’** (page 18-19). This subsection was felt to be very clear and easy to understand. Some self-employed parents suggested they would typically ask their

accountant to assist them in this process, as with other tax matters. The explanation of 'start-up' periods for self-employed people at the end of the subsection was felt to be clear but it was suggested that this explanation should be noted earlier in section one when 'start-up' periods are first mentioned.

“Quite well, yeah. I mean I often get my accountant to help me with things like this.”

Parent, Self-employed, London

- **‘If you’re already getting tax credits’** (page 19-20). This subsection was felt to provide very little additional information than originally provided in Section 1, and thus it did not address or clarify any of the queries raised earlier in the discussion. Parents understood that their tax credits claim would end, but remained unclear about what this would mean in practice. This lack of clarity meant parents felt they would call HMRC to seek clarification on how their tax credits claim – and the benefits they receive - would be impacted. Whether or not parents would be better off was also an important consideration and parents often spontaneously suggested that a calculator would help to make this type of judgement. This was echoed by providers.

“I probably would end up calling them if it gets to that because obviously it doesn’t explain Child Tax and Working Tax, it just says tax credits.”

Parent, tax credits claimant, London

5.3 Section 3 “How to apply”

Section 3 was only discussed in interviews with parents. Parents generally found the information and language in this section to be clear and felt they would be confident about applying for Tax-Free Childcare based on the information given here. In addition, they were positive about the inclusion of the list of documents needed to complete an application for Tax-Free Childcare. All the information that was listed was familiar to them.

“Yes definitely, it lists clearly every document you would need, which is good.”

Parent, tax credits claimant, Manchester

There were, however, a few notable items within this subsection where parents became confused and these are outlined below:

- **Child Benefit number** (page 28). A lack of clarity about this term was identified – specifically, whether it applied to them, or how they could locate it. How to source this information is actually noted within this section, but participants did not tend to notice this. Participants also stated that this needed to be made clearer in the ‘Completing your application for Tax-Free Childcare’ subsection where reference is also made to the Child Benefit number.
- **‘Reconfirmation’** (page 30). Although parents had a tacit understanding of this term, there was some confusion about its precise meaning in this context. It was suggested that a simplified form of words, for example ‘when you reconfirm your details’ could help to address the potential for misunderstanding.

- **‘Applying for Tax-Free Childcare for an additional child’** (page 30). Some parents felt that this subsection lacked clarity and sufficient information on how the accounts would work when an additional child is added. For example, some parents queried whether they would have an account per child or whether both children would be put onto the same account.

5.4 Section 5 “Advice for Employers”

Eleven providers who employ staff were shown Section 5 of the guidance and asked to comment on it. A subset of these were also shown an updated version of Section 5 (revised by HMRC in response to feedback from the first few interviews) and briefly asked to note whether or not the second version had addressed any of their prior concerns.

Broadly speaking, providers’ first impressions and later responses to Section 5 were dependent on their professional experience and financial knowledge in relation to the management of such schemes. Business owners and dedicated managerial staff were familiar with the terminology and so found Section 5 clear and easy to understand, with no queries arising from this group. Conversely, nursery workers/managers tended to find the language here extremely confusing, to the extent that several said they were unable to understand this section.

However, the majority of providers, including senior staff, failed to pick up the following key messages within the section’s introduction:

- Employers are not legally obliged to do anything
- We would like employers to help communicate Tax-Free Childcare
- Employers can make payments as part of their wider company benefits scheme

Several terms used within this section also appeared to create misunderstandings rather than contribute to a broader understanding or support informed dissemination to employees.

- **‘PAYE’** (page 37). The key messages within the introduction seemed to become obscured by references to PAYE within the second paragraph. Providers did not see the relevance of this, did not understand why it was being mentioned and thus it was a distraction away from the key messages and the latter part of the introduction.
- The **‘How you can get involved in Tax-Free Childcare’** (page 37-38) section was seen as being overly technical; particularly by nursery workers/managers. A number of terms were identified as hard to understand and importantly seemed to distract providers from the broader messages being communicated. Confusion occurred in relation to the following terms/phrases: ‘employee’s net pay’, ‘employee’s gross pay’ and ‘takes the employee’s remaining pay below the National Minimum Wage threshold’. References to ‘BACS’ payments further added to the confusion.
- **‘Employer-Supported Childcare’** (page 38). Providers recognised the reference to ‘childcare vouchers’ in this section, but aside from more senior providers, they did not generally understand the terms ‘Employer-Supported Childcare’ or ‘Directly-Contracted

Childcare'. The term 'tax exemption and National Insurance contributions disregard for childcare vouchers' added further confusion here, as providers felt their lack of understanding on the finer financial details of how childcare vouchers worked, meant they could not understand what was being communicated. The term 'tax exemption and National Insurance contributions disregard for childcare vouchers' is used a number of times within this section and each time it was found to negatively impact on clarity of the text.

"I'm completely thrown by this term 'disregard'. What does that mean? It means 'take no notice' to me and every time they've stuck it in it means you can't understand it!"

Independent nursery, Manchester

- **'Employees joining Tax-Free Childcare'** (page 39) included terms such as 'salary sacrifice' and 'life event' which were also difficult to understand.

In contrast to other sections explored, the '**Childcare account notice**' subsection was said to be easy to understand and clear, with the main message that employees would need to provide written notification if they decided to no longer receive Employer-Support Childcare vouchers effectively communicated.

5.4.1 Responses to the updated version of the guidance

Views on the updated version of Section 5 were mixed. It is important to note that those asked to comment on the revised draft were only given a limited amount of time in which to do so. In addition, at this stage of the interview providers had been asked to read elements of the first version multiple times and so it is reasonable to assume that at this point they were quite familiar with the content.

Again views on the guidance varied depending on their professional experience and financial knowledge. Providers, who found the initial version acceptable, thought the second version included unnecessary additional detail and as such was described as 'long-winded'. For example the additional information on Employer-Supported Childcare was felt to be unnecessary. In contrast, those providers who had been confused by the first version tended to prefer the revised draft as the additional detail was said to aid clarity. For example, the additional introductory information included at the outset of the Employer-Supported Childcare section was thought to provide a clearer introduction. Improvements were received as being rather limited.

5.5 Section 6 "Advice for Childcare Providers"

Section 6 was discussed only with providers. This section was seen as being particularly clear and easy to follow in terms of the overall messages conveyed and the nature of the language and terms used. Providers were able to understand each sub-section very well, including the 'introduction', 'registering with a regulatory authority' and 'signing up to get a Tax-Free Childcare payment'. Overall providers understood the information but they did question whether the section was providing them with the information they needed. They questioned how useful the information was as it did not provide a lot of detail on how the Tax-Free Childcare system or registration process would work. Some providers also noted that this section contained information that was very familiar and thus was not needed.

The information provided in the **‘Registering with a regulatory authority’** section (page 40) was seen as helpful by nannies as this provided them with information that they were not familiar with. Nurseries found the information less useful as it was compulsory for them to be registered and therefore this element of the guidance was often deemed to be less relevant.

‘Signing up to get Tax-Free Childcare payments’ (page 41) at first glance this section was felt to clearly state everything providers would need to begin the ‘sign-up’ process. In fact, for some the requirement appeared so familiar and straightforward that the need to have guidance on this was questioned. However, many providers did make assumptions about the information listed. One area of confusion was the ‘registration and approval number’, which was widely assumed to be the provider’s Ofsted number (if in England). The providers that did not assume this were unsure of what number this could be referring to.

The term ‘sign up’ was widely understood and few ambiguities were noted.

Providers wanted more information on how the Tax-Free Childcare account would work from the provider perspective to be outlined in this section, such as: what this account would look like in practice, how and from whom payments would be made.

“There’s not much information for the provider. It’s clear enough but I need to be enlightened about how account will work. Who handles the payments? Parent? Provider? TFC people?”

Child-minder, Manchester

Providers wanted to be reassured about how payments would be made in order to minimise delays and problems receiving payments.

“What happens now with students and Childcare Tax Credit, they are paid to the parent [who] is supposedly supposed to give the money to the childcare provider, but what we often find with students is that they will spend the money and then they are playing catch up for the whole of the term and sometimes longer. With parents who have tax credits some parents – not all – will spend the money and not want to pay.

Nursery Chain, Wales

5.6 Registration Pages

Parents and providers were shown mock-ups of the online registration pages. Initial impressions were positive, with both groups seeing the proposed process, the instructions and overall look and feel as clear, simple and straightforward to engage with.

5.6.1 Parents

In general parents felt that the mock-ups gave the impression that the registration process would be quick and easy. Parents liked this as given the busyness of their lives it is important to them that the process is simple and quick. In terms of specific elements, parents identified the following aspects of the sign-up process:

- **Progress bar.** Parents liked the ‘progress bar’ as it offered a way to track their development and provided a sense of how long the process and each stage would take.
- **Yellow pop-up boxes.** The pop-up boxes were said to very clearly flag when an issue or error occurred and parents liked this. However, it was suggested that more information could be provided within the boxes to help clarify and resolve the problems quicker.
- Terms such as **‘tax credits’, ‘Employer-Supported Childcare’ and ‘Self-employed’** were all noted as needing further information/explanation on the registration pages. As suggested in section 5.1.2, participants thought it would be helpful to be able to hover over the terms and have more information appear. Alternatively, having an ‘i’ function next to the term would be useful. It was important to parents that any such additional information was available instantly, so they do not need to search elsewhere on the site or contact HMRC directly for assistance.

“You know sometimes when they add a little “i” or something or hover on it and it will give you more information there straightaway.”

Parent, Employer-Supported Childcare, Additional Rate Taxpayer, London

Parents suggested that a contact number or instant messaging system would be useful, so they could ask for help if they needed it. Most parents felt they would turn to the online guidance before contacting HMRC. However, providing clarification at key points throughout the sign-up process would considerably reduce the need for parents to seek help elsewhere and directly from HMRC.

5.6.2 Providers

As mentioned previously, providers were generally positive about the registration pages. However they did make a few suggestions about how the pages could be improved.

“The registration pages are very basic, clear and concise. I really like the colour scheme and layout. It needs to be basic and simple as possible so you can get it done.”

Nanny and nursery agency staff, London

- The key terms **‘registration code’, ‘unique tax reference’ and ‘unique customer identity’** caused some confusion. Providers assumed that the ‘registration code’ was their Ofsted number (if in England) and when they referred back to the guidance for clarity on this number it did not provide any further information. Providers suggested that pop-up windows displaying further help or clarification points would help to aid understanding. Equally more detailed information could be included in Section 6 to support the registration process further. For example, including a definition of registration code or unique tax reference.
- **‘Contact Us’.** In line with the views of parents, providers expected some form of ‘contact’ functionality on the registration pages to provide easily accessible support that included out-of-hours support to fit around providers’ work schedules. Few problems were envisaged, except perhaps password or other log-in problems following the initial sign-up process.

6 Appendix A

6.1 Parent Achieved Quotas

| Parent Type | | Household | | Working Status of Household | |
|------------------------------|-------------------------------|--|-------------------------------|---|---|
| Quota | Achieved number of interviews | Quota | Achieved number of interviews | Quota | Achieved number of interviews |
| Claiming tax credits | 14 | - 1 child under 11. | 8 | - Households where either the single parent/or both parents are working and households where one parent is <u>not</u> working | 22 working, 2 not working |
| Self-employed | 7 | - More than 1 child under 11. | 13 | - Households where 1 parent is in full-time work and households where at least one parent is in part-time work | 13 - one person part-time & one full time 7- working full-time households 2 - working part-time households 2 - full-time and not working |
| 150k threshold | 3 | - Lone Parents | 5 | -Household where salary of 1 parent fluctuates i.e. zero hours contract or due to self-employment | 10 where one parents works a different number of hours each month |
| 60k threshold | 4 | - Children with disability | 3 | | |
| Employer-supported childcare | 8 | -mix of different aged children – pre-school; school age | 7 households have mix | | |

6.2 Childcare Provider Achieved Quotas

| Provider Type | | Employers | | Age of children | |
|--|-------------------------------|---|-------------------------------|---|---|
| Quota | Achieved number of interviews | Quota | Achieved number of interviews | Quota | Achieved number of interviews |
| Non agency nannies and child-minders | 6 | n/a | n/a | Mix of those working with different aged children | 10 (of the 10 several fall into the 5-7, 8-10, 11-12 category plus another category or multiple categories) |
| | | | | 0-4 years | 7 |
| Nursery chains | 5 | Providers who are also employers (have staff on pay-roll) | 11 | 5-7 years | n/a |
| Independent nurseries and school based | 4 | | | 8-10 years | n/a |
| Child-minder or Nanny Agencies | 2 | | | 11-12 years | n/a |

6.3 Tax-Free Childcare Draft Guidance Contents Page

Draft Guidance for Comment

Contents

Please note this contents page won't form part of the final guidance when it's published on GOV.UK. This page has been added to the draft guidance so that you can look at it more easily and tell us what you think.

1. [Introduction](#)

- [Overview](#)
- [How much you'll get](#)
- [Eligibility](#)
- [If you want to apply](#)
- [What you need to know](#)

2. [Who can get Tax-Free Childcare](#)

- [Partners](#)
- When your partner is temporarily away
- If you're married to more than one person
- [Your child](#)
- Being responsible for a child
- Adoption
- Age of your child
- Disabled child
- Jointly responsible for a child
- [Being in the UK](#)

Draft Guidance for Comment

- Ordinarily resident
- Going abroad
- Living outside the UK
- Moving to the UK
- Immigration control
- [Your work](#)
- Time off work
- Childcare to help you work
- Your income
- Additional rate taxpayer
- Calculating how much you earn
- [Tax-Free Childcare and your other government support](#)
- If you're already getting tax credits
- Moving to Tax-Free Childcare
- Waiting for a decision on a tax credits claim
- Applying for Tax-Free Childcare in the tax credits renewals period
- Tax credits claim reduced to nil
- Ongoing tax credits appeal or review
- If you're already getting Universal Credit
- Moving to Tax-Free Childcare
- Waiting for a decision on a Universal Credit claim
- Universal Credit claim reduced to nil
- Ongoing Universal Credit appeal or review
- [Childcare from your employer](#)
- Childcare vouchers and directly-contracted childcare

Draft Guidance for Comment

- Workplace nurseries
- [Other government childcare schemes](#)
- [Registered or approved childcare](#)
- Childcare at schools
- Boarding schools
- Childcare from partners and relatives
- Checking your childcare provider is signed up with Tax-Free Childcare
- Qualifying childcare costs
- [If you don't live in the UK](#)
- Your earnings and income
- Evidence of employment or self-employment
- Benefits and other support you may get

3. [How to Apply](#)

- [Applying for Tax-Free Childcare](#)
- Getting ready to apply
- Confirming your identity
- Completing your application for Tax-Free Childcare
- Submitting your application for Tax-Free Childcare
- Using Tax-Free Childcare
- Applying for Tax-Free Childcare for an additional child
- More than one application for the same child

4. [Managing your account](#)

- [Paying money into a childcare account](#)

Draft Guidance for Comment

- [Paying money out](#)
- Adding or changing a childcare provider you pay
- Withdrawing your money
- Pay-only account
- [Reconfirming that you're eligible each quarter](#)
- Unable to reconfirm as not eligible
- Reconfirming late
- Restarting Tax-Free Childcare
- Money not used each entitlement period
- Changing your personal information
- [Closing a childcare account](#)
- [Nominating others to help you run your Tax-Free Childcare account](#)
- People you cannot nominate to help you run your account
- Ending a nomination
- [Applying for Tax-Free Childcare and managing a Tax-Free Childcare account on behalf of someone else](#)
- Getting appointed
- Ending an appointment

5. [Advice for Employers](#)

- [Introduction](#)
- [How you can get involved in Tax-Free Childcare](#)
- [Employer-Supported Childcare](#)
- Childcare vouchers
- Directly-contracted childcare
- Workplace nurseries
- [Employees joining Tax-Free Childcare](#)
- Childcare account notice

6. [Advice for Childcare Providers](#)

- [Introduction](#)
- [Registering with a regulatory authority](#)
- [Signing up to get Tax-Free Childcare payments](#)
- Childcare provider ID number
- [Providers registered with childminder agencies](#)
- [Changing your bank details](#)
- [Getting further help with Tax-Free Childcare payments](#)

7. [Tax-Free Childcare Checks](#)

- If you're asked for more information
- If you're asked to repay money or pay a penalty

8. [Review, Appeals and Complaints](#)

- If you disagree with a Tax-Free Childcare decision
- After HMRC has reviewed your decision
- Complaints
- Putting things right