

# CHILDCARE PAYMENTS ACT 2014

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### *Childcare Accounts*

#### *Section 20: Payments that may be made from childcare accounts*

99. **Section 20** contains provision about the payments that may be made from a childcare account.
100. Subsection (1) restricts the types of payment that can be made from a childcare account to:
- payments for qualifying childcare for the child for whom the account is held; and
  - withdrawals made by the account-holder.
- Such payments are defined by subsection (3) as a ‘permitted payment’.
101. Subsection (4) provides that any payment from a childcare account that is not a permitted payment or made by the account provider to HMRC will be a prohibited payment.
102. Subsection (5) allows permitted payments to be made from a childcare account during an entitlement period, whether or not the account-holder has made a valid declaration of eligibility for that period. This allows an account-holder to continue to spend accumulated balances in their childcare account for qualifying purposes even when they are no longer entitled to further top-up payments because they have not reconfirmed their eligibility.
103. Subsection (6) deals with payments made from a childcare account where only part of the payment is for the purpose of qualifying childcare. In such cases, only that part of the payment which is attributable to qualifying childcare provided for the relevant child will be treated as a permitted payment, and the rest will be treated as a prohibited payment.
104. For example, a person with responsibility for two children but with a childcare account for only one of them might place both children with a childcare provider and make a single payment for the childcare from the account. In such a case, half of that payment would be a permitted payment and half would be a prohibited payment.
105. Subsection (7) allows regulations to set rules for determining how much of a payment is to be attributed between permitted and prohibited payments for the purposes of subsection (6).