



Lower Wensleydale
Business Network

Public Documents

Don't miss out on Specified Adult Childcare Credit

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Working-age people who give up their job to provide childcare for their grandchildren risk damaging their state pension entitlement due to failing to take up a little known benefit, designed to protect their National Insurance (NI) credits, according to analysis by insurer Royal London

The Specified Adult Childcare credit was introduced from April 2011 and is available to grandparents or other family members who care for a child under 12, usually whilst their parent (or main carer) is working.

It provides a class 3 NI credit for each week or part week a qualifying applicant cares for the child, in order to help build their entitlement to the basic state pension and certain bereavement benefits. There is no requirement to provide a specified number of hours of care.

However, a freedom of information request from Royal London to the HMRC regarding take up has found that only 1,298 people claimed the credit in the year to September 2016, less than the 1,725 who put in a claim two years earlier. Government figures suggest a total of 5,000 people have used the credit since its introduction.

The insurer estimates that more than 100,000 grandparents of working age could benefit from the scheme, and says HMRC should do more to raise awareness by, for example, including details when it communicates with mothers to provide updates on NI credits each year.

Data from the Office for National Statistics shows 1.3m working mothers with at least one child under 12 are relying on their own parents for childcare, although not all grandparents will be giving up their own employment to do so.

Steve Webb, former pensions minister and Royal London head of policy, said: 'If a working age grandparent misses out on one year of state pension rights because they are spending time with a grandchild instead of doing paid work, this would cost them 1/35th of the full rate of the state pension - or £231 per year. Over a 20-year retirement, this would be a loss of more than £4,500.'

‘Hardly anyone is claiming the credit. Given HMRC knows which mums are not using their NI credits because they are working and paying NI, it wouldn’t be hard to alert them to the fact they could pass the credit on to the grandparents.’

Anyone who has missed on the scheme is able to make a back-dated claim as far back as 2011. At the time of its launch in 2011, the Department for Work and Pensions (DWP) said half of Britain’s seven million working-age grandparents have a grandchild under the age of 16, while one in four working families and one in three working mothers use grandparents for childcare.

The proportion of grandparents who are of working age is set to grow as the retirement age gradually rises.

A spokesperson for the DWP said: ‘These credits are available to people in a small number of specific circumstances. As with all credits, details of the specified adult childcare credits are well publicised on GOV.UK and are promoted through a number of consumer websites.’

Workers needed to have 30 years of qualifying National Insurance contributions to get the old state pension, but need 35 years of contributions to get the new flat rate state pension, since April 2016.

The Lower Wensleydale Business Network is grateful to Dawn Clarkson Associates - Accountants and Business Advisors, for this Public Document. Tel: 01969624999
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