

John-Paul Marks CB  
First Permanent Secretary and Chief Executive  
HM Revenue and Customs

Dear John-Paul Marks CB,

Thank you for the response sent by Lizzie Arnold on your behalf regarding Making Tax Digital (MTD) for Income Tax and the removal of the long-standing 10% wear and tear allowance for childminders.

We appreciate the time that HMRC has taken to engage with our organisation and the commitment expressed in your letter to continue working with the sector. However, in light of the very imminent introduction of MTD rules with no clarity or official update from HMRC, **we must urge HMRC and the Government to pause and reconsider the planned changes.**

As set out in our last communications, childminders are an essential part of the UK's childcare and early years infrastructure, particularly for babies, children with emerging and additional needs, and for families requiring flexible and tailored childcare. The sector is already experiencing severe workforce pressures, and policy changes that increase administrative complexity or financial uncertainty risk accelerating a decline that is already underway.

Since our last communications, we conducted a survey of 4,850 childminders across the UK. The findings - which we have already shared with HMRC - are deeply concerning, suggesting that the removal of the 10% blanket wear and tear allowance, combined with the transition to MTD requirements, could push a significant proportion of childminders to leave the profession altogether:

- One in two childminders said they plan to leave the childminding workforce (53 per cent) as a direct result of the change in the way they claim for wear and tear.
- 82 per cent of respondents said this change would leave them financially worse off (70 per cent significantly so).
- Only 4 per cent of respondents are confident they have sufficient cash flow to cover the cost of repairing or replacing items damaged through wear and tear.
- 96 per cent said the new process would increase administrative burden on childminders.

The full findings are available here:

<https://www.corampacey.org.uk/hmrc-rules-drive-half-childminders-from-profession/>

HMRC has outlined that the 10% deduction is a long-standing administrative easement - providing a simple and workable mechanism for recognising the unique nature of home-based childcare businesses. The administrative burden felt by childminders in terms of regulation and quality standards has only increased in recent years, meaning the continuation of this support is needed now more than ever.

Furthermore, HMRC has previously cited the number of childminders using non-domestic premises as the reason for changing the childminder expenses agreement (a policy introduced recently by the Department for Education in England, but not other UK nations) however as our survey demonstrates, this is minimal with just 33 childminders of almost 3,000 in England (1 per cent) stating that they spend most or all of their time working in non-domestic premises.

We are particularly concerned that the sector may be under-represented in the current projections about how many childminders will be affected. Even if a relatively small proportion are mandated into MTD in the first phase, the effect of these changes is already having an impact on confidence in the profession. By rolling forward with the changes in April we will undoubtedly lose childminders and children and families will lose their chosen childcare provision.

At a time when the Governments in England and Wales are expanding funded childcare entitlements and emphasising the importance of growing the workforce, it is critical that policy changes across departments do not inadvertently undermine that goal.

For these reasons, we urge HMRC and the Government to:

- **Pause the rollout of MTD for childminders**, as has been done for other groups of self-employed individuals (including foster carers) to allow them to continue calculating expenses set out in the Business Income Manual including the 10% wear and tear allowance
- **Make public any findings or data that assesses the financial and administrative burden on childminders claiming support for wear and tear under MTD**, and review the policy in light of the latest sector evidence.
- **Work with sector organisations including Coram PACEY to explore alternative simplified approaches** that maintain administrative simplicity within the MTD framework.

We remain very keen to work constructively with your team to find a solution that supports compliance while recognising the unique nature of home-based childcare businesses. Childminders provide an invaluable service to families and communities across the UK. With the sector already fragile, we believe it is vital that these changes are reconsidered before they unintentionally accelerate further loss of childminders.

With kind regards,

A handwritten signature in black ink that reads 'K. Brightley-Hodges'.

**Ka Lai Brightley-Hodges**

Head of Coram PACEY