

Moray Childcare Partnership



Childcare Vouchers

What are Childcare Vouchers?

Childcare Vouchers are a means of paying for childcare. They are one of the ways in which employers can assist employees with childcare costs. A percentage of your earnings supplied via Childcare Vouchers will be exempt from Tax and National Insurance Contributions (NIC) for employees so they may help you save money with your childcare costs.

How does a Childcare Voucher scheme work?

Some employers run a scheme with the help of a Childcare Voucher Company and will pay that Company an admin fee for their service.

- ◆ The Voucher Company will either supply you directly with your Childcare Vouchers or they will provide your employer with them to distribute to staff accordingly.
- ◆ Employees in receipt of Childcare Vouchers can use them to pay their childcare provider.
- ◆ The childcare provider will then redeem the value of the Voucher from the Childcare Voucher Company, usually by direct payment into their bank account.
- ◆ Some employers choose to administer the scheme themselves, in which case your childcare provider would claim the money from the employer direct.

How do Childcare Vouchers save me money?

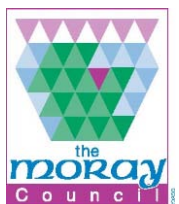
As an employee, you do not have to pay Tax and National Insurance Contributions on Childcare Vouchers that you receive. As a result, they may save you money on childcare costs. If you have a partner you can both join your employer's Voucher scheme (if they operate one), which means twice the amount of savings are available.

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How much can I receive in Vouchers?

You can receive any amount in Vouchers, but only a percentage will be free from Tax and NIC. If you are involved in a Salary Sacrifice scheme and receive a reduction in your salary your cash pay must not fall below the national minimum wage.

What sort of childcare can they be used to pay for?

Vouchers can only be used to pay for registered childcare. Some examples of this can include:

- ◆ Childminders, nurseries and playschemes
- ◆ Out of School Clubs run by a school on the school premises or by a local authority.

Can all childcare providers accept payment through Childcare Vouchers?

Yes, as long as they have a bank account, however not all childcare providers choose to accept them and they do not have to by law. You would need to check with your childcare provider first before joining a scheme. Information packs are available from Voucher companies explaining Vouchers to providers, should your childcare provider have any concerns.

What age does a child cease to qualify for the exemptions through this kind of support?

A child qualifies up to 1 September following their 15th birthday or 1 September following their 16th birthday if they are disabled.

What should you be aware of?

Childcare Vouchers are a way of effectively decreasing your childcare costs but it is important to be aware of all the features and effects of a salary sacrifice scheme:

- ◆ Joining a salary sacrifice scheme may affect your entitlement to benefits and tax credits.
- ◆ When you sign up to a salary sacrifice scheme you will normally be required to do so for a fixed period of time (often one year), after which the agreement can be reviewed.
- ◆ Your contract will change, and require to be signed by you that you agree to sacrifice part of your salary in return for Vouchers. This means that within the period covered by the Voucher you do not have an automatic right to stop receiving Vouchers and revert back to receiving your full salary unless a life changing event has taken place
- ◆ The receipt of Childcare Vouchers can affect parents' entitlements to Child Tax Credit and/or Working Tax Credit. The childcare element of WTC may be reduced.

In some instances parents may be financially better off opting to receive help through Working Tax Credits rather than through their employers Childcare Vouchers scheme.

How do I know if I would be better off with Tax Credits or with a Voucher Scheme?

The following points provide a rough guide as to what would be beneficial for you, but you should always make sure you check your individual situation carefully:

Please ensure you check your individually circumstances before taking part in a Voucher Scheme.

For more information on Child Tax Credit and Working Tax Credit contact the Tax Credit helpline on 0845 300 3900 or visit www.hmrc.gov.uk/childcare.

Further information about Childcare Vouchers and employer supported childcare can be obtained at the following website www.payingforchildcare.org.uk.