

Childcare vouchers can be used to pay for childcare. Childcare vouchers can be offered as part of a salary sacrifice or salary plus scheme.

As of April 2011, changes will be put into place that will affect the level of savings that parents paying a higher or additional rate of tax can make. This will only affect new parents joining the scheme.

How do childcare voucher schemes work?

Some employers administer the scheme themselves; others run a scheme with the help of a childcare voucher company. You will either be supplied with childcare vouchers from your employer or the voucher company. You can then use childcare vouchers to pay your childcare provider who will claim the value of the voucher from the voucher company or from your employer, usually by direct payment into their bank account.

Do childcare vouchers save me money?

As an employee, you do not have pay tax and National Insurance Contributions on childcare vouchers worth up to £55 per week (£243 per month). As a result, they may save you money on childcare costs. If you are a lower level tax-payer, you could save up to £930 per year (or £630 per year if you pay a higher rate of tax).

- Basis rate (20%) tax payable: £55 per week voucher, maximum annual tax saving of £930
- Higher rate (40%) tax payable: £28 per week voucher, maximum annual tax saving of £630
- Top rate (45%) tax payable: 25 per week voucher, maximum annual tax saving of £590

How do I qualify for childcare vouchers?

- You must live with and have parental responsibility for the child who will use the childcare.
- You must have an 'eligible' child: A child qualifies up to 1 September following their 15th birthday; or if the child is disabled, up to 1 September following their 16th birthday. The number of children in the family makes no difference to the amount of the exemption.
- The childcare you use must be registered.

Many childcare voucher companies now use e-vouchers, issued through their website. You need to register your details on the website to be allocated a user ID. This allows you to access your account and your childcare vouchers electronically.

Can my partner receive childcare vouchers if I'm already receiving them?

Yes. Each employed parent using registered childcare may claim the exemption. If both you and your partner are employed, you are both eligible to receive vouchers – even if you work for the same employer.

Can I benefit from a childcare voucher scheme if I am self-employed?

No. The tax and National Insurance Contributions exemptions apply only to benefits an employer gives to an employee; therefore, if you are self-employed you are not eligible.

Do I have to use the vouchers that I receive straight away?

No. You can save up childcare vouchers and use them at specific times of the year, such as during school holidays.

How much can I receive in vouchers?

You can receive any amount in vouchers, but only the first £55 per week is free from tax and National Insurance Contributions. If you join a salary sacrifice scheme and receive a reduction in your salary, your cash pay must not fall below the minimum wage, currently £6.50 per hour (main rate).

Can all childcare providers accept payment through childcare vouchers?

Yes, as long as they have a bank account. It does not cost the childcare provider anything to receive payment through childcare vouchers; however, not all childcare providers choose to accept vouchers and they do not have to by law. Check with your childcare provider first before joining a voucher scheme. If your childcare provider has any concerns or questions, information packs explaining the scheme to childcare providers are available from most voucher companies. Alternatively you could ask them to log on to www.gov.uk

For more information or to find out if you could benefit from using childcare vouchers or not, please visit the childcare vouchers and tax credits 'better off calculator' at www.hmrc.gov.uk.

How do I apply?

Your employer needs to be offering the scheme in the first instance. All you need to do is to complete a Salary Sacrifice Agreement form, which will be available from your employer. This form confirms that you have agreed with your employer to take part of your salary in childcare vouchers.

Leaving the scheme

Vouchers are normally taken out for a minimum period of 12 months, but if your circumstances change and you believe vouchers will not work for you any more, you can agree when you wish to stop receiving them with your employer.

Childcare Vouchers changing in 2015

- Tax-Free Childcare will replace the voucher scheme in Autumn 2015.
- Open to single parents and couples who work 8+ hours per week.
- Eligible families will get 20% of their annual childcare costs paid by the government.
- Limits on the scheme are from:
 - £2,420 - £18,000 for single parents
 - £4,840 - £30,000 where both parents work
- With up to £2,000 per child yearly.

Disclaimer: This fact sheet does not seek to describe your rights in full, nor does it constitute legal or other professional advice. Individual legal advice should be sought for specific circumstances and before action is taken.

**This information is available in different formats and languages.
Contact the Family Information Service on 01634 335566 for details.**