



## Employer Supported Childcare Vouchers

These schemes are a way for employees to pay for their chosen childcare through salary sacrifice

Currently childcare vouchers are only available through employers, and are usually offered through a **salary sacrifice** arrangement. Employees can make tax and National Insurance savings, for as long as their employer continues to run the scheme or until their child is 15 years old (or 16 years old if disabled), whichever is sooner.

This means that you contractually agree to a reduction in your salary in return for the equivalent value of childcare vouchers. Income Tax and National Insurance is therefore only due on the reduced salary, which could save you over £900 a year, depending on your personal circumstances.

Childcare voucher schemes are completely electronic, operating via a website or free phone telephone in a very similar way to an internet or telephone bank account. Payments to your childcare provider(s) are made quickly and accurately, directly into their bank account

### What's happening in Autumn 2015?

The Government have proposed a Tax-Free Childcare (TFC) scheme to start from Autumn 2015.

This will provide working parents and self-employed workers with another option for tax savings on their childcare direct through the Government. For every 80p parents transfer to a dedicated online account and spend on regulated childcare, the Government will top this up with 20p, which is capped at up to £2,000 of savings per child per year.

### Who is eligible for the new TFC scheme?

The scheme will only be open to **some** working parents (where both parents are working or single parents) and the parent is not already getting support through the existing Childcare Voucher scheme, earning less than £150,000 annually and not be receiving support through tax credits. So, many parents will not be able to claim so should join an employer scheme before it's too late.

Until then Employer Childcare Voucher parents will be able to sign up for employer supported Childcare Vouchers until autumn 2015 and will continue to run after autumn 2015.

### Employer Supported Childcare Schemes

- are flexible, so as your child grows you can use the vouchers in different ways.
- can be used for children up to the age of 15 (or 16 for children with disabilities) and are accepted at holiday play schemes and after school clubs as well as child minders, crèches and nurseries.
- Most childcare providers accept these vouchers and if your provider isn't registered with us we'll send them a simple registration pack to sign up.

- Both parents can take advantage of the scheme
- If you and your partner both work for employers who operate childcare voucher schemes you can both take part in the scheme and could still sacrifice up to £243 a month each, depending on your income.

Maximum childcare vouchers you can receive as exempt income following completion of a basic earning assessment

	<b>Basic Rate Tax Payer</b>	<b>Higher Rate Tax Payer</b>	<b>Additional Rate Tax Payer</b>
<b>Weekly</b>	£55	£28	£25
<b>Monthly</b>	£243	£124	£110
<b>Annual</b>	£2915	£1484	£1325

**As an employer** you can save up to £402 per employee on the scheme each year by not paying the 13.8% NI contribution on the salary they sacrifice.

Your employees can save up to £933 per year on their childcare costs so by offering this benefit you will be increasing employee motivation, retention and can use it as a great recruitment incentive.

N.B. Providers typically charge the employer approximately 4.5% of the voucher value for this type of scheme.

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