

HR EMPLOYEE ADVISORY NOTE – JANUARY 2018

Childcare Vouchers/Tax-Free Childcare

Childcare Vouchers and Tax-Free Childcare are both government schemes to help with the cost of childcare.

Childcare Voucher Schemes will be closing to new members on 6 April 2018. Tayside Contracts employees who are existing scheme members will continue to receive childcare vouchers for as long as they remain eligible and Tayside Contracts remains in partnership with Kiddivouchers to continue to provide them.

Tax-Free Childcare is a newer scheme for working parents that the government phased in during 2017.

How do Childcare Vouchers work?

Tayside Contracts has a Childcare Voucher Scheme, which is administered by Kiddivouchers. Full details of the Scheme, including the full Scheme Rules booklet, can be found on Tayside Contracts' Intranet and website.

Childcare Vouchers are offered by way of 'salary sacrifice', allowing eligible employees to benefit from savings on Income Tax and National Insurance by buying childcare vouchers from their pre-tax salary and using them to pay for/towards registered childcare.

The maximum amount of vouchers that can be ordered is determined by HMRC and depends on the rate of tax that you pay. The savings to you depends on your individual circumstances and how much Income Tax and National Insurance that you pay. The table below illustrates the maximum voucher amounts and the maximum savings for someone paying standard National Insurance contributions.

	Basic Rate Tax Payer	Higher Rate Tax Payer
Maximum Monthly Voucher Amount	£243	£124
Maximum Annual Savings	£933	£624

Childcare vouchers can be claimed and spent for children up to the 1st September following the child's 15th birthday, or if the child has a disability up to the 1st September following the child's 16th birthday.

When you apply for childcare vouchers you are entering a six month agreement to receive a set amount of vouchers, which cannot normally be amended, unless specific circumstances apply.

How does Tax-Free Childcare work?

Tayside Contracts has no involvement in the administration of Tax-Free Childcare. Full details of the Tax-Free Childcare scheme and how to apply can be found online at www.gov.uk/help-with-childcare-costs

Employees who are eligible for Tax-Free Childcare must open an online account, which is then used to pay the childcare provider. For every £8 you pay (or someone else pays) into your online account the government will pay £2, up to a maximum of £500 every 3 months (£2,000 per year) for each of your children.

Tax-Free Childcare can be claimed and spent for children up to the 1st September following their 11th birthday. If your child is disabled you may be able to get up to £4,000 per year until their 17th birthday.

You can vary the amount you pay into your online account to suit your circumstances and you can withdraw the money from your account if you need to, although if you withdraw the money you have deposited the government will withdraw its corresponding contribution.

You cannot receive Tax-Free Childcare at the same time as claiming Working Tax Credit, Child Tax Credit or Universal Credit.

Which scheme is best?

You cannot receive both Childcare Vouchers and Tax-Free Childcare at the same time.

Which scheme you are better off with depends on your situation. A childcare calculator is available at www.gov.uk/childcare-calculator which will work out which scheme is better for you.

As a very rough guide, Tax-Free Childcare is of greater benefit to you if you have high childcare costs (the government assumes a maximum childcare cost of £10,000 per child and limits their contribution to £2,000). The maximum savings with Tax-Free Childcare is per child, while the maximum amount of Childcare Vouchers you can receive is fixed, regardless of the number of children you have.

If you have lower childcare costs the savings you can make with childcare vouchers are likely to be higher. If you have a partner who does not work and does not meet the eligibility requirements for Tax-Free Childcare you are likely to be better off with Childcare Vouchers as you may not qualify for Tax-Free Childcare.

Anything else I should consider?

You should give some thought to any likely changes to your circumstances before deciding which scheme is better for you, including the 16 hours free childcare your child is likely to receive at age 3 (or 2 in some circumstances) as this will reduce the number of hours paid childcare you require, which may have an impact on the savings you will receive and which scheme is best for you. The childcare calculator can be used with different working hours and childcare costs to establish which scheme is best for you in different scenarios.

The Childcare Voucher scheme is closing to new entrants on 6 April 2018. You cannot sign up to Tax-Free Childcare and then decide to switch or switch back to Childcare Vouchers in the future.

If you are not eligible for Tax-Free Childcare, or you would be better off with Childcare Vouchers you must sign up before 6 April 2018, when the Childcare Voucher scheme closes to new entrants.

Both schemes require your childcare provider to be signed up and can only be used for regulated childcare providers.

Both schemes have eligibility requirements that you must meet in order to participate.

Where can I find more information?

www.gov.uk/help-with-childcare-costs

www.kiddivouchers.com

[Tayside Contracts Intranet – Business News – Childcare Voucher Scheme](#)