

FACTSHEET 30

Childcare Voucher Information and Tax Free Childcare

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. Up to £55 per week supplied via childcare vouchers is exempt from tax and National Insurance Contributions (NIC) for employees who are basic rate tax payers, 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 your employer.

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, playschemes registered by Ofsted in England and the Care Inspectorate in Scotland.
- Out of School Clubs run by a school on the school premises or by a local authority and registered with The Care Inspectorate.
- Childcare schemes run by approved providers, eg In Scotland only, childcare given in the child's own home by childcare agencies, including sitter services and nanny agencies, which must be registered

Can all childcare providers accept payment through childcare vouchers?

Yes, as long as they are registered with the Care Inspectorate and 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. In order to receive the childcare vouchers reimbursement the provider will need to register their details with the childcare voucher company. Information packs are available from voucher companies explaining vouchers to providers, should your childcare provider have any concerns.

Some providers may already be registered with a voucher company if, for example they have previously or are currently receiving payment through childcare vouchers from another parent.

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 voucher scheme.

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

Childcare vouchers from your employer may affect the amount of tax credits you get. The Childcare Vouchers Better Off Calculator can help you decide if you would be better off taking childcare vouchers or not. It's just a guide and your actual tax credits entitlement is worked out when you make a claim or report a change in circumstances.

<https://www.gov.uk/childcare-vouchers-better-off-calculator>

Please ensure you check your individual 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.gov.uk/help-with-childcare-costs where there is also lots of useful information regarding vouchers and tax credits

Tax-Free Childcare

Starting in 2017, the government plans to phase in a new scheme called the Tax-free Childcare Scheme. This will be a UK-wide scheme covering England, Scotland, Wales and Northern Ireland.

Tax-Free Childcare doesn't rely on employers offering the scheme, unlike the current scheme Employer-Supported Childcare. Any working family can use Tax-Free Childcare, provided they meet the eligibility requirements.

For more information about this visit:

<https://www.gov.uk/government/news/tax-free-childcare-10-things-parents-should-know>

This information is accurate to the best of our knowledge as at 29 March 2017. For the most up to date information and further detailed information, this can be obtained at the following websites:

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

<http://www.workingfamilies.org.uk/>

www.dundee.gov.uk/childcare/childcareinfo

www.scottishfamilies.gov.uk

www.facebook.com/FISDundee
www.instagram.com/FISDundee

www.twitter.com/FISDundee

For information about childcare services available in Dundee go to www.scottishfamilies.gov.uk or contact Dundee Children & Families Information Service on cis@dundeecity.gov.uk or telephone 01382 433900.

Information is also available on the Dundee pages of the national website where alongside details about childcare services you can also access our Online Directory for further advice, groups, activities and other services available for families locally and nationally

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www.scottishfamilies.gov.uk

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