



CHILDCARE VOUCHERS

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Better at work.

EMPLOYER TAX

Employer does not pay NIC on amount of voucher if scheme run through salary sacrifice

EMPLOYEE TAX

Employee does not pay tax or NIC on amount of voucher if scheme run through salary sacrifice

COST TO EMPLOYER

Cost is minimal and usually offset by the NI saving from the salary sacrifice

What are Childcare Vouchers?

Childcare vouchers are a tax-efficient way for employees to pay for professional childcare, ranging from nurseries and childminders through to holiday camps and breakfast clubs.

How Does it Work?

Employers will usually partner with a recognised provider of childcare vouchers, and then allow employees to give up gross pay in order for this money to be used to purchase the vouchers. This method of paying for the childcare vouchers is known commonly as salary sacrifice, and it means that a basic-rate taxpayer can save up to £930 per annum, and a higher-rate taxpayer up to £630 by using the scheme.

Employers offering these schemes also save Employer's NIC on the amount of salary given up by employees to buy their vouchers, which helps offset the cost of operating the scheme.

Voucher Scheme completely in April 2018. For eligible families, Tax-Free Childcare offers to cover 20% of childcare costs (up to £2,000 per child, per year) for children up to the age of 12. However, the scheme will not be open to couples where one parent is not working and parents who claim for children older than 12 years old. It is also not open to anyone earning over £100k, and that applies to both in a couple – so if one earns over £100k the other couldn't access Tax-Free Childcare. No-one claiming tax credits (including the childcare element of Working Tax Credit) or Universal Credit can access Tax-Free Childcare either.

There will be winners (e.g. the self-employed) and losers (couples where one parent doesn't work) when it comes to Tax-Free Childcare and employer-supported childcare vouchers schemes will continue to run for the time being. Current schemes can remain open to new entrants until April 2018, and parents already registered by this date will be able to continue using it for as long as the employer and the provider offer it. However, if an employee leaves an employer after April 2018, they won't then be able to join their new employer's scheme.

Why is it Valuable?

Due to the way tax and National Insurance is saved, it means that childcare vouchers can be bought in a tax efficient way.

However, it is worth noting that the government has launched Tax-Free Childcare, which is due to be rolled out from early 2017. This will replace the existing Childcare

What does it cost?

It depends on how much salary an employee wishes to give up in order to purchase the childcare vouchers. Before the changes in 2017, a basic rate taxpayer can buy £243 each month, a higher rate taxpayer can buy £124 and an additional rate taxpayer can buy £110 per month and still get the tax and National Insurance saving. Some employers allow employees to buy vouchers over the Government limit, but these are not tax-free or NI exempt.



Want to find out how we can help?

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