

PM pitches to families  
with childcare...

Is the new scheme right for you?

Employers to lose  
out from changes.

## Understanding the new Tax-Free Childcare Scheme

Childcare is changing...  
How will it impact *you*?



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This document aims to provide clear advice and guidance to allow you to decide which support best suits your individual circumstances.

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# Introduction

## Tax-Free Childcare Scheme

The Government have introduced a Tax-Free Childcare scheme. To be eligible to qualify for this new scheme both parents have to be working. The scheme will cover children up to 12 years of age.

After September 2018 parents will no longer have the option of joining the current Childcare Voucher scheme.

### **DEADLINE FOR CHILDCARE VOUCHER REGISTRATION - SEPTEMBER 2018**

**REGISTRATION FOR THE EXISTING CHILDCARE VOUCHER SCHEME MUST BE COMPLETED BY YOUR COMPANY'S SEPTEMBER 2018 PAYROLL CUT-OFF DATE (AND YOU MUST HAVE RECEIVED YOUR FIRST VOUCHERS BY 5TH OCTOBER 2018). CALL US ON 01280 851113 TO FIND OUT YOUR COMPANY'S SEPTEMBER 2018 PAYROLL CUT-OFF DATE.**

Parents who are signed up for Childcare Vouchers before this deadline will have the choice of either continuing to take childcare vouchers or switch to the new scheme if they wish (subject to staying with the same employer and not taking an unpaid career break of longer than a year).

Currently childcare vouchers can be used to pay for a wide range of childcare provisions for children up to and including 15 years of age (16 if disabled).

If parents are currently paying for childcare then Childcare Vouchers could save them money.

## Current scheme vs proposed new scheme

	Childcare Vouchers	Tax-Free Childcare
What do parents receive?	Basic rate taxpayers – and higher rate tax payers who joined the scheme before April 2011 - can exchange up to £243 of childcare vouchers each month saving up to £933 per parent per year on childcare costs. The above amounts are PER PARENT, so two working parents could exchange up to £486 of vouchers each month free of Tax and NI, saving up to £1,866 per year.	Eligible families will get 20% of their yearly registered and regulated childcare costs paid for by the Government up to £2,000 per child. Therefore for every 80p paid into a childcare account the government will top it up by 20p subject to a top up cap limiting parents' contributions in the account of £2,000 per quarter (this can be pro-rata).
Who qualifies?	Available through employers, includes small limited companies but not self-employed.	Working parents earning less than £150,000 each. Includes self-employed but excludes parents receiving tax or universal credits.
What age can your child be?	Up to 15 years of age (or 16 years if registered blind or disabled).	Up to 12 years of age.

# The current scheme - Childcare Vouchers

## How childcare vouchers work

Childcare vouchers can save many parents over a £1,000 a year on childcare. They are operated through employers and allow working parents to pay for childcare prior to Tax and NI being deducted from their salary.

The current scheme could help working parents if:

- They have children under 16 years
- They are paying for childcare

Time is money and acting now really could make a big difference.

- Each working parent can save nearly £1,000 per year on the cost of childcare
- As an employer you can save up to £402 per employee in NI

The scheme is quick and simple to set up.

**IMPORTANT:** Couples where only one parent works can get childcare vouchers, but they will not be eligible for the new scheme. Anyone signed up for vouchers before the September 2018 deadline, without changing employer, will be eligible to continue.

## How many vouchers can parents buy?

Basic rate taxpayers – and higher rate tax payers who joined the scheme before April 2011 - can exchange up to £243 of childcare vouchers each month and this amount is free of Tax and NI saving up to £933 per year on childcare costs. In addition parents have the opportunity to backdate vouchers (subject to scheme terms and conditions) in order to maximise savings. The scheme is also accessible to higher and top rate taxpayers as can be seen from the following table:

Illustration of savings...	Maximum Allowance			Maximum Annual Saving
	Per Week	Per Month	Per Year	
Basic Rate Tax Payer (20%)	£55	£243	£2,916	£933
Higher Rate Tax Payer (40%)	£28	£124	£1,484	£623
Additional Rate Tax Payer (45%)	£25	£110	£1320	£620

**IMPORTANT:** The above amounts are PER PARENT, so two working parents could exchange up to £486 of vouchers each month free of Tax and NI, saving themselves up to £1,866 per year.

Childcare vouchers can be used to pay for day, weekly and termly boarders, holiday clubs, nurseries, nannies, child-minders, and breakfast and after school club as well as tutoring as long as the childcare providers are registered and regulated with the appropriate authorities.

## How to proceed?

Ask your employer if they offer a childcare voucher scheme. Check with your HR or personnel department.

## What if an employer does not offer a scheme?

If they don't, please contact us. We'll send information on setting up a scheme on this popular employee benefit which could save them money on their Employers National Insurance Contributions.

Firms can offer voucher schemes in one of a number of ways, either by operating the scheme themselves (Self Admin) or by us fully managing the scheme for them. We charge an admin fee but this is significantly less than the 13.8% Employers National Insurance Contribution they still make a saving on.

# The proposed new scheme - Tax-Free Childcare

To qualify both parents will have to be in work for at least 8 hours a week (including self-employed) earning just over an average of £50 a week and not more than £100,000 per year each and the same if you're a single parent. The scheme will cover children up to 12 years of age

**IMPORTANT:** If parents are already in the current Childcare Voucher scheme they can stay in it until the child reaches 15 years of age (providing they do not move jobs).

The Government have advised they will issue further details regarding the roll out of the scheme in due course, however at the present time we understand that the new scheme will only pay for childcare that enables parents to be in paid work, which could be a lot more restrictive than the current scheme.

In order to access Tax-Free childcare eligible parents will open an online account for each of their children and these accounts will be run by National Savings & Investments, an executive agency of HM Treasury. Parents are required to reconfirm eligibility every 3 months in order for entitlement to continue. Where a parent has more than one child, therefore two or more accounts, the entitlement period will be aligned.

Under Tax-Free Childcare, eligible families will get 20% of their yearly registered and regulated childcare costs paid for by the Government up to £2,000 per child (assumes a maximum of £10,000/year childcare costs per child). Therefore for every 80p paid into a childcare account the Government will then top it up by 20p however there is a top up cap limiting parents' contributions in to the account of £2,000 per quarter (this can be pro-rata).

**Is this better or worse than the existing voucher scheme?** As with any change in such schemes there are always winners and losers. It will depend on individual circumstances. For example parents will not be eligible for the new scheme if they require childcare which is incurred for reasons other than to enable them to be in paid work - i.e. tutoring.

But why not ensure parents keep their options open by making sure they are claiming childcare vouchers now and saving Tax and NI, especially if they have older children as there is no support for them in the new scheme.

	Childcare Vouchers	Tax-Free Childcare
Single working parent with children under 12		☺
Single working parent with teenagers	☺	
Couple one working, one not	☺	
Couple both employed with children under 12		☺
Couple both employed with teenagers	☺	
Self employed		☺
Top rate tax payer	☺	

**Will the existing voucher scheme stop?** Working parents can continue to sign up for existing childcare vouchers until the deadline (your company's September 2018 payroll cut-off date) and if they are a member and want to continue to use the scheme until their child reaches 15 they can – as long as they stay with the same employer. They will then have the option of switching to the new scheme if they wish.

**You must register for the existing Childcare Voucher scheme before your company's September 2018 payroll cut-off date and be in receipt of your first vouchers by 5th October 2018.**