



FACTSHEET

A Guide to Employer Supported Childcare

If you are working there are 3 types of childcare support that your employer could provide which qualify you for exemption from some tax and National Insurance contributions:

- **Childcare vouchers**
- **Directly contracted childcare**
- **Workplace childcare provision**

What are Childcare Vouchers?

Childcare vouchers are one of the ways your employer can help you with the costs of registered childcare. If your employer provides you with childcare vouchers you will not have to pay tax or National Insurance Contributions (NICs) on the first £55 per week, or £243 per month, and your employer also saves on the Employers' National Insurance Contribution (figures correct as of March 2009). Where both parents are working and able to receive childcare vouchers the savings on NICs can be doubled.

How does a Childcare Voucher Scheme Work?

Your employer can provide electronic or paper vouchers directly, or they can sign up to a childcare voucher company to provide the vouchers. Employers will pay the childcare voucher company an administration fee for their service (this fee is usually less than the National Insurance savings the employer will make by offering this benefit to you).

Employees who receive childcare vouchers 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. You can vary the amount of vouchers you order from month to month, or you can

save them up, for instance to pay increased costs in the school holidays.

How do Childcare Vouchers Save you Money?

Childcare vouchers can be offered to you on a 'salary sacrifice' basis. This means that you 'sacrifice' a specific amount of your salary and instead receive that amount in childcare vouchers. Childcare vouchers are exempt from employee tax and National Insurance Contributions (NIC); therefore you will only pay tax and NICs on the reduced level of your salary. This means you will make savings on the amount of tax and NICs you will have to pay. A parent using the maximum £243 a month childcare vouchers could save between £80 and £100 per month. (These are approximate figures and exact savings will depend on individual tax and NIC deductions)

What information will a childcare provider need?

If you decide to use childcare vouchers, check that your childcare provider will accept them. If you have a choice of paper or electronic vouchers, ask which the carer would prefer. Your employer or your employer's voucher provider will normally be able to answer any questions that your childcare provider has. The Daycare Trust (see below) hold lists of childcare voucher companies. Your childcare provider will need to make an arrangement with your employer or your employer's voucher provider to receive payment. This is normally a simple process which the childcare company will advise you of via your employer. If the voucher doesn't cover the whole cost of the childcare, you will need to agree with your childcare provider how you will pay for the extra.

What is Directly Contracted Childcare?

This is where an employer contracts directly with the childcare provider to pay your childcare fees, up to the same maximum of £55 per week or £243 per month. Your employer will then reduce your salary by this amount and calculate your tax and National Insurance Contributions on the remaining salary. This will mean you will make savings in the amount you pay in tax and National Insurance in the same way as with childcare vouchers. If your childcare costs are greater than the amount of the salary sacrifice, you will be liable to pay the difference between the contracted amount and the remainder of the fees.

How could Workplace Childcare Provision Save you Money?

Some employers set up their own childcare at the workplace or at another location and offer places to employees' children. They may then deduct the cost of this from your salary, but if your child has a place at a workplace nursery, you will not have to pay any tax or NICs on this benefit. There are no limits to the amount of tax or NIC exemptions on workplace nurseries.

What if my employer offers me childcare benefits on top of my salary?

Some employers will offer childcare vouchers or directly contracted childcare on a 'salary plus' basis, where these benefits are paid on top of the existing salary. In this case you will not need to pay tax or NICs on these benefits, up to the same

maximum of £55 per week or £243 per month.

Do I have to use registered childcare?

Yes. In order to claim the benefits of Employer Supported Childcare, all childcare providers used must be registered. This includes providers on the voluntary part of the Ofsted Childcare Register and childcare provided directly by schools.

Will Employer Supported Childcare affect my tax credits and other benefits?

Working Tax Credit may be affected by the salary sacrifice schemes as they reduce the amount of the gross salary used to calculate how much tax credit you are entitled to. In addition your childcare costs for the purposes of the childcare element of Working Tax Credit are reduced by the value of childcare support you get. This could mean parents eligible for Working Tax Credit are worse off using Employer Supported Childcare. If you are in this position you should seek further advice from an advice service or the Tax Credit Helpline on 0845 300 3900 or www.hmrc.gov.uk/taxcredits. Many advice services will offer 'better off calculations' to assess whether you will be better off on tax credits, employer supported childcare, or a combination of the two.

You cannot participate in salary sacrifice schemes if doing so takes your cash pay below the National Minimum Wage.

Salary sacrifice may also affect state benefits such as Statutory Maternity Pay and Statutory Sick Pay.



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Benefits to Employees

- saves money on childcare fees
- can be used for many types of childcare
- guaranteed payment to childcarer
- simple set up
- minimal paperwork
- complete support & guidance
- helps budget for holiday care
- may increase parents' ability to remain in work or return from maternity leave

Benefits to Employers

- helps significantly with staff recruitment and retention
- saves money on employers National Insurance
- improves morale
- low commission rate
- simple to set up with minimal administration
- reduces the real cost of childcare
- can be part of an employer work-life balance programme

Useful contacts and information

Sheffield Information Link (SIL)

Tel: 0114 275 6699 (out of hours answerphone)

11 Leopold Street, Sheffield, S1 2GY

Mon, Tues, Thurs 9.30am - 5.30pm; Weds 9.30am - 6.00pm; Fri 9.30am - 4.00pm

Email: info@sheffinfoolink.org.uk

For information and guidance on finding childcare and services for children and young people in Sheffield. SIL produces a range of useful factsheets, including one on Children's and Young People's Rights. These can be viewed on our website: www.sheffinfoolink.org.uk

SIGN Information Service

Ryegate Children's Centre, Tapton Crescent Road, Sheffield S10 5DD

Drop in and phone service Monday - Friday 10.00am - 1.00pm

Tel: (0114) 266 9476 (out of hours answerphone)

Email: sign@sheffinfoolink.org.uk

Free information for parents and carers with children or young people with special needs or disabilities

Daycare Trust

Tel 0845 872 6251

Email: info@daycaretrust.org.uk

Website: www.daycaretrust.org.uk

Useful information and factsheets on all aspects of Employer Supported Childcare including lists of Childcare Voucher Companies

HM Revenue and Customs

www.hmrc.gov.uk/childcare/

Provides useful booklets and guidance on all Employer Supported Childcare issues

SCOOP AID

(0114) 253 7670

Arbourthorne Lodge, Guilford Avenue, Norfolk Park, Sheffield, S2 2PL

Email: info@scoopaid.org.uk

Website: www.scoopaid.org.uk/

Scoop aid provides specialist independent advice and support for lone parents in Sheffield and can help with benefit calculations and fast-track forms.

Sheffield Advice Link

08451 232350

Email: advice@salink.co.uk

Website: www.sheffieldadvicelink.org.uk

For contact details of local advice centres and citizen's advice bureaux.



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