

The Childcare Voucher Process

Step 1:

Check with your work colleagues whether they would also be interested in joining such a scheme. Get details of all those who have expressed an interest.



Step 2:

Ask your employer to introduce a voucher scheme into the workplace pointing out the benefits to them:

Benefits to Employer

- Reduced National Insurance Contributions
- Valuable benefit for employers and working parents
- Simple to introduce and administer at little or no cost
- Assist employees with childcare without direct involvement
- Aids recruitment and retention of staff



Step 3:

Employer contacts various companies providing childcare vouchers to obtain details of implementing their particular scheme. Employer can ask company to give an on-site presentation to the management and/or staff.



Step 4:

Childcare Voucher company chosen and employer scheme set up.

Step 9:

Employee receives the Childcare Vouchers they have ordered and gives them to their childcarer as payment for childcare.



Step 8:

Childcare Voucher company issues the vouchers ordered to arrive at the employer's premises by pay day.



Step 7:

Employer orders Childcare Vouchers from their preferred childcare voucher company. The value of the vouchers will have been previously agreed between the employee and employer.



Step 6:

Employee signs a Variation to Terms and Conditions of Employment Form from their employer. In this they agree to take part of their salary as a benefit in kind i.e. as childcare vouchers.



Step 5:

Employee confirms with their childcare provider that the vouchers will be accepted as payment for childcare.

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Childcare Vouchers

FREEPHONE 0808 800 0606

What are Childcare Vouchers?

Childcare Vouchers are one of the ways in which an employer can assist their employees with the costs of registered or approved childcare. The first £55 per week of Childcare Vouchers are exempt from National Insurance Contributions for employers and Tax and National Insurance Contributions for employees. Where both parents are working and able to receive Childcare Vouchers, the savings on childcare can be doubled.

How does a Childcare Voucher Scheme Work?

Your employer will normally sign up to a childcare voucher company, who will either supply you directly with your Childcare Vouchers or they will provide your employer with them, which they then distribute to staff accordingly. Your employer will pay an administration fee to the childcare voucher company, but this fee is usually less than the National Insurance savings the employer will make.

How do Childcare Vouchers save me money?

Childcare Vouchers can be offered to you in addition to your salary, but are more commonly offered as a 'salary sacrifice'. This means that you sacrifice a specific amount of your salary and instead receive that amount in Childcare Vouchers.

The contract between employer and employee will need to be updated to reflect the salary sacrifice agreement. It should be made clear in the contract the reduction in salary the employee has agreed to, the length of time of the agreement and the amount the employee will receive in vouchers.

Things to be aware of:

Childcare Vouchers are an effective way of reducing your childcare costs but it is important you are aware of all the effects of a salary sacrifice scheme.

Future pay rises, overtime rates, sickness pay, maternity pay and company pension contributions may be calculated on your reduced salary.

Some payments made to your employers are based on average earnings and the amount that you substitute to receive in vouchers is not included as part of your average earnings when work related payments are made. However, Childcare Vouchers, can be classed as Notional Pay, which mean that most employers do not let your benefits become affected.

Child Tax Credit and Working Tax Credit

The receipt of Childcare Vouchers through a salary sacrifice scheme can affect your entitlement to tax credits. As your average earnings will be reduced, you could receive a higher amount of Working Tax Credit. However, the value you receive in Childcare Vouchers from your employer cannot be declared as childcare costs when calculations are made for your entitlement to the childcare element of Working Tax Credit. The amount of childcare element may be reduced.

Parents are advised to find out what level of support they are entitled to through the Child Tax Credit and Working Tax Credit before they sign up to a childcare voucher salary sacrifice scheme.

Period of Contract

When you sign up to a childcare voucher salary sacrifice scheme you will generally be required to do so for a fixed period of time (often one year), after which time your agreement will then be reviewed. During this period you do not have an automatic right to stop receiving childcare vouchers and revert back to receiving full salary.

Most schemes/employers will offer an early review of your agreement in the event of an unexpected life change, which is anything linked to birth, death and marriage. You and your employer should be clear before you enter into an agreement under which circumstances you will be able to leave the scheme.

A list of some childcare voucher companies is available directly from Family *info* Link on FREEPHONE 0808 800 0606.