

KiddiVouchers

Information for small businesses



Introducing KiddiVouchers

Childcare vouchers are a Government initiative, aimed at helping working parents to afford quality childcare. The scheme offers significant savings for both parents and employers. This information leaflet explains how even the smallest businesses can enjoy the benefits of childcare vouchers.

What we stand for

KiddiVouchers is an ethical company and we guarantee to donate at least 5% of profit to charities relating to children and childcare. Our ethical stance is reflected in our pricing policy and we are committed to offering employers the best value for money.

We charge an administration fee of just 2.5% of the voucher face value, for a fully-managed service. With no set-up fees, no minimum charges and no tie-in periods, KiddiVouchers makes the financial benefits of childcare vouchers accessible to even the smallest companies.

Making it easy

We aim to remove obstacles for employers so that childcare vouchers can be made available to as many parents as possible.

Our fully-managed childcare voucher schemes protect employers from all involvement in employee registration, voucher ordering and salary sacrifice agreements. We believe no other voucher provider makes it easier.

Personal service

KiddiVouchers is a family-owned business and we are committed to offering personal service. We aim for 100% customer satisfaction and we are proud of our excellent client retention rates.

KiddiVouchers offers employers of all sizes a simple, flexible and cost-effective way of running a childcare voucher scheme. We aim to minimise administration for employers and provide maximum convenience for parents and carers.

We supply childcare vouchers to thousands of employers, ranging from SMEs through to large public sector bodies. To set up a KiddiVouchers scheme for your business, call us on 0800 612 4395 or visit us online at www.KiddiVouchers.com.



KiddiVouchers

Childcare vouchers – the basics

Parents can receive up to £55pw or £243pm of childcare vouchers from their employer, free of tax and National Insurance. Compared to receiving earnings as salary or dividends, using childcare vouchers can save parents hundreds of pounds each year.

Where to use childcare vouchers

KiddiVouchers childcare vouchers can be used for a wide range of childcare, for children up to age 15. Our vouchers are accepted nationwide by:

- Nurseries, pre-school and playgroups
- Registered childminders
- Nannies and au-pairs
- Out-of-school clubs and holiday clubs

Most parents can use childcare vouchers to pay their existing childcare provider. The carer simply needs to be registered with an appropriate authority, such as Ofsted, in order to be eligible.

How childcare vouchers work

When parents sign up for KiddiVouchers, they are provided with a secure online voucher account. Parents order their vouchers direct from us and we collate their voucher orders into an invoice and scheme statement, which is sent to their employer. Once the invoice has been paid, the vouchers are credited to each parent's online account on their normal payday.

Most parents choose to spend their vouchers electronically, by making a payment from their voucher account straight into their carer's bank account. This can be done through one-off payments or by setting up a regular payment instruction.

Other parents prefer to take a traditional paper voucher to their childcare provider, so we also provide this option. We then make a payment into the carer's bank account when they redeem the voucher.



Understanding salary sacrifice

Childcare vouchers are often provided through “Salary Sacrifice”, which means that employees agree to receive childcare vouchers instead of part of their normal pay.

Swapping taxable pay for tax-free childcare vouchers saves each parent up to £1,196 a year. At the same time, this simple swap saves employers up to £373 a year per scheme member in employer National Insurance contributions.

Running a “Salary Sacrifice” scheme

If you decide to set up a salary sacrifice scheme, your employees will enter into a salary sacrifice agreement when they order their vouchers. This agreement acts as a variation to their employment contract, stating that they have agreed to receive childcare vouchers in exchange for part of their salary. We'll administer the salary sacrifice agreements on your behalf and you can view or print them from your online employer's account.

When you receive your regular scheme statement from us, you simply need to amend your payroll so that each scheme member's pay is reduced by the amount of vouchers they've ordered. Salary sacrifice isn't allowed to reduce pay below the National Minimum Wage, so you might need to override an employee's voucher order if this restriction bites. It's also normally advisable for employees to keep their earnings at or above the Lower Earnings Limit, in order to retain entitlement to state benefits.

If possible, payslips should continue to show the employee's full pre-sacrifice salary, with the childcare vouchers shown as a negative salary element. However, it is also acceptable to show the childcare vouchers as a deduction or to just show the reduced salary figure without mentioning the childcare vouchers.

Childcare vouchers shouldn't be included in the calculation of earnings for year-end payroll forms, such as your P35. If you process childcare vouchers as a deduction, rather than a reduction in salary, you need to be careful to exclude them from earnings at the year-end.

As long as employees stick to the prescribed limits of £55pw or £243pm, there's no need for childcare vouchers to be shown on a P11D.

If you outsource your payroll, we can send your scheme statements direct to your payroll company on request. Most payroll companies are quite comfortable with processing salary sacrifice schemes.

We recommend that you seek HMRC approval when you set up a salary sacrifice scheme. Although this isn't a legal requirement, it gives you extra peace of mind. We'll provide all the documentation you need to send to HMRC, along with a covering letter.

Providing childcare vouchers in addition to salary

Most large businesses provide childcare vouchers through salary sacrifice, in order to benefit from savings in employer National Insurance. However, an alternative approach is to provide employees with childcare vouchers in addition to their salary. For some small businesses, this can be the easiest way of running a voucher scheme. We can help you decide which type of scheme is right for your business.

Running an “Addition to Salary” scheme

As the name suggests, if you decide to run an “Addition to Salary” scheme, employees will receive childcare vouchers on top of any salary which you are already paying them.

If you and other members of your family are your company’s only employees, it can make sense for the company to fund childcare vouchers in this way. However, if you also employ non-family members, you might prefer employees to fund their own vouchers through salary sacrifice.

If you do opt for an addition to salary scheme, you should be aware that this scheme must be offered to all your employees on the same basis. Even if you or your family members are the company’s only employees at the moment, you should consider the possibility that you may employ more staff as your business grows. If this is likely, it may be best to set up a salary sacrifice scheme from outset.

If you have control over the amount of your salary, you can enjoy the same savings from childcare vouchers regardless of whether you use a salary sacrifice scheme or an addition to salary scheme.

With addition to salary schemes, there is no change in your employees’ salaries, which means there’s no need to amend your payroll. There’s also no need to seek HMRC approval for your scheme and, as before, there’s no need to include childcare vouchers on your P11Ds or P35.

When you receive your invoice and scheme statement from us, it simply goes through your company accounts as an expense, without affecting your payroll in any way.

For very small companies, employing only family members, the simplicity of addition to salary schemes is particularly attractive.



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Your questions

Does the National Minimum Wage restriction apply to directors?

Directors are not subject to the National Minimum Wage unless they are also employees of the company. If you are unsure whether you are an employee, we suggest that you seek professional advice.

If you are an employee of the company, as well as being a director, then your salary sacrifice should not reduce your salary below the NMW.

Does receiving childcare vouchers affect a director's employment status?

Employers who run a childcare voucher scheme have to make their scheme open to all employees. The definition of an employee in childcare voucher legislation is different from the definition of an employee in NMW legislation.

For the purpose of childcare vouchers, directors are employees and are eligible for the scheme, regardless of whether they have an employment contract. Receiving childcare vouchers will not affect your employment status for NMW purposes.



Can directors receive childcare vouchers in addition to salary while other employees receive vouchers through salary sacrifice?

No, in general all employees must be offered the scheme on the same basis.

How can directors take part in a salary sacrifice scheme if they have no employment contract?

Salary sacrifice agreements act as a variation to an employment contract, so at first glance it looks like an employment contract should be in place first. Directors' remuneration is set by a vote at shareholder meetings. If the remuneration proposal is worded in terms of part of the remuneration being sacrificed in favour of childcare vouchers, then this is deemed by HMRC to be equivalent to salary sacrifice.

Your questions ctd

What happens to childcare vouchers during maternity leave?

The provision of childcare vouchers during maternity leave is a complex issue, which is covered in a separate information leaflet. We recommend that you read this guidance before setting up your scheme.

Why is KiddiVouchers' administration fee much lower than other providers?

KiddiVouchers is an ethical company and our pricing basis reflects our ethical stance. Although we attract employers of all sizes, one of the initial aims of KiddiVouchers was to make childcare vouchers accessible to small businesses. We are committed to offering small businesses the same high quality service and value for money as our larger clients enjoy.

Can self-employed people use childcare vouchers?

Unfortunately childcare vouchers are only available to employees. This means that self-employed people and partners cannot take part.

Can childcare vouchers be back-dated?

Yes and no! Salary sacrifice agreements can't be back-dated, but employees are allowed to 'catch-up' on childcare vouchers within a tax year. For example, if you run an addition to salary scheme, you could receive up to 12 months worth of childcare vouchers in March, assuming you haven't received any other childcare vouchers in the tax year. If you run a salary sacrifice scheme, you could still catch-up on up to 12 months of vouchers in March, but as your March salary would be reduced by the total amount of vouchers, you would need to be a high-earner in order to meet the NMW restrictions.

How can I set up a scheme?

To set up a scheme, visit www.KiddiVouchers.com or call us on 0800 612 4395. It's a very simple process and most schemes can be up and running within 10 minutes.

Any other questions?

We will do our best to help if you have any questions. You can phone us on 0800 612 4395, or email info@kiddivouchers.com.

We hope to welcome you to KiddiVouchers soon.

