

KiddiVouchers

Payroll Guidance

What you need to
know about your
employee's
childcare vouchers



Call us free on 0800 612 9015

www.kiddivouchers.com

Getting in touch ...

KiddiVouchers schemes have been designed to minimise administration for employers and to keep the payroll processing as simple as possible. However, since your scheme is a salary sacrifice arrangement, there are some technical issues that you should be aware of. This leaflet covers the technical areas and answers some common questions. If you have any queries, please feel free to contact your KiddiVouchers account manager at info@kiddivouchers.com or phone us on 0800 612 9015.

HMRC Approval

We recommend that you notify HMRC about your childcare voucher scheme. You can download a letter for the HMRC Clearances team from your online KiddiVouchers account, or ask your KiddiVouchers account manager for a copy. We suggest that you enclose a copy of our terms and conditions, which can be printed from your account.

The HMRC Clearances team may ask to see a copy of one of your employee's salary sacrifice agreements and a copy of a payslip before and after they started to receive childcare vouchers. You can print your employees' salary sacrifice agreements from your online KiddiVouchers account after they have ordered their vouchers.

Your KiddiVouchers Invoices

We will normally email you an invoice and detailed scheme statement twenty days before your employees' vouchers are due, unless you have agreed a different timescale with us. If your employees are paid weekly, we'll invoice for four weeks of vouchers at a time.



Your scheme statement will show each employee's name, payroll reference and voucher amount. We'll highlight any new members, anyone who's changed their voucher amount and any scheme leavers.

You can also view details of your scheme members at any time by logging into your online KiddiVouchers account.

Unless otherwise agreed, we ask for cleared payment three days before your employees' vouchers are due. Payments can be made by BACS or cheque. Our bank details will be shown on all of your invoices.

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Amending Your Payroll

Using the information provided on your scheme statement, you need to reduce each employee's gross pay by the amount of vouchers they are due to receive. You should not deduct the administration fee or VAT from your employees' pay.

Childcare vouchers don't need to be reported on your P11d forms and they shouldn't be included in year-end payroll forms, such as your P35.

We recommend that you continue to show each employee's full pre-sacrifice pay on their payslip, since this helps when they apply for a mortgage. Their childcare vouchers should ideally be shown as a negative entry in the salary column. If your payroll software is unable to accommodate this, the childcare vouchers can be shown as a deduction from salary.



Salary Sacrifice Agreements

Many employers choose to use electronic salary sacrifice agreements, and in most circumstances these are perfectly acceptable. However, if you are showing childcare vouchers on payslips as a deduction from salary, rather than as a reduction in salary, it is important that your employees physically sign their salary sacrifice agreement. If this applies to you, please contact your KiddiVouchers account manager who will explain how we can help with signed agreements.

National Minimum Wage

Under HMRC rules, it is not permissible for childcare vouchers to reduce an employee's pay below the national minimum wage. If any of your scheme members request a voucher amount which reduces their pay below this limit, you should restrict the amount of childcare vouchers they receive. You can tell us about this restriction online in your employer account, or let us know by phone or email.

You may also want to ensure that an employee's voucher request doesn't reduce their pay below the lower earnings limit. Employees earning less than this amount cease to have entitlement to some state benefits.



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Maternity Leave and Sick Leave



Employees are not allowed to sacrifice statutory payments, such as statutory sick pay or statutory maternity pay. If your policy is to pay more than the statutory amounts, your employees can sacrifice the difference between their total pay and their statutory entitlement. During long periods of absence, the amount available to sacrifice may change each pay period.

If an employee's voucher request would reduce their pay below any statutory payments to which they are entitled, you may be able to override their voucher order. However, in some circumstances you may be required to continue providing their childcare vouchers without a corresponding reduction in pay.

For further details about statutory payments, please download the maternity guidance booklet from your online account.

Employee Benefits

We recommend that you keep a record of each employee's full pay and that you use this for calculating the following employee benefits:

- Pension scheme contributions and benefits
- Life assurance benefits
- Overtime and shift allowances
- Non-statutory maternity pay
- Non-statutory sick pay
- Non-statutory redundancy pay
- Pay rises and bonuses

If you intend to base any of the above benefits on post-sacrifice salary, please inform your KiddiVouchers account manager so that we can update your scheme rules.

You may need to contact your pension scheme trustees to confirm that pension benefits will be based on full pay.

Any Questions?

Please feel free to contact your KiddiVouchers account manager at info@kiddivouchers.com or by phone on 0800 612 9015. We are in regular contact with HMRC and can normally respond quickly to technical questions.



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