

KiddiVouchers

What the April 2011 changes mean for you

The Government changed the rules for childcare vouchers with effect from 6th April 2011. This leaflet explains how your childcare vouchers could be affected.

A summary of the changes

- Up to 5th April 2011, all childcare voucher scheme members were able to receive tax and National Insurance relief on up to £55 a week (£243 a month) of childcare vouchers.
- Higher-rate taxpayers who sign up for childcare vouchers after 5th April 2011 will only receive tax and National Insurance relief on up to £28 a week (£124 a month) of childcare vouchers. Additional-rate taxpayers can receive up to £22 a week of childcare vouchers (£97 a month).
- Families can still save hundreds of pounds a year by using childcare vouchers: basic-rate taxpayers save up to £933 a year, while higher-rate taxpayers save up to £624 a year.

What does this change mean for you?

If you are a basic-rate taxpayer:

- As long as you continue to be a basic-rate taxpayer, the change will not affect the savings you receive from childcare vouchers.
- If you move to a new employer, or if you opt out of childcare vouchers for a period of more than 52 weeks, your earnings will be assessed when you re-order your vouchers and at the start of each new tax year. If you subsequently become a higher-rate taxpayer, the new rules will apply.
- If you stay with your current employer and you continue to order childcare vouchers, then the new rules will not apply to you even if you become a higher-rate taxpayer.
- If you are not sure whether you will become a higher-rate taxpayer in future, we recommend that you protect your childcare voucher entitlement by ensuring any breaks from the scheme last no longer than 52 weeks.

If you are a higher-rate taxpayer:

- If you sign up for childcare vouchers after 5th April 2011, you will be able to receive tax and National Insurance relief on up to £28 a week of childcare vouchers.
- If you signed up for childcare vouchers before 6th April 2011 but you have a break in your voucher order for a period of more than 52 weeks, the new rules will apply when you rejoin the scheme.
- If you move to a new employer, you will be treated as a new member and the new rules will apply to you.



Call us free on 0800 612 9015
www.kiddivouchers.com

What do you need to do?

If you are not currently using childcare vouchers, contact us on 0800 612 9015 to find out how much you could save by joining the scheme.

Don't forget that both parents can sign up for childcare vouchers, which can mean double the savings.

If you are already using childcare vouchers and you currently opt in and out of the scheme, for example to cover school holiday childcare, we recommend that you maintain a continuous voucher order of at least £10 a month or ensure any breaks last no longer than 52 weeks.

You don't need to spend your childcare vouchers as soon as you receive them – any unused vouchers will stay in your KiddiVouchers account for future use.

A few more facts and figures

- If you join the scheme after 5th April 2011, you will need to have your earnings estimated when you join the scheme and at the start of each future tax year. Your childcare voucher entitlement will be recalculated at the start of each tax year. If you are a basic-rate taxpayer, you will still have the earnings assessment but your childcare vouchers will not be affected.
- The earnings assessment will be based on your basic contractual pay plus any taxable benefits, commission, guaranteed bonuses, guaranteed overtime, regional allowances and shift allowances. Income from non-guaranteed overtime or performance-related bonuses, along with income from other sources such as interest on savings, will not be directly taken into account. If you pay higher-rate tax as a result of receiving investment income or income from another job, you may be treated as a basic-rate taxpayer for your childcare voucher entitlement.
- If you are planning to take part in a salary sacrifice arrangement, the salary which is used in your earnings assessment should be reduced to reflect this. If you contribute to your employer's pension scheme or take part in payroll giving, this should also be reflected in your earnings assessment.
- If you have had an earnings assessment but your earnings then change during the tax year, your childcare voucher allowance will normally only be recalculated at the start of the next tax year. However, your earnings assessment should take into account any planned changes in your pay or your working hours.
- If a mistake is made in your earnings assessment and you receive more childcare vouchers than you are entitled to, the overpayment should be noted on your year-end P11D. If a mistake is made and you are entitled to receive a higher amount of childcare vouchers, you may be able to make up the shortfall over the remainder of the tax year.
- We will ask you for basic information about your earnings when you sign up for KiddiVouchers. Your employer will then conduct a more detailed assessment to verify your eligibility for tax relief.
- If you are a pre-April 2011 scheme member and your employer changes as a result of a merger, business reorganisation or TUPE transfer, this will not affect the amount of childcare vouchers you can receive.



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