

KiddiVouchers

Information for Small Businesses



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

Welcome to KiddiVouchers

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

Our focus has always been on combining excellent service with exceptional value for money. With no hidden costs and no tie-ins, KiddiVouchers makes the financial benefits of childcare vouchers accessible to even the smallest companies.

And, as an ethical provider, we're carbon neutral and we donate at least 5% of profit to UK-based charities.

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 operated by Wider Plan Ltd, a family-owned business which is 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 6110 or visit us online at www.KiddiVouchers.com.

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 voucher 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 typically saves basic-rate taxpayers up to £933 a year. At the same time, this simple swap saves employers up to £402 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 or National Living 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 that only the reduced salary is declared at the year-end.

We recommend that you only allow employees to order vouchers up to the tax-exempt thresholds, which are:

	Per week	Per month
Basic-rate taxpayer	£55	£243
Higher-rate taxpayer	£28	£124
Additional-rate taxpayer	£25	£110

As long as employees stick to the prescribed limits, there's no need for childcare vouchers to be shown on a P11D. You will need to check each employee's earnings band when they join the scheme and at the start of each tax year. We provide an online form to make this easy.

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.

It is also possible to set up a hybrid scheme, with some employees eligible for childcare vouchers in addition to salary and others being required to enter into a salary sacrifice.

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 an invoice and scheme statement from us for an addition to salary scheme, the amount simply goes through your company accounts as an expense, without affecting your payroll in any way.

Where directors are taking a low salary, or where they have no formal contract for a salary sacrifice agreement to apply to, taking childcare vouchers via an addition to salary scheme provides a simple and effective solution.

Your questions

Does the National Minimum Wage restriction apply to directors?

Directors are not subject to the National Minimum Wage or National Living 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 or avoid the NMW / NLW restriction by taking your childcare vouchers in addition to salary.

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/NLW.

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. For the purpose of childcare vouchers, all directors are considered to be employees and are eligible for the scheme. Receiving childcare vouchers will not affect your employment status for NMW or NLW purposes.

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

Yes, simply ask us to set up your scheme as a hybrid.

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

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. Alternatively, directors may find it simpler to receive their vouchers in addition to salary.

Does a director need to receive a salary to take part?

Directors can receive childcare vouchers in addition to salary even if they are not drawing any salary. The childcare vouchers are simply a tax-free employee benefit which can be provided regardless of salary.

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 meet the eligibility criteria. 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 6110. 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 you if you have any questions. You can phone us on 0800 612 6110, or email info@kiddivouchers.com.

We hope to welcome you to KiddiVouchers soon.

