



# Childcare Vouchers

**An Introduction to Tax-Free Childcare**

# What's happening in 2015?

In March 2014, the Government announced its plans for a Tax-Free Childcare scheme (TFC) to take effect from autumn 2015. It will provide working parents and now self-employed workers with another option for tax savings on their childcare direct through the Government. The employer schemes will also continue to run for those parents who are using them beyond autumn 2015.

Until autumn 2015, at the earliest, employer Childcare Voucher schemes remain the best way for working parents to reduce the rising cost of childcare. Many parents will not be able to claim under the new Government scheme so should join an employer scheme before it's too late. Parents can stay in the employer scheme beyond autumn 2015.

## What is the new scheme that has been proposed?

The government have proposed a Tax-Free Childcare (TFC) scheme to start from autumn 2015. The new scheme will allow some working parents (where both parents are working or are single parents) to claim up to £2,000 per child towards the cost of childcare per year.

It has been proposed that for every 80p parents transfer to a dedicated online account and spend on regulated childcare, the Government will top this up with 20p, which is capped at up to £2,000 of savings per child per year. This is equivalent to the basic rate of tax.

Parents will be able to use the vouchers with any Ofsted regulated childcare provider in England and the equivalent bodies in Scotland, Wales and Northern Ireland, just as they can with the current Childcare Vouchers.

## Who is not eligible for the new scheme?

Those who are not eligible for the new scheme include any couples where one parent is not working, lower income families, any parents who are using part-time childcare and all parents who claim for children older than 12 years old.

The proposed scheme will only be open to some working parents (where both parents are working or single parents) and the parent is not already getting support through the existing Childcare Voucher scheme. To be eligible, parents must be earning less than £150,000 annually and not be receiving support through tax credits.

Even when the new scheme is up and running, employer supported Childcare Voucher schemes provided by Edenred will continue to deliver help for many parents who will lose out under the new arrangements.

Under the new proposals, parents will be able to sign up for employer supported Childcare Vouchers until autumn 2015 and they can then continue to order vouchers beyond autumn 2015, making tax and National Insurance savings, for as long as their employer continues to run the scheme or until their child is 15 years old (or 16 years old if disabled), whichever is sooner. Parents who aren't already using Childcare Vouchers don't have to wait till October 2015 they can save now. To join just ask your employer to join or set up the scheme.

## **What do I need to do?**

For now, nothing changes. The new scheme will commence in autumn 2015, at the earliest. Your existing employer funded Childcare Voucher scheme with Edenred will continue after this date for those who had joined the scheme prior to the commencement of the new one in autumn 2015. It will then be closed to any new joiners.

It is more important than ever to join the existing Childcare Voucher scheme before autumn 2015 to give you the choice in case you are not eligible for the new scheme and ensure you have access to the best scheme to suit your family's situation.

## **Will I still be able to receive Childcare Vouchers and if so for how long?**

Yes. The existing Childcare Voucher scheme is open to new joiners up to the time the new scheme is implemented, which will be autumn 2015 at the earliest. At this point the scheme will be closed to new joiners.

Existing scheme members will continue to receive employer funded Childcare Vouchers as they do today. And they will continue to benefit even if they would not be eligible for the new scheme or choose not to participate in the new scheme, or until your child is 15 years old (or 16 years old if disabled), whichever is sooner.

## **About Edenred Childcare Vouchers**

Edenred pioneered the first Childcare Voucher scheme in the UK in 1989, is the No 1 provider in the market with the highest number of clients and beneficiaries and will be delivering employer supported Childcare Voucher schemes long after autumn 2015.

- The Edenred Childcare Voucher scheme adheres to the highest audited quality standards in the industry, Edenred being a co-founder and an active member of the Childcare Voucher Providers Association (CVPA).
- A dedicated team of helpdesk experts are always on hand to answer questions and assist Childcare Voucher users and their childcare providers.
- Childcare Voucher users also have access to a 24/7 family advice helpline and Edenred's information website 'Parent Hub'.
- An 'Advantages' website provides exclusive savings on day-to-day shopping, days out and leisure activities.
- Edenred issue both digital and paper Childcare Vouchers to parents giving them the option of choice and convenience. The paper vouchers are helpful to those parents without easy access to an online portal, having carers who would prefer physical vouchers and those who are not confident about confidentiality, security and online fraud over the internet. The digital vouchers can be accessed easily through a secure website via PC, smartphone or tablet.

## Key points to take away:

- TFC will provide savings for some parents, including the self-employed. However, many parents will be better off under the existing employer arrangements.
- In two-parent households where only one parent works, parents will not be eligible for the new TFC scheme.
- The new scheme will not be available to families where either parent earns over £150,000, whereas the current scheme allows high earners to enjoy tax savings as well.
- Parents who are in or who sign up to the current employer Childcare Voucher scheme will be able to stay in the scheme and they will not be disadvantaged by the proposed 2015 changes. However, if they move to a new employer after autumn 2015, they will be considered to have left the current scheme and be forced to switch to the proposed TFC scheme.
- Parents who want to join the employer funded scheme after autumn 2015 will not be eligible, and will have to join the new Government scheme.
- Currently you can claim Childcare Vouchers for children up to the age of 15 years old (or 16 years old if disabled) to use on afterschool clubs, child minders, holiday camps, swimming lessons, sports clubs, dance classes, private tutors and more (as long as they are regulated by Ofsted). However, the new scheme only applies to children aged 12 and under. If the child is registered disabled the age is up to 16 years old.

### Start saving now

You could save nearly £1,400 before the TFC Government scheme starts through the Edenred Childcare Voucher scheme (and twice that if you and your partner are claiming them – saving your family nearly £2,800).

### Tell a friend

Parents who aren't already using Childcare Vouchers should ask their employers to join or set up a scheme now, rather than waiting until the new scheme is launched in autumn 2015.



If you have any further questions about the TFC scheme please call HMRC for more information: **0300 200 1919**

# Employer Childcare Vouchers vs. Government Tax-Free Childcare 2015

|  | Edenred Childcare Voucher scheme  | Government Tax-Free Childcare scheme 2015   |
|--|---|---|
| Official name                          | Employer Supported Childcare  | Tax-Free Childcare  |
| What do you get?                       | Depending on salary and when you joined, each parent can buy a max £243 vouchers per month from pre-tax and NI income. For a basic taxpayer, max annual gain is £933.   | For every 80p spent on Childcare, the Government will add 20p, which is capped at up to £2,000 of savings per child. If you are two working parents (basic rate tax payers) you will better off with the new scheme only if you spend at least £9,500 per year on registered childcare. |
| Who is eligible?                       | Available to all working parents via their company if they choose to offer the scheme. All companies can sign up to join a scheme. Not for self-employed.   | Only available to working single parents and couples (both must work) earning less than £150,000 each per year. Includes self-employed. If at any point, one parent loses their job, eligibility for both will cease. Other eligibility criteria apply.                                 |
| What age can your child be to qualify? | Children from 0- 15 years old. Up to the first Saturday following 1st September after child's 15th birthday. If the child is registered disabled the age is up to 16 years old.                                 | Children from 0- 12 years old. If the child is registered disabled the age is up to 16 years old.   |
| When does it start?                    | Already in place.   | Autumn 2015 at the earliest.  |
| How to administer the scheme           | The employer administers the payments into the account via salary sacrifice on the employee's behalf. Employees benefit from a dedicated support network provided by Edenred. E.g. 24/7 family advice helpline. | Parents must open an online account per child through the government website. Parents must pay into each account separately. Each account requires eligibility validation every three months.   |

Sources:

[www.gov.uk](http://www.gov.uk), [www.bbc.co.uk](http://www.bbc.co.uk), [www.channel4.com](http://www.channel4.com) and [www.theguardian.com](http://www.theguardian.com)