

Payroll Childcare Vouchers

From 6th April 2005 employers will be able to issue childcare vouchers to employees up to a face value of

£55 per week (2007/08 – unchanged in 2008/09)

£243 per month (2007/08 – unchanged in 2008/09)

Details of the mechanics of the scheme can be found on the employers CD Rom 2005 under Help book E18 or at

<http://www.hmrc.gov.uk/childcare>

Additional help can also be found at

<http://www.daycaretrust.org.uk>

The scheme will allow the employer to directly pay the £55 per week to the approved/registered childcare provider (can be employers own crèche for example) and this will be exempt from TAX and CLASS 1 NICs.

Or

Provide £55 worth of childcare vouchers to the employee, and this will also be exempt from TAX and CLASS 1 NICs.

Childcare vouchers can be purchased through Voucher Provider Companies (there will be an administration fee) with the employer still retaining the responsibility for the Tax and NIC payable. Or an employer can produce their own vouchers, provided all the conditions are met and good records have been kept.

Certain conditions must be adhered to

- The first £55 of approved/registered childcare (nursery/crèche/childminder/school clubs) is bought directly for the benefit of the employee.
- Only registered or approved childcare providers can be used. (Registration details must be kept on file)
- The scheme must be available to all employees (A copy of the letter must be kept on file)
- The child qualifies up to the 1st September following their 15th Birthday. {16th Birthday of Disabled} (copies of birth date information and the relationship of the child to the parent must be kept on file)

The exemptions from taxes apply in the week the vouchers are issued, regardless of when they are used.

The employee may save the vouchers up to use within higher cost periods – i.e. summer holidays.

The vouchers are specific to the employee and are not related to the number of children the employee may have. Both parents can be issued with vouchers.

VAT is not chargeable on vouchers, but the VAT on the costs of issuing the vouchers will be subject to the normal rules of recovery.