

Childcare Vouchers

Cut childcare costs by £1,000/year

Childcare costs are a huge drain on the finances. Yet the little-known 'Childcare Voucher' scheme can save you £1,000s on nursery fees or child minder costs every year.

It allows you to pay for childcare from your pre-tax income. While this mightn't sound a big deal, the impact is huge. For every £1,000 a basic rate taxpayer earns, after tax and national insurance is deducted, they only actually receive a little under £700 in their pay packet. By using childcare vouchers, the whole £1,000 pays for childcare so there's a £300 gain per £1,000 of childcare.

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Buried treasure is just child's play

What counts as childcare?

The vouchers cover childcare up to the age of fifteen, and they are useable by any nursery, playgroup, nanny, childminder or au pair who is registered and regulated by Ofsted.

If you ask, most providers will simply tell you if they're registered, but there is an official way to check:

- **In England.** Go to [the Ofsted website](#) or call 0845 601 4771
- **In Wales.** Go to the [Care Standards Inspectorate](#)
- **In Scotland.** Go to the [Care Commission](#)
- **In Northern Ireland.** Contact your local Health and Social Services Trust via the [DHSSPS](#) website.

Alternatively go to [ChildcareLink](#) where you can find local registered childcare.

Those whose relatives look after a child 'in the child's own home' won't be eligible to receive the vouchers unless the relative is a registered childminder looking after the child as part of their business.

Those with under-5s are entitled to free education.

As a separate note, all three and four year olds are entitled to an early education place for up to two years before they reach school starting age. This provides at least 12.5 hours a week childcare for 38 weeks a year. To check if your child qualifies have a look at the [DirectGov site](#).

Where do you get the vouchers from?

Any parent, or those with parental responsibility for a child living with them, is eligible for the vouchers. Yet sadly, to get them, your employer must run a scheme. Therefore follow these steps:

- **Ask your employer if it runs a childcare voucher scheme.** Check with your Human Resources/ Personnel department to see if yours does. Most big employers, such as Lloyds, Barclays and Sony offer the schemes. Many NHS Trusts and Ministry of Defence departments do too. Until 2006 teachers weren't allowed to use the vouchers, but thankfully that's now changed.
- **What if your employer doesn't offer a scheme?** Providing childcare vouchers shouldn't cost your employer any money. In fact as they don't pay national insurance on the vouchers, it actually *makes* them serious money - £100s per employee!

Therefore why not try and persuade them, perhaps chat to other parents and go as a group to request the facility. Feel free to print out this article to show them. Firms can offer voucher schemes one of two ways, either by operating the scheme themselves or by using one of the many voucher companies do all the admin for them. The fee for this should be less than the firm gains in national insurance, so they'll still profit.

These providers include: [Busybees](#), [Faircare](#), [Early Years Vouchers Ltd](#), [Leap Frog Day Nurseries](#), [Accor Services Childcare Vouchers](#), [Kids Unlimited](#), [Sodexo](#), [Gemelli Childcare Vouchers](#), [Vouchers4Kids](#), [Voucher Solutions](#), [Kiddivouchers](#) (which donates at least 5% of all profits to various charities) and [Employersforchildcare](#) (a not for profit organisation).

Many of these companies will also contact your employer for you upon request.

How the vouchers work in practice

A few very generous employers will simply give you the vouchers on top of your normal salary, but most will ask you to do what's called a 'salary sacrifice' for the vouchers.

How does salary sacrifice work?

You give up some of your salary in exchange for the same value in vouchers. Yet the tax and national insurance relief means for every £100 a basic rate taxpayer loses from their pay packet, they get £130 worth of vouchers back (and higher rate taxpayers get even more).

How many vouchers can you buy?

If your employer offers a scheme, either itself or through one of the voucher providers, you can pay for up to £243 a month of childcare with it. Do note this is 'per parent' so for two working parents you could get £486 a month of vouchers. Yet the number of children you have doesn't impact this, the limits are the same whether you've one child or an entire Brady Bunch.

How much can you save?

Savings are substantial, around 31% for basic rate tax payers or 41% for higher rate tax payers up to the limit of £243. For an accurate figure on how much you can save have a look at the savings calculators on [Accor](#) or [BusyBees](#).

WARNING! Low income household?

Getting childcare vouchers can impact your entitlement to tax credits, though in the vast majority of cases you'll still gain. As a rough rule of thumb there's no problem using the vouchers if you only receive the basic £545 child tax credit. This is a rough guide only though, if you're unsure call HMRC for guidance.

There's a useful calculator on the [HM Revenue & Customs](#) site which will tell you if you're better or worse off taking the vouchers. You'll also need to check how it would affect your pension contributions and any other benefits you may be receiving such as statutory maternity pay. When filling in claims for tax credits you must make sure you declare what childcare vouchers you're receiving as it will impact what you're entitled to. If you don't you may find you have to pay back overpayments.

How long do vouchers last?

Vouchers aren't specific to each child and have a long expiry date, so if you know you're going to have higher childcare costs in the near future get the maximum allowance now. Also many providers will let you backdate vouchers up to six months, but your child must be born for you to be able to sign up. Check with your individual provider first though.

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The savings are huge: a basic rate tax payer using the full allocation of childcare vouchers can save £75 per month. That's £900 over the course of a year. Higher rate taxpayers can save even more, and as it's calculated per adult, that means the biggest possible gain for a family is £2,392 a year! To find out how much you save there's a useful calculator at [BusyBees](#).

Annual Savings					
Your Tax Band (each parent can separately gain vouchers)	Monthly Childcare Costs				
	£50	£100	£150	£200	£243
Higher Rate	£246	£492	£738	£984	£1,196
Basic Rate	£186	£372	£558	£744	£904
Source: Busybees					