

Who will look after baby?

Childcare vouchers are under fire, reports

Nina Montagu-Smith

GORDON Brown announced this week that he will axe childcare vouchers, with which employees can pay up to £55 per week of childcare costs out of their gross income, to make way for more help for poorer families. Providers warn that while it is admirable to focus attention on the most vulnerable members of society, taking away this tax credit from the people who are needed to revitalise the economy will do more harm than good.

Iain McMath, managing director of childcare voucher provider Sodexo, says: "It is ridiculous to impact in this way on hundreds of thousands of working parents who rely on vouchers – 70pc of people who claim vouchers pay basic-rate tax, so it is not a luxury benefit." Simon Moore, managing director of provider Computershare Voucher

Services (recently changed from Busy Bees), adds: "This scheme has been very popular with the ordinary working person. It is one way that small and medium-sized businesses, which will form the backbone of economic recovery, can help their employees when they can't afford pay rises."

About 340,000 families claim childcare vouchers through about 35,000 employers. This scheme can save a higher-rate taxpayer £1,195 and a basic-rate taxpayer £962. Every parent can use the vouchers, so they can potentially save a couple £2,390 each year. They are offered by 95pc of companies with benefits programmes, and 30pc of smaller companies, which can save National Insurance contributions relating to the vouchers.

Philip Pearson, from the Southampton-based independent financial adviser (IFA) P&P Invest, says employers who use the voucher scheme and offer it to workers are generally

considered caring by staff.

"This helps to boost morale and improve a sense of loyalty. As no National Insurance is payable on the vouchers, employers save up to £370 per year for every employee who joins the scheme. Vouchers are normally offered by the employer on a salary-sacrifice basis. The employee has the cost deducted from salary at source, avoiding income tax and National Insurance. Employees have the choice of over 40,000 childcare providers that will accept the vouchers."

While people receiving child benefit and child tax credit are eligible for the childcare voucher scheme, you may not claim them in conjunction with the childcare element of the working tax credit, which is aimed at parents on low incomes. A spokesman for HM Revenue & Customs says: "If you receive employer-supported child care, then your childcare costs for the purposes of the childcare element of working

tax credit are reduced by the value of support you get. This applies even if you receive childcare support in return for a reduction in your pay."

There is a calculator on the HM Revenue & Customs website on which option is best for you. Go to www.hmrc.gov.uk/calcs/ccin.htm.

Mr Pearson says most people can only benefit from vouchers. "If your employer offers the voucher scheme I recommend you accept, as receiving an employee benefit free of income tax and National Insurance can only have a limited life as the Government finds ways of cutting costs."

Given this Government's future is less than clear, it is worth claiming childcare vouchers if you can, and it is straightforward to register through an employer. If your company doesn't offer the scheme, remind it it will save on National Insurance contributions.

As each parent has an allowance, a couple can use £110 in vouchers per week if both have access to a scheme. This equates to tax savings of

up to £80 per parent per month for basic-rate taxpayers, or nearly £100 for higher-rate taxpayers.

You have to be an employee as the voucher system operates via PAYE. If you are self-employed, you will not qualify unless you set up your own company. Your childcare provider must also register. Vouchers cover all forms of registered or Ofsted-approved child care, such as nurseries, childminders, playgroups, nannies, after-school care and holiday clubs. They cannot be used to pay family members, unless they are Ofsted-approved childcare providers.

Once your employer and childcare provider are registered, you need to complete a “salary sacrifice” form your employer will send you. This will give it permission to convert part of your gross income into vouchers. Usually, this part is paid into a separate account,

from which you can pay your nursery or childminder. Alternatively, employers can pay providers direct.

Childcare vouchers can be sent to employees in the post or by email, or you can set up an electronic account to manage payments online. Payments can be made to childcare providers electronically or by cheque.

Sodexo and Computershare Voucher Services offer e-vouchers and parents can log into the group’s website with a password to arrange payments. All Save, another voucher provider, operates a virtual account for parents.

If your fees exceed the vouchers offered by an employer, you have to pay the extra to your nursery or childminder separately. Some employers provide vouchers to pay the entire amount, and then you pay tax and National Insurance on anything above the £55-per-week allowance.

ONLINE ↻

To join the campaign to keep child-care vouchers, sign the No 10 petition at <http://petitions.number10.gov.uk/keepvouchers/>

KEVIN HOLT



MOTHER UPSET

Carrie-Ann Ball, from Rochdale, says she was “very upset” when she heard of plans to axe childcare vouchers for employees. Mrs Ball, who has an 18-month-old son, Callum, uses the vouchers when she is working as a school enterprise manager.

She says: “I only work part-time, and don’t use the full amount, but it does cover the nursery costs. Apart from the savings I make across the year, the vouchers also allow me to budget properly as they are deducted straight from my pay and transferred directly to the nursery. Having to make those payments myself will just be another thing to do on a long list of things that a working mother has to get through.

“Childcare vouchers really help people to get back to work.”