

Changes to childcare vouchers from April 2011

From 6th April 2011 there will be changes to Employer Supported Childcare that will affect any employer who offers a Childcare Voucher Scheme to their staff. Currently the tax and NI exemption of up to £243 per month applies to all members within a scheme. However, it has been decided that those paying higher and additional rates of tax who join the scheme after 6th April 2011 should only be able to make the same tax savings as those paying basic rate tax. This will be done by restricting the amount of tax exempt vouchers that higher and additional rate tax payers will be able to receive.

These changes will only apply to anyone joining the scheme after 6th April 2011. Anyone already in a scheme will not be affected by these changes as long as they remain within the scheme.

For any employee who joins a childcare voucher scheme after 6th April 2011, the employer will need to decide what level of exemption they will be entitled to. This will be done by carrying out a basic earnings assessment on information available at the start of the tax year or when the employee joins the scheme. This assessment will remain valid for the whole of the tax year.

The basic earnings assessment should include the following information:

- Basic pay as stated in the contract of employment
- Contractual or guaranteed bonuses
- London weighting or other regional allowances

- Taxable benefits
- Shift allowances.

For those staff affected by these changes (i.e. those joining the scheme after 6th April 2011), the following limits will be applied to the value of tax free childcare vouchers allowed to be claimed:

	Basic Rate	Higher Rate	Additional Rate
Weekly	£55	£28	£22
Monthly	£243	£124	£97
Annual	£2915	£1484	£1166

At the time of writing (March 2011) the basic rate applies to those earning below £37,400 p.a. The Higher Rate applies to those earning between £37,401 and £150K p.a. and the Additional rate applies to those earning above £150K p.a.

So, if you have any employees who would benefit from joining the Childcare Voucher scheme and who fall within the Higher Rate and Additional Rate groups, it would be more beneficial for them to join the scheme before 5th April 2011. This will allow them to maximize their savings before the changes come into force on the 6th April 2011.

If you have any questions on the above or would like to speak further, please call Jo Chambers on 01403 240205 or email jo@hrservicespartnership.co.uk.