



Your Guide to Understanding and Preparing for Childcare Voucher Changes



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The Government announced in March 2016 their plans to roll out a Tax-Free Childcare scheme (TFC) in 2017. The new scheme is now available to around 2 million households and is intended to help working parents with the cost of childcare, enabling more parents to work if they want to, providing greater security for their families.

But as an HR professional, you may have a couple of questions, namely: *how will it work, what does this mean to the current childcare voucher scheme, and what should I be doing to help my employees prepare for the change?* First, let's go into a little more detail.

The Facts

This document will provide you with high level facts about the future of tax-free childcare - explaining the new tax-free childcare scheme (TFC) and the existing childcare voucher scheme (CCV).

Current Childcare Voucher scheme (CCV):	New Tax-Free Childcare scheme (TFC):
<ul style="list-style-type: none"> The CCV scheme will be closed to new entrants from April 2018. Parents in the scheme as of this date can continue to participate until their child is 15 years old, 16 for children with a disability. Parents can buy childcare vouchers from pre-tax and NI salary up to a maximum based on their tax rate. 	<ul style="list-style-type: none"> The TFC scheme was phased in throughout 2017 starting with young children and finally opening up to all children under the age of 12 in early 2018. Parents are able to apply for all their children at the same time, with the criteria based on the age of their youngest child. The 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 each year, or £4,000 for disabled children. The scheme will be available for children up to the age of 12, or 17 for children with a disability.
Eligibility	Eligibility
<ul style="list-style-type: none"> Children who are 15 years old or less, or 16 years old if registered disabled. Parents who are employed (this means self-employed parents cannot participate). Parents who earn above the national minimum wage once childcare vouchers are deducted. 	<ul style="list-style-type: none"> Children who are 12 years old or less, or 17 years old if registered disabled. Both parents are working or are single parents (this means that couples where one parent is not working will not be eligible). Parents who individually earn more than £120 a week but under £100,000 annually. Parents who work a minimum of 16 hours per week. Parents who are employed or self-employed. Parents who are not receiving support through tax credits.

Important note: If the parent does not meet the eligibility criteria for the new TFC scheme and they do for the CCV scheme, they can participate in it **if they join by April 2018**. Please make parents aware of this ASAP because after April 2018 it will be too late to join the CCV.



How does the scheme work?

CCV	TFC
<ul style="list-style-type: none">• Savings under this scheme are per parent.• For basic rate taxpayers, each parent can buy a maximum of £243/month (£2,860/annum) in vouchers, which is a tax saving of £933/annum.• For higher-rate taxpayers, each parent can buy a maximum of £124/month in vouchers.• These are from pre-tax and NI salary.	<ul style="list-style-type: none">• Savings under this scheme are per child.• For every 80p a parent pays in, the government will pay in an extra 20p. This is equivalent to the tax most people pay - 20 percent - which gives the scheme its name, "tax-free".• Parents can receive up to £2,000 per child per year towards their childcare costs, or £4,000 for a child who has a registered disability.

How can it be used?

CCV	TFC
<ul style="list-style-type: none">• The company administers the scheme through a salary sacrifice arrangement with a provider such as Reward Gateway on behalf of the employee/parent.• Vouchers can be used with any Ofsted regulated childcare provider in England and the equivalent bodies in Scotland, Wales and Northern Ireland.	<ul style="list-style-type: none">• Parents are responsible for opening up their own online account for each child through the government's website, there will be no involvement from the company.• Parents will pay into each account separately through the government's website.• There is an eligibility validation done every three months.• Vouchers can be used with any Ofsted regulated childcare provider in England and the equivalent bodies in Scotland, Wales and Northern Ireland.

Which scheme is better?

Some parents will be better off joining or staying with the current CCV and for others the new scheme may be a better fit based on their personal circumstances. This could make it confusing and difficult for parents to make a decision. It's important that parents consider the best way for them to make savings based on their circumstances, and to do this before the childcare voucher scheme is closed for new entrants in April 2018, whilst they still have a choice.

Some of the things parents should consider are:

1	Eligibility Which scheme(s) am I eligible for based on my job and salary?
2	Age of the child Which scheme(s) is my child eligible for based on their age?
3	Childcare costs Which scheme delivers the greatest savings based on my childcare costs?

To share with employees:

CCV Scheme “winners”	TFC Scheme “winners”
<ul style="list-style-type: none">Couples where one parent doesn't work, as they're not eligible for TFC, but the employed parent is eligible for vouchers (provided their employer offers a scheme).Basic-rate taxpayer parents with total childcare costs of £9,336 or less. Under this amount, the saving you make with CCV exceeds the saving you can make with TFC.Higher-rate taxpayer parents with total childcare costs of £6,252 to less. Under this amount, the saving you make with CCV exceeds the saving you can make with TFC.Higher earners, as anyone earning £100,000+ (or in a couple where one earns £100,000+) isn't eligible for the TFC scheme, whereas these high earners can get CCV.	<ul style="list-style-type: none">Self-employed people or couples who earn less than £100,000 each, as they're eligible for TFC, but can't get CCV.Parents with more than one child and high childcare costs, as the help available goes up with the number of children. There's a limit for CCV which isn't dependant on the number of children.

For an example of how these different schemes could affect a variety of family circumstances, check out this informative table found near [the bottom of this article](#) by the team at Money Saving Expert.

What will happen to the current CCV scheme?

After the government debate in January it was confirmed that the current CCV scheme will be open to new joiners until April 2018. Participants will be able to continue ordering vouchers and making tax and National Insurance savings until their child is 15 years old, or 16 if their child has a registered disability. This scheme will continue to deliver savings for those parents who are not eligible for or will lose out under the new TFC scheme. Parents must be accepted onto the CCV scheme before the start of the new tax year, so you may want to adjust your March windows to have an approval date on the 5th of March.

What should I do to support my employees?

It's absolutely critical that your employees understand that the existing CCV scheme will only be open to new joiners only until April 2018. This is important if you want to give them enough time to make a choice, selecting the scheme which is right for them.

This document can serve as a guide to creating communications for your employees who may be interested in CCV or aren't sure how the new TFC will affect them.

You should reach out to your employees on parental leave and those who have recently come back to work to ensure they are aware of their options, and you may want to consider allowing a £1 employer funded contribution for those staff currently on SMP or unpaid parental leave.

For more information on the new TFC scheme, [here's an article](#) the government published titled 10 things parents should know.

If you'd like to offer the current CCV scheme to your employees, Reward Gateway can help.