KiddiVouchers

What's happening in April 2011?

The Government is changing the rules for childcare vouchers, with effect from April 2011. This leaflet explains how your childcare vouchers could be affected.

What's going to change?

- Up to 5th April 2011, all childcare voucher scheme members can receive tax and National Insurance relief on up to £55 a week (£243 a month) of childcare vouchers.
- Higher-rate taxpayers who sign up for childcare vouchers after 5th April 2011 will only receive tax and National Insurance relief on up to £28 a week (£124 a month) of childcare vouchers.
- Parents who pay 40% tax can currently save up to £1,196 a year by using childcare vouchers. The savings will fall to £608 a year for higher-rate taxpayers who sign up after April.

What does this change mean for you?

If you are a basic-rate taxpayer:

- As long as you continue to be a basic-rate tax-payer, the change will not affect the savings you receive from childcare vouchers.
- If you move to a new employer after 5th April 2011, or if you opt out of childcare vouchers for a period of more than 12 months, your earnings will be assessed when you re-order your vouchers and at the start of each new tax year. If you subsequently become a higher-rate taxpayer, the new rules will apply.
- If you stay with your current employer and you continue to order childcare vouchers, then the new rules will not apply to you even if you become a higher-rate taxpayer.
- If you are not sure whether you will become a higher-rate taxpayer in future, we recommend that you protect your childcare voucher entitlement by ensuring any breaks from the scheme last no longer than 12 months.

If you are a higher-rate taxpayer:

- If you sign up for childcare vouchers after 5th April 2011, you will only be entitled to tax and National Insurance relief on up to £28 a week of childcare vouchers.
- If you are currently receiving childcare vouchers but have a break in your voucher order for a period of more than 12 months, the new rules will apply when you rejoin the scheme.
- If you move to a new employer after April 2011, you will be treated as a new member and the new rules will apply to you.

Call us free on 0800 612 9015

www.kiddivouchers.com

What do you need to do?

If you are not currently using childcare vouchers but you expect to pay for childcare in future, sign up before 5th April 2011 to protect your voucher entitlement.

We recommend that you register for the scheme and order your vouchers by 5th April 2011. You do not need to have started receiving childcare vouchers by 5th April, as long as your order is in place.

If you are already using childcare vouchers and you currently opt in and out of the scheme, for example to cover school holiday childcare, we recommend that you maintain a continuous voucher order of at least £10 a month or ensure any breaks last no longer than 12 months.

You don't need to spend your childcare vouchers as soon as you receive them – any unused vouchers will stay in your KiddiVouchers account for future use.

A few more facts and figures

- If you join the scheme after 5th April 2011, you will need to have your earnings estimated when you join the scheme and at the start of each future tax year. Your childcare voucher entitlement will be recalculated at the start of each tax year. If you are a basic-rate taxpayer, you will still have the earnings assessment but your childcare vouchers will not be affected.

- The earnings assessment will be based on your basic contractual pay plus any taxable benefits, guaranteed bonuses, regional allowances and shift allowances. Income from overtime or performance-related bonuses, along with income from other sources such as interest on savings, will not be directly taken into account. If you pay higher-rate tax as a result of receiving overtime payments, dividends or interest, you may be treated as a basic-rate taxpayer for your childcare voucher entitlement.

- If you have had an earnings assessment but your earnings then change during the tax year, your childcare voucher allowance will only be recalculated at the start of the next tax year.

- If you are a 50% taxpayer, your childcare voucher allowance will be capped at £22 a week (£98 a month) unless you join the scheme before 5th April 2011.

- If you are expecting a baby after April 2011, unfortunately you cannot sign up for childcare vouchers until your baby has been born.

- If you have recently had a baby but you are not expecting to need childcare until after April 2011, you can order childcare vouchers now and spend them later.

Any questions?

Please contact us on **0800 612 9015**
or email - **info@kiddivouchers.com.**