



HM Revenue
& Customs

Paying for childcare

Getting help from your employer

FAMILIES
IR115



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If you are working and pay for childcare your employer may be able to help you with some of your childcare costs. This is often known as employer-supported childcare.

Introduction

This leaflet tells you:

- about the different types of childcare support that your employer may offer you
- how you could benefit from tax and National Insurance exemptions
- about some of the terms that your employer may use, and
- about the information your childcare provider will need from you.

Employers are not required by law to provide employer-supported childcare to their employees. The decision to do so, and the type of employer-supported childcare provided, is up to your employer.

If your employer doesn't currently offer employer-supported childcare they may find this leaflet useful. Go to www.hmrc.gov.uk/childcare for more information.

There are three types of childcare support that your employer could provide which qualify for tax and National Insurance contributions (NICs) exemption:

- childcare vouchers
- directly contracted childcare
- workplace nurseries.

If certain conditions are met, see page 7, the childcare support provided by your employer is either partly or completely exempt from tax and NICs.

If the conditions are not met, or if your employer helps you pay for your childcare in other ways, for example:

- pays you cash to pay for childcare
- pays the childcare bill, or
- pays the child's school fees

you will have to pay the full amount of tax and NICs on this support.

Childcare vouchers

Childcare vouchers are a way of paying for certain types of childcare.

If your employer provides you with childcare vouchers you will not have to pay tax or NICs on the first £55 per week, or £243 per month. However, if your vouchers are worth more than this, you will have to pay tax and NICs on the remainder.

For tax purposes you are only entitled to one exempt amount of £55 per week (or £243 per month) regardless of the number of jobs or employments you may have. For NICs you can receive an exempt amount from more than one employer. If both you and your partner are provided with childcare vouchers you are each entitled to an exempt amount of childcare vouchers.

You may get paper or electronic vouchers directly from your employer or your employer may ask a childcare voucher provider to provide them directly to you. Your employer will tell you which form of voucher (paper or electronic) that they will make available to you or if you can choose.

You do not have to use childcare vouchers in the week or month they are provided. If you do not wish to use the vouchers immediately you can save them up to use later. For example, your childcare costs may be more than usual during school holidays, and you may want to use them then.

Information your childcare provider will need

If you decide to get childcare vouchers, check that your childcare provider will accept them. If the care provider will accept them, and you have a choice of paper or electronic vouchers, ask which the carer would prefer. Your employer or your employer's voucher provider will normally be able to answer any questions that your childcare provider has. It is possible that the childcare provider already accepts voucher payments from the voucher provider chosen by your employer.

Your childcare provider will need to make an arrangement with your employer or your employer's voucher provider to receive payment. This is normally a simple process which will be advised to you by your employer.

If the voucher doesn't cover the whole cost of the childcare, agree with your childcare provider how you will pay for the extra.

Things to remember

You need to have actually received your childcare voucher or vouchers before you can use them. They cannot be backdated. You will only receive tax and NICs exempt vouchers after you have formally agreed with your employer to join a childcare voucher scheme.

For example, if you are due to pay your carer on 1 May and your first childcare vouchers are due to be issued on 15 May, you will be required to pay your carer in full on 1 May and use your childcare vouchers for the fees due on 1 June.

When you first join a voucher scheme, it may take some time to set up. You may find that the cash element of your salary has been reduced before you receive your vouchers. If you think that you should have started to get vouchers, or you don't get vouchers when you expect to, contact your employer or the voucher provider as soon as possible. You will find a helpline number or contact details on the information pack which will normally have been sent to you by the voucher provider when you first joined the scheme.

When you pay for some of your childcare with vouchers, it may take some time for your childcare provider to be paid by your employer or the voucher provider. Because of this, you may need to authorise payment before your childcare payment is due. Usually five working days is sufficient but this will depend on the particular voucher scheme. Contact your employer or the voucher provider for more information.

If you use electronic childcare vouchers, the scheme may allow you to authorise payment to the childcare provider on a monthly or other basis. You need to authorise this payment to make sure your childcare provider is paid. If you forget then your childcare provider may ask you to make up the shortfall in some other way.

Please note that if you have unused tax and NICs exempt childcare vouchers when you decide to leave a childcare voucher scheme these will be treated as normal pay by your employer and will be subject to tax and NICs when you return them to your employer.

Directly contracted childcare

Directly contracted childcare is where your employer arranges with a commercial childcare provider to provide childcare to you. Where this happens, the same limits of £55 per week, or £243 per month apply. This means your employer can pay a childcare provider up to these amounts and you will not have to pay tax or NICs. However, if your employer pays more for your directly contracted childcare, you will have to pay tax and NICs on the remainder.

These limits apply to each individual employee, but if both you and your partner get childcare vouchers you are each entitled to an exempt amount.

Examples of directly contracted childcare

Your employer may provide emergency childcare cover or pay for a place:

- in a nursery
- in a crèche
- in a play scheme
- in an after school club, or
- with a registered childcare provider or other approved child carer.

If your employer offers you both childcare vouchers and directly contracted childcare

If your employer offers you both childcare vouchers and directly contracted childcare, for example childcare vouchers and access to emergency childcare, the maximum exemption from tax and NICs is £55 per week or £243 per month.

Workplace nurseries

Some employers set up their own nurseries at the workplace or at another location and offer places to employees' children. If your child has a place at a workplace nursery, you will not have to pay any tax or NICs on this benefit.

Employer-supported childcare and the effect on your salary

The effect on your salary depends on how your employer chooses to offer childcare vouchers, directly contracted childcare or a workplace nursery.

In addition to your pay

Your employer may offer childcare support on top of the pay you already get. If this is the case then you will not have to pay any more tax or NICs as long as certain conditions are met.

As a reduction in your pay

Your employer may ask you to give up your right to part of your pay in return for providing childcare support. This is a private matter between employer and employee. It is not required by the tax and NICs rules. The arrangement is commonly known as salary sacrifice. A salary sacrifice comes about where you enter into a legally binding agreement with your employer to change the terms and conditions of your employment contract relating to pay. Any changes to your cash earnings could affect your entitlement to tax credits and statutory benefits such as Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) because of the way these are calculated.

For more information about salary sacrifice go to http://www.hmrc.gov.uk/specialist/salary_sacrifice.htm

Flexible benefit package

If your employer offers you a flexible benefit package, employer-supported childcare may be an option.

Employer-supported childcare and tax credits

If you get employer-supported childcare, your childcare costs for the purposes of the childcare element of Working Tax Credit are reduced by the value of childcare support you get. This applies even if you receive childcare support in return for a reduction in your pay.

Your entitlement to tax credits may also be affected if your salary has been reduced under salary sacrifice.

If you are receiving tax credits and want to know whether you would be better off with childcare vouchers, please go to the online calculator at www.hmrc.gov.uk/calcs/ccin.htm

For advice on tax credits:

- go to www.hmrc.gov.uk/taxcredits or
- phone the Tax Credit Helpline 0845 300 3900 (textphone 0845 300 3909). Open 8.00 to 22.00 seven days a week.

Employer-supported childcare and Statutory Maternity Pay/Statutory Sick Pay

Statutory Maternity Pay (SMP) and Statutory Sick Pay (SSP) are based on your average earnings over a fixed period before you receive them.

If you have agreed with your employer to give up some of your pay in return for childcare support, your average earnings will be based on your cash salary only, and will not include the value of the childcare support you receive.

This means that the amount of SMP and SSP you could receive may be reduced. Ask your employer for more information if you think this might affect you.

Information your employer may ask you for

Your employer has overall responsibility for making sure the conditions for the tax and NICs exemptions are met. To help them do this, they may ask you for information. For example:

- the child's date of birth
- if the child is disabled
- your relationship to the child, if you are not the parent
- your childcare provider's name and registration or approval number
- if applicable, the date your childcare provider's registration expires (if registered with Ofsted your childcare provider must renew his or her registration on a yearly basis).

You must let your employer know if you become aware that your childcare provider is no longer registered or approved, or there are other changes in your childcare arrangements, for example, if you are no longer responsible for the child or children.

The tax and NICs exemption conditions

The exemptions from Income Tax and NICs only apply if certain conditions are satisfied. In summary these are:

- the child must be a qualifying child
- you must have parental responsibility for the child, and
- the childcare must be registered or approved.

Qualifying child

The child will qualify:

- until 1 September following his or her 15th birthday, or
- until 1 September following his or her 16th birthday, if the child is disabled.

Your employer or voucher provider may ask you for the child's date of birth, or if the child is disabled.

Parental responsibility

The child must be:

- your child
- your stepchild, or
- a child for whom you have parental responsibility.

Parental responsibility means that you have the same legal rights, duties, powers, responsibilities and authority as a parent for the child and the child's property.

However, unlike entitlement to the childcare element of Working Tax Credit, the child doesn't have to live with you.

If you are not the parent, your employer may ask you what your relationship is to the child.

What do you mean by registered or approved childcare?

In order to qualify for the Income Tax and NICs exemptions the childcare must be provided by one of the following:

- a childcare provider approved under a Ministry of Defence accreditation scheme abroad
- an approved foster carer (the care must be for a child who is not the foster carer's foster child).

In England only

- A person registered under Part 3 of the Childcare Act 2006. This will include persons on the following registers operated by Ofsted
 - the Early Years Register
 - the general Childcare Register – compulsory part
 - the general Childcare Register – voluntary part.
- Schools - care provided by the governing body of a school is approved if it takes place
 - outside normal school hours (this means the normal hours of compulsory education adopted by the school as appropriate for the age of the child)
 - on school premises, or
 - on premises that are covered by the inspection of the whole school activity by Ofsted or the equivalent inspection body for certain independent schools.

- Other care providers
 - a domiciliary worker or nurse from an agency registered under the Domiciliary Care Agencies Regulations 2002 providing childcare in the child's home
 - a person approved in accordance with the Tax Credits (Approval of Child Care Providers) Scheme 2005 to provide care in the child's home or on other domestic premises.

In Wales only:

- a childcare provider registered by the National Assembly for Wales (through the Care Standards Inspectorate for Wales)
- out-of-school-hours childcare, provided by a school on the school premises, or by a Local Authority
- a person approved under the Approval of Child Care Providers (Wales) Scheme 2007 providing childcare in the child's home or if several children are being looked after, in the home of one of the children
- a domiciliary worker or nurse from an agency registered under the Domiciliary Care Agencies (Wales) Regulations 2004 providing childcare in the child's home.

In Scotland only:

- a childcare provider registered by the Scottish Commission for the Regulation of Care
- out-of-school-hours childcare clubs registered by the Scottish Commission for the Regulation of Care
- childcare provided in the child's home by, or introduced through, childcare agencies, sitter services and nanny agencies which are required to be registered.

In Northern Ireland only:

- childcare registered by a Health and Social Services Trust
- out-of-school-hours childcare, provided by a school on the school premises, or by an Education and Library Board, or
- a person approved under the Tax Credits (Approval of Home Child Care Providers) Scheme (Northern Ireland) 2006 providing childcare in the child's home.

Childcare provided by a relative

Qualifying childcare does not include care provided by a relative of the child in the child's own home. This includes relatives who are registered or approved childcare providers. For these purposes a relative means:

- parent
- step-parent
- foster parent
- grandparent
- aunt or uncle
- brother or sister

whether by blood, half blood, marriage or civil partnership.

Childcare provided by relatives can be qualifying childcare in the following circumstances:

- the relative is a registered or approved childcare provider
- the care is provided away from the child's own home
- the care is provided to non-related children in addition to the related child or children.

The Childcare Approval Scheme

Childcare providers working in the child's home or childminders caring for children aged over seven can no longer apply for approval under this scheme – no new applications were accepted after 30 September 2007 – but they can apply to join the voluntary part of the Ofsted Childcare Register. Existing approvals given under this scheme will expire one year after they were issued.

How do I know if my childcare provider is registered or approved?

Childcare providers who are registered have a Unique Reference Number (URN). This appears on the childcarer's most recent registration certificate. You can check if their registration is still valid by contacting:

In England

- OFSTED (Office for Standards in Education, Children's Services and Skills)
 - go to www.ofsted.gov.uk
 - phone 08456 40 40 40

In Wales

- Care and Social Services Inspectorate Wales
 - go to www.wales.gov.uk/csiw
 - phone 01443 84 84 50
- Childcare Approval Scheme Wales
 - go to <http://www.childcareapprovalschemewales.co.uk>
 - phone 0844 736 0260

In Scotland

- The Care Commission
 - go to www.carecommission.com
 - phone 0845 603 0890

In Northern Ireland

- Contact the children's centre in your local Health and Social Services Trust go to www.dhsspsni.gov.uk
- For childcare provided in the child's home in Northern Ireland only go to www.childcarechoices.n-i.nhs.uk

Finding childcare

Your local authority may be able to help you find childcare in your area. You can find your local authority:

- in *The Phone Book* under 'Local Government', or
- go to www.direct.gov.uk

Since 1 April 2008, local authorities have had a duty to provide information, advice and assistance to parents and prospective parents of children and young people up to age 20. You can read more about this duty, introduced in Section 12 of the Childcare Act 2006, on the Parents, Carers and Families webpage of the Every Child Matters website. This guidance can also be downloaded from www.everychildmatters.gov.uk

For more information

For more information about Income Tax and NICs on employer-supported childcare go to www.hmrc.gov.uk/childcare

For more information on national and local childcare, go to www.childcarelink.gov.uk/index.asp

HM Revenue & Customs commitment

We aim to provide a high quality service with guidance that is simple, clear and accurate.

We will:

- be professional and helpful
- act with integrity and fairness
- treat your affairs in strict confidence within the law.

We aim to handle your affairs promptly and accurately so that you receive or pay only the right amount due.

Putting things right

If you are not satisfied with our service, please let the person dealing with your affairs know what is wrong. We will work as quickly as possible to put things right and settle your complaint.

If you are still unhappy, ask for your complaint to be referred to the Complaints Manager.

Customers with particular needs

We offer a range of facilities for customers with particular needs, including:

- wheelchair access to nearly all HMRC Enquiry Centres
- help with filling in forms
- for people with hearing difficulties
 - RNID Typetalk
 - Induction loops.

We can also arrange additional support, such as:

- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- services of an interpreter
- sign language interpretation
- leaflets in large print, Braille and audio.

For complete details please:

- go to www.hmrc.gov.uk/enq, or
- contact us. You will find us in *The Phone Book* under HM Revenue & Customs.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

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