

Appendix 1

CHILDCARE VOUCHER BENEFIT – CHANGES EFFECTIVE FROM 6th APRIL 2011.

The Government has implemented changes to limit the childcare voucher benefit available to higher rate tax payers. This only applies to new registrations and employees that re-register after not receiving the benefit for longer than 12 months.

Before 6th April 2011 – this is the level of savings made for tax payers

Tax rate payable	Weekly allowance	Monthly allowance	Annual allowance	Annual savings
20%	£55	£243	£2916	£903.86
40%	£55	£243	£2916	£1195.56
50%	£55	£243	£2916	£1487.16

On or after 6th April 2011 – this is the new level of savings made for tax payers

For existing registrations savings are increased due to increased levels of NI

Tax rate payable	Weekly allowance	Monthly allowance	Annual allowance	Annual savings
20%	£55	£243	£2916	£933.12
40%	£55	£243	£2916	£1224.72
50%	£55	£243	£2916	£1516.32

For all new registrations on or after 6th April 2011

Tax rate payable	Weekly allowance	Monthly allowance	Annual allowance	Annual savings
20%	£55	£243	£2916	£933.12
40%	£28	£124	£1484	£623.28
50%	£22	£97	£1166	£606.32

Terms and conditions:

1. The changes only affect employees joining on or after 6 April 2011. Any employee who already participates in the scheme will not be affected.
2. They will retain their current level of tax savings until they leave your scheme for a period of **more than 12** months.
3. If you allow it in your company terms and conditions, then an employee can alter the value of the voucher they require without affecting the rate of exemption to which he or she is entitled.
4. For all employees wishing to join the scheme after 6th April 2011, HMRC are now requiring employers to carry out a basic earnings assessment to check the estimated employment income of that employee joining. The amount the employee can take in the form of childcare vouchers will be determined by this assessment.
5. HMRC state that employers must keep a record of the basic earnings assessment. HMRC state that you can refer to the P35 and/or the contract of employment to substantiate your assessment