

CHILDCARE VOUCHER SCHEME

Introduction & Purpose

With effect from 4 October 2018, this scheme is no longer open to new entrants.

The Government's Tax-Free Childcare scheme is an alternate option. For more information, visit <https://www.gov.uk/help-with-childcare-costs/tax-free-childcare>

The Council with [Edenred](#) has introduced a Childcare Voucher Scheme in conjunction with the HM Revenue & Customs Regulations to allow employees to benefit from savings on Income Tax and National Insurance.

The Childcare Voucher Scheme is a voluntary arrangement that allows Council employees the opportunity to exchange part of their monthly cash salary for childcare vouchers, subject to certain qualifying criteria.

The amount of your salary you can take in tax exempt childcare vouchers is determined by HMRC and depends on when you started receiving childcare vouchers in this employment and what category of taxpayer you fall into.

Employees who join on or after 6 April 2011

	Basic Rate	Higher Rate	Additional Rate
Weekly	£55	£28	£22
Monthly	£243	£124	£97
Annual	£2915	£1489	£1166

Employees who are existing Scheme members on or before 5 April 2011 can still receive the following amounts:

Weekly	£55
Monthly	£243
Annual	£2915

If you stop receiving childcare vouchers for longer than 12 months or change employer, you will be subject to a basic earnings assessment and your tax exemption may be restricted.

HM Revenue & Customs Regulations are outwith the Council's control and therefore may change in the future, directly impacting on the running of the scheme.

Scope and Eligibility

The Childcare Voucher Scheme is open to all employees and elected members within Perth & Kinross Council who satisfy the following eligibility criteria.

Eligibility Criteria

1. Have a contract of employment with Perth & Kinross which is either permanent or fixed term.
2. Must be the parent of, or have legal responsibility for, a child under 15 years of age (16 if disabled) for whom the vouchers will be used to pay for childcare. A child qualifies up to 1st September following their 15th Birthday or 1st September following their 16th Birthday if disabled.
3. The employee's hourly rate does not fall below the National Minimum Wage after the value of the vouchers have been deducted.

For the purposes of childcare vouchers, night working, shift working, overtime or any other form of additional payment is not considered when looking at the eligibility criteria for national minimum wage.

The Scheme allows parents or partners employed by Perth & Kinross Council with parental responsibility for the same qualifying child, to both take part in the Scheme, thereby doubling entitlement and possible savings.

Employees joining the Scheme will enter into a 12-month agreement, during which the terms cannot normally be varied unless there is a lifestyle change event, as detailed under change of circumstances. However, employees who have a fixed term contract for less than 12 months may enter the Scheme for the duration of their contract.

It is recommended employees who enter the Childcare Voucher Scheme should calculate their annual childcare cost and divide this amount equally by 12. This amount can then be requested monthly in the form of childcare vouchers and will be deducted from the employee's salary. Employees may bank vouchers for peak periods such as school holidays. Once employees have decided upon the amount of vouchers they wish to exchange, this amount cannot be changed within the 12-month agreement period unless there is a lifestyle change as detailed under change of circumstances.

There are many benefits to both employee and employer in participating in the Childcare Voucher Scheme.

Benefits to the Employee

- Income Tax and National Insurance contribution savings
- Increased employee satisfaction
- Improves worklife balance
- Flexible and easy to use
- Accepted by most childcare providers

Benefits to the Council

- Greater employee loyalty
- Boosts morale and increases choices
- Attractive to prospective job candidates
- Possible retention of existing employees
- Reduced absenteeism, greater productivity
- More maternity leavers returning to work

Registered Childcare

The national guidance states that a registered childcare provider must supply the childcare. The vouchers cannot be used as payment for any other service.

Registered childcare in Scotland can include:

- Any childcare regulated by the Care Commission including childminders, nurseries, out-of-school care and play schemes.
- Childcare given in the child's own home by, or introduced through, childcare agencies including sitter services and nanny agencies which are registered with the Care Commission.

Please note:

- Childcare provided in the child's home will not qualify if the person giving that childcare is a relative of the child even if the relative is registered or approved as set out by HM Revenue & Customs Regulations.
- Childcare provided away from the child's home will not qualify if the person giving the care is related to the child and does not also look after unrelated children.

A relative means a parent, grandparent, aunt or uncle, brother or sister (whether by blood, half blood or marriage) and includes step-parents.

Further information on the regulation of childcare provision in Scotland can be found on the Care Inspectorate website www.careinspectorate.com You can also contact the local Childcare Information Service on 0845 601 4477, email childcare@perthgrammar.pkc.sch.uk.

Employees should contact their childcare provider and ask them if they are prepared to accept vouchers. When an employee signs up to the Childcare Vouchers Scheme, the Parent Welcome Pack includes a form for their Childcare Provider to become affiliated with Edenred. Alternatively, the childcare provider can complete a form online at www.childcarevouchers.co.uk

In choosing the childcare provider, employees should note that Edenred and the Council do not accept liability for the standard of services provided. Employees should satisfy themselves as to the ability and standards of the child carer they choose.

Any payments due exceeding the value of vouchers shall be payable by the employee directly to the registered child carer. The Council and Edenred will not be held liable.

Change of Circumstances

Employees joining the Scheme will enter into a 12-month agreement, during which the terms of the agreement cannot normally be varied unless there is a lifestyle change. One month's notice to Edenred is required. A lifestyle change is an event which seriously affects an employee's existing childcare arrangements, which may be linked to birth, death, marriage, changes to contractual hours, birth of another child or long-term sick.

Lifestyle changes may include:

- A change in the type of childcare requirements/childcare provider
- A change in working hours or location
- Leaving the Council
- Long term illness
- Pregnancy, birth or adoption of a child
- Divorce/end of long-term relationship
- Death of partner/child
- Changes to financial circumstances that mean childcare vouchers are no longer appropriate

Employees may choose to apply to amend the amount of vouchers they wish to exchange or choose to terminate their agreement. This can be done via the employee's online account. Employees should note that an amendment is accepted entirely at the discretion of the Council, therefore employees should be certain before choosing to leave the Scheme.

Employees must ensure that at all relevant times they meet the Council's criteria for the Childcare Voucher Scheme and supply all information reasonably required by Edenred to operate the scheme. Should an employee fall below the National Minimum Wage, they will be required to leave the Scheme.

The Council reserves the right to charge employees for any fees passed on from Edenred due to employee error or late notification of change of circumstances by the employee within the agreed timescales.

Termination of Employment

If an employee terminates employment for any reason such as resignation, retirement, end of fixed term contract or dismissal, before the end of the agreement, the employee will no longer be eligible to participate in the Childcare Voucher Scheme and receive further vouchers.

Employees will still be able to access the vouchers they have already exchanged up to three months after they terminate their employment.

Occupational Pension Contributions

Where the employee is a member of the Local Government Scheme or Scottish Teachers' Superannuation Scheme, deductions will be made on the full salary before the deduction of the Child Care Vouchers.

Salary Related Payments/Benefits

The Childcare Voucher Agreement will not affect other related payments such as overtime and pay awards. However, the agreement may affect entitlement to State Pension, Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay, Statutory Adoption Pay, Statutory Redundancy Pay and any other means tested benefits or tax credits.

Please ensure you are fully aware of your individual circumstances prior to entering into an agreement.

Tax Credits

Entitlement to the childcare element of Working Tax Credit, which provides specific support related to childcare costs, will in most cases be affected. Employees in this situation should explore possible entitlement to tax credits first before considering vouchers as it is possible that there is a greater benefit in tax credits than in voucher savings. It is possible to claim tax credits in addition to vouchers but with the important consideration that any childcare costs met by Childcare Vouchers are not eligible for tax credits.

Perth & Kinross Council and Edenred cannot provide financial advice on individual circumstances and, before making an application, employees should seek any necessary independent additional advice.

No Pay Period

When an employee commences a period of no pay such as sickness absence or a career break the Council will no longer be able to deduct payments from the employee and there will be no further exchange of salary for childcare vouchers due to insufficient salary. Employees should opt out of the Scheme in these circumstances under lifestyle change.

Other Benefits

Joining a salary sacrifice scheme to receive childcare vouchers reduces your cash pay and the level of income tax and National Insurance Contributions. As your entitlement to some statutory benefits is based on the amount you earn and your NICs, your current or future entitlement to contributions-based, earnings-related or income-related benefits may be affected.

For more information about salary sacrifice and how it may affect your benefits, visit http://www.hmrc.gov.uk/specialist/salary_sacrifice.htm