

IMPORTANT INFORMATION ABOUT CHILDCARE VOUCHERS

TIME TO ACT
ON CHILDCARE VOUCHERS

With the Government looking to reduce the level of tax relief on childcare vouchers for higher and additional rate tax-payers who sign up after 6 April 2011, now is the time to consider childcare vouchers for your registered childcare costs.

What's changing?

On 3 December 2009, the Government announced proposed changes to the tax and NIC exemptions for childcare vouchers.

According to this announcement, it is proposed that from 6 April 2011:

- > a higher (40%) or additional (50%) rate tax-payer joining a childcare voucher scheme will only receive income tax relief at the same rate as a basic (20%) rate tax-payer
- > higher and additional rate tax-payers joining a scheme after 6 April will see their tax and NI savings drop by up to 50%, from up to £1196** to approximately £600* a year.

Basic rate tax-payers will not be affected and will still be able to save around £900* a year.

		Annual Tax & NI Saving [^]		
	Salary	Register before 6 April 2011	Register after 6 April 2011	Difference
Higher rate tax-payer	£42,476 to £150,000	Up to £1196	Up to £624	£572 LESS a year
Basic rate tax-payer	Up to £42,475	No negative change in tax & NI savings post-April 2011		

[^]When you request the full allowance of childcare vouchers per month. Both parents can register on their employer's scheme.

Did you know?

- > Both parents can order childcare vouchers through their respective employer's schemes
- > Childcare vouchers are not just for pre-school - they can be used for children up to 16
- > Holiday clubs, out-of-school clubs and some activity holiday companies accept childcare vouchers
- > You can save up your childcare vouchers and use them when you need them most, for example the school holidays

YOUR QUESTIONS ANSWERED

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I'm a higher rate tax-payer - how will i be affected?

If you are already in a scheme or join a scheme **before** 6 April 2011 you will retain the current level of savings after 6 April - up to £1196** in tax and NI exemptions a year - for as long as you remain in your employer's scheme. If you join on or after 6 April you will only be able to save up to £624* a year in tax and NI exemptions.

But I don't need childcare vouchers until after April - what can I do?

Providing you already have at least one child under 16 years old, you can order childcare vouchers today. However you do not have 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.

I'm a basic rate tax-payer - how will I be affected?

Basic rate tax-payers will not be affected by this change. You will continue to save around £900* a year - so why not start saving today?

How do I know if I'm still in my employer's scheme?

To remain in your employer's childcare voucher scheme, you must have received childcare vouchers through a salary deduction within the past year (i.e. on a rolling 12 month basis with no breaks lasting longer than 12 months).

What if my employer does not run a scheme yet?

Please pass their contact details onto us and we'll contact them on your behalf.

* Subject to individual circumstances

**Maximum amount of relief available in the current financial year (2010-2011) for a higher rate tax-payer, subject to individual circumstances. For use as general guidance only.



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