

care-4 factsheet

savings on childcare



April 2007

In April 2005 the Government introduced tax savings for childcare costs paid through childcare voucher schemes such as care-4.

How you can benefit

The first £243 per month* (or £55 each week) that you spend on childcare costs through care-4 will be free from both tax and National Insurance contributions. Depending on the rate at which you pay tax and National Insurance **this scheme could save you up to £1,195 per year** - if you spend £400 a month on childcare, that's the equivalent of over 12 weeks free childcare per year.

The qualifying conditions are as follows:

- you can only use the childcare vouchers to pay for childcare that has been registered or approved
- the child is
 - your child or stepchild, maintained at your expense, either in full or in part, or
 - resident with you and for whom you have parental responsibility.

A child qualifies up to 1 September after their 15th birthday (or 1st September after their 16th birthday if they have a disability).

Example of monthly savings

assuming a monthly reduction of £243 per month

Basic Rate Tax Payer Annual Earnings £20,000	Basic Rate Tax Payer Above NI Threshold Annual Earnings £37,000	Higher Rate Tax Payer Annual Earnings £45,000
Tax Saving (£243 x 22%) £53.46 per month	Tax Saving (£243 x 22%) £53.46 per month	Tax Saving (£243 x 40%) £97.20 per month
NI Saving (£243 x 11%) £26.73 per month	NI Saving (£243 x 1%) £2.43 per month	NI Saving (£243 x 1%) £2.43 per month
Total Saving £80.19 per month	Total Saving £55.89 per month	Total Saving £99.63 per month

If you reduce your salary by more than £243 per month, the additional amount will come from your net pay after tax and National Insurance contributions have been paid, so there are no extra savings, but you do have the convenience of being able to pay your carer from a single account. What's more, the savings are per employee. So if your partner works for the same employer - or another company that offers a childcare payment scheme - your family could benefit twice.

Added Value

care-4 also gives you free access to a BUPA Childcare helpline that provides advice on a wide range of child related issues such as local childcare, emergency childcare information and children's health.

As well as enjoying the tax savings of care-4, you can now search online for high quality, affordable childcare provided by registered childminders. Childcare Places is a free service and enables you to undertake a location-based search for vacancies posted by registered childminders who are members of the National Childminding Association (NCMA). Just use your care-4 account number and PIN to log on to www.childcareplaces.co.uk and search for vacancies that meet your chosen criteria.

We are aware that there are times when parents need alternative emergency care arrangements to the childcare that they normally pay for through the care-4 scheme. Whether it is for a one-off urgent meeting or for a few days when your childcarer is unavailable, due to illness or holiday, you will find a link on the care-4 site to Emergency Childcare, or alternatively you can access their website direct at www.emergencychildcare.co.uk/care-4. Through this site, you can search for nursery spaces and book places for as early as the next day, or at any time up to 3 weeks in advance. You will also be able to talk to an agent, by telephoning care-4 and selecting the Emergency Childcare helpline.

How it works

To be eligible you must:

- be a UK tax payer, who can benefit from the tax efficiencies of the scheme
- have a salary after reduction that remains above the National Minimum Wage
- use a Registered or Approved childcare provider (Nannies are only eligible if Approved).

To take part you register for a personal account with care-4, which can be organised via telephone or the care-4 website (see 'Registration' overleaf.)

To comply with tax regulations, you will need to commit to participate for an agreed period, although there is flexibility to make changes if you have a change of lifestyle.

On or around each payday the agreed amount will be paid into this account for you to use to pay your carer(s).

If you plan to use childcare only at certain times of the year, such as school holidays, you can build up a credit in your care-4 account to use at a later date. So you can still benefit from this great saving straight away.

Your childcare provider ("carer")

You can choose any carer to be paid through care-4 provided they are Registered or Approved at the time of registration.

Registered care includes:

- Registered nurseries
- Registered child minders
- After school clubs
- Play schemes (including summer holiday schemes)
- Crèches

Approved care includes:

- Nannies
- Unregistered carers

All Approved carers must be certified to confirm that they've completed the Home Approval Scheme.

Details of the Home Approval Scheme can be found on www.childcareapprovalscheme.co.uk or by telephone on 0845 767 8111. **The approval process can take up to 8 weeks and must be obtained before you can start to make savings.**

* For employees who are paid on a 4 weekly basis, the maximum tax and NI free amount is £220 per pay period.

Registration

If you're interested in taking this benefit, here are the steps that you need to follow:

1. To register for care-4



2. Once registered you will be given a personal care-4 account number and PIN. You'll need to quote both of these when authorising payments to your carer via your care-4 account.
3. Decide whether you would like to set up a schedule of payments to be paid automatically through the year, or whether you want to make ad hoc payments – or even a combination of the two. You will need to authorise for each payment to be scheduled. You may need to update any existing payment arrangements you have with your carer, such as direct debits.

Important points to note

You should think carefully about joining if you currently receive the Childcare Element of Working Tax Credits, as your entitlement may be reduced and you could be worse off as a result of taking part in this scheme. Further advice can be obtained by contacting the Tax Credits helpline on 0845 300 3900 (0845 603 2000 Northern Ireland).

Your salary after the reduction must remain above the National Minimum Wage. This rate is dependent on your age.

Any money held in care-4 accounts can only be used to pay for qualifying childcare. No cash refunds can be given.

Further Information

For further information about the care-4 scheme, please visit the care-4 website at www.care-4.co.uk, telephone care-4 on 0870 870 4114, or email info@care-4.co.uk

* This figure should be calculated before the tax and NI savings. So if you want to pay for £1000 worth of childcare in a year (even though the actual payment may differ from month to month) then that becomes the annual amount.

† not applicable for flexible benefits schemes.

Frequently Asked Questions

Is the £243 per month (£55 per week) exemption available per child?

No, the £55 per week exemption is per employee, regardless of the number of children to which your childcare costs relate. You can split the amount amongst multiple carers if it suits you to do so.

My childcare costs are more than £243 per month, can I pay the full amount through the care-4 scheme?

Yes, to make it convenient for you to pay your carer from a single source, you can opt for an amount in excess of the tax free limits. The first £243 per month will be free of tax and National Insurance contributions, whilst the remaining amount will come from your net pay after tax and National Insurance contributions have been paid.

I currently use a relative to care for my child, can I continue to do this?

Relatives do not qualify as a registered childcarer or approved childcarer unless they care for a child that they are not related to alongside the child that is their relative. In these circumstances they would need to be registered as a childminder with OFSTED to continue to be paid through the scheme.

Can I change the amount of money that I sacrifice to pay for childcare when my childcare costs change?

You can only change at the end of each agreed period of commitment, unless an approved lifestyle change occurs.

So you should take into consideration any changes likely to occur during the commitment period when you calculate the amount of salary that you want to put through the scheme, for instance, fee increases.

Can I change my nominated care provider/s?

Yes you can register new carers throughout the year. However, to avoid delays in payment to them it is recommended that you nominate all your potential carers at the outset.

Can I choose my own carer?

You have the complete freedom to choose your own childcarer. However, in line with the legislation they must be registered or approved to take advantage of this scheme.

Will taking part in the care-4 scheme have an impact on my entitlement to tax credits?

Participating in this scheme may impact upon your family's entitlement to tax credits – both Child Tax Credits and Working Tax Credits. You should think carefully about joining this scheme if you currently receive the Childcare Element of Working Tax Credits, as your entitlement will be reduced.

If, however, you only receive the basic element of Working Tax Credits there should be no disadvantage from joining.

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