

The Childcare Account Fact Sheet

The Legislation

Welcome to the childcare account, a childcare benefit scheme that enables working parents to save on their childcare costs. Childcare account enables you to authorise payments direct to your carers for all types of Registered and Approved Childcare. As a consequence of the Government's childcare strategy and with the help of childcare account, employees are now able to make tax and national insurance savings on their childcare costs.

Key Criteria

We would like you to take advantage of this benefit by agreeing to sacrifice a portion of your salary in return for childcare vouchers paid into a childcare account, to credit your childcare provider. This scheme is available for children aged 0-16 to pay for registered or approved childcare (a child qualifies up to 1st September following their 15th birthday or 1st September following their 16th birthday if the child is disabled). Please see overleaf (1), for full details of the childcare arrangements.

If you and your partner work for a Company that provides a childcare voucher programme such as the childcare account, you will both qualify for the exemption and will be able to maximise the savings on your childcare costs provided that the qualifying conditions are met.

Your full childcare costs can be paid through the childcare account scheme, this will mean:

- No tax will apply for the first £55 per week, £243 per month of your childcare costs.
- No National Insurance contributions will apply for the first £55 per week, £243 per month of your childcare costs.
- Where childcare costs exceed the above limits, Tax and National Insurance contributions will continue to be payable.

Benefits To You

This new legislation means great savings on childcare costs. The example below provides an illustration of the saving that you could make, based on the following assumptions.

- Annual childcare costs £4,500 per annum (£375 per month),
- You are contracted out of State 2nd Pension Scheme
- Tax and National Insurance contributions savings on £55 per week, (£243 per month)

Basic Rate Taxpayer Annual Earnings £20,000	Higher Rate Taxpayer Annual Earnings £40,000
Tax Savings (£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
Total Saving £80.19 per month	Total Saving £99.63 per month
Worth nearly 11 weeks free childcare per year	Worth nearly 14 weeks free childcare per year

For a personal illustration please refer to the childcare account website www.childcareaccount.co.uk

Key Features

You join the scheme by agreeing to sacrifice a portion of your basic contractual salary in return for an equivalent childcare benefit. The amount of money that you agree to sacrifice is fixed for 12 months, although there is some flexibility to amend it in the event of a significant lifestyle change (details of these will be found in the scheme rules provided by your employer).

The benefit amount is paid into your personal, secure childcare account from which you authorise payments directly to your childcare provider by a simple electronic process, using the website. Please note that you will be unable to join unless your carer is Approved or Registered.

How to join the childcare account

Call 0845 6076126, from 9 a.m. to 5 p.m. Monday to Friday or register on the website www.childcareaccount.co.uk

You must have to hand:-

- the unique employer identifier code
- your childcare provider(s) name and address including postcode
- the name(s) and date(s) of birth of your child(ren) whose care is to be paid for under the scheme

You will be sent documentation to confirm your details and a salary sacrifice letter for you to sign and confirm your childcare providers details

You will be sent a personalised childcare account card, providing confirmation of your account number and childcare provider codes to use when authorising payments in the scheme

You should advise your childcare provider(s) that you have nominated them to participate in the childcare account scheme. The childcare account will write to each nominated provider, requesting their bank details and confirmation that they qualify in line with the current childcare voucher legislation.

On or around your normal payday, your employer will pay an amount equivalent to your salary sacrifice into your childcare account. You can authorise payments to carers up to the credit balance held in your childcare account.

Qualifying Childcare (1)

There are two types of childcare that qualify for this scheme:-

- Registered childcare or Approved childcare.
- Registered childcare or Approved childcare only can be paid through the childcare account scheme. Therefore, you will only be able to participate if **one of these two requirements is met**:-

Registered Care

Registered childcare includes:

- registered childminders, nurseries and play schemes*
- out-of-hours clubs on school premises run by a school or local authority
- childcare schemes run by school governing bodies under the 'extended schools' scheme
- childcare schemes run by approved providers, for example, an out-of-school hours scheme or a provider approved under a Ministry of Defence accreditation scheme
- in England only, childcare given in the child's own home** by a person approved to care for your child or children
- in England only, childcare given in the child's own home** by a domiciliary worker or nurse from a registered agency who cares for the child or children
- in Scotland only, childcare given in the child's own home** by (or introduced through) childcare agencies, including sitter services and nanny agencies, which must be registered
- approved foster carers (the care must be for a child who is not the foster carer's foster child)

* *Childcare provided away from the child's own home is required to be registered in England and Wales for children up to and including 7 years, in Scotland for children up to age 16 and in Northern Ireland for children up to and including age 12.*

** *Childcare provided in the child's own home will not qualify if the person approved to give that childcare is a relative of the child. Relative means a parent, grandparent, aunt or uncle, brother or sister (whether by blood, half-blood, marriage or affinity), and includes step-parents.*

A registered childminder, nursery or childcare scheme is one that is registered:

- in England, by OFSTED, or the National Care Standards Commission.
- in Wales, by the National Assembly for Wales (through the Care Standards Inspectorate for Wales)

- in Scotland, by the Scottish Commission for the Regulation of Care, and
- in Northern Ireland, by a Health and Social Services Trust.

Approved Childcare

Approved childcare in England is:

- childcare approved by a body acting under the authority of the Secretary of State. Certain out of school schemes or schemes run by school governing bodies may be approved by local authorities or local education authorities
- other childcare providers who will be eligible to apply for approval in England under a new Childcare Approval Scheme, provided by Nestor Primecare Services Ltd., include:
 - childminders who are not required to register
 - nannies or au pairs

Full details of the process for the approval of the above childcarer(s) can be found on website www.childcareapprovalscheme.co.uk or by calling 0845 7678 111. Alternatively you can call or email childcare account for a fact sheet outlining the process. The scheme will provide recognised national status for individuals providing childcare in England where there is no other requirement to register.

The process for applications will:

- verify that the Carer has a childcarer qualification or has attended an induction course that is deemed appropriate.
- verify that the Carer has undergone appropriate first aid training within 3 years prior to the date of approval
- carry out an enhanced Criminal Records Bureau check including a Protection of Childrens Act list check.

Further Information

For further information about the **childcare account** scheme and on the new legislation, please visit the **childcare account** website at www.childcareaccount.co.uk, or telephone **childcare account** on **0845 6076126** Email info@childcareaccount.co.uk

Frequently Asked Questions

My childcare costs are currently more than £55 per week, can I pay the full amount through the childcare account scheme?

Yes, to enable you to make the full payment to your carer from your **childcare account**, you will be required to sacrifice the full amount from your salary. The first £243 per month sacrificed will be free of Tax and National Insurance contributions, whilst the remaining monthly sacrifice will be subject to Tax and National Insurance contributions, as it would if you were making the payment from your net pay.

Can I cancel the agreement any time?

No, membership into the scheme is fixed for a period of 12 months. You may only cancel subject to a specific lifestyle event.

Will I get a refund if I do not use all my childcare provision for the year?

No, any monies remaining at the end of the 12 months period will simply be carried forward to the following years, so you should carefully calculate the amount of childcare provision you need.

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

No, you are entitled to £55 per week per employee, regardless of the number of children to which your childcare costs relate.

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 choose my own Childcarer?

You have the complete freedom to choose your own childcarer provided that they qualify in line with the current legislation. A full list of the childcarers that qualify can be found above.

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

You can only change your elected salary sacrifice at the end of each 12-month period, unless an approved lifestyle change occurs. Therefore you should try to take into consideration any changes that might occur during the 12-month period when you calculate the amount of salary that you wish to sacrifice for the childcare account benefit.

Will participating in the childcare account scheme have an impact on my entitlement to Working Tax Credit?

You should not join 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 WTC there should be no disadvantage from joining.

Further advice can be obtained by contacting the Tax Credits helpline on 0845 300 3900. (0845 603 2000 Northern Ireland).

