

Apple Childcare Vouchers

Important Information

April 2011 tax changes

From 6th April 2011 the Government have announced changes to the childcare voucher rules. As you will be aware, childcare vouchers are currently tax and NI exempt up to £243 per month for all employees, generating valuable savings for both parents and employers.

However, from 6th April 2011 under the new rules of the scheme higher rate tax payers will only be eligible to receive £28 per week in childcare vouchers and additional rate tax payers will only be eligible to receive £22 per week, while basic rate tax payers will continue to be eligible to receive the maximum allowance of £55 per week.

The scheme currently enables higher rate tax payers the opportunity to save more than standard rate tax payers, but by introducing this change it will enable all new childcare voucher users the same level of income tax exemption of approximately £11 per week.

It is very important to understand that this change only applies to new employees joining the scheme after 6th April 2011. If you are currently an existing scheme member who joined before 5th April 2011 you will be unaffected by the change providing you stay with your current employer and maintain a continuous voucher order.

Important Information for Employers

- Employers who provide employer supported childcare (childcare vouchers through salary sacrifice or in addition to salary) will be required at the beginning of the relevant tax year to estimate the level of basic employment earnings that the new scheme members are likely to receive during that year, ignoring potential bonus and overtime payments, but including all other known taxable benefits.
- If the level of estimated earnings and taxable benefits is equal to or below the equivalent of the basic rate limit for the year (£44,875), the employee will be entitled to relief of £55 per week.
- If the level of estimated earnings and taxable benefits exceed the basic rate limited for the year (£44,875), but falls below the limit at which tax becomes payable at the additional (50%) rate limited for the year (£150,000), the employee will be entitled to relief of £28 per week.
- If the level of estimated earnings and taxable benefits exceed the equivalent of the additional (50%) rate for the year (£150,000) the employee will be entitled to relief of £22 per week.
- If an employee's basic employment earnings change during the year the employee will still continue to receive the same value of childcare vouchers as agreed at the assessment at the start of the tax year or when they started the scheme. When the next assessment is completed at the start of the next tax year the employees exempt voucher value may increase or decrease depending on the outcome of the assessment.
- If the employer gets the initial assessment wrong and the employee has received a level of relief they were not entitled to, the employer should notify HMRC of the taxable benefit using the normal procedure - a P11D.
- Employers will save more for each employee who registers before 6th April 2011. For additional marketing material please contact Apple Childcare Vouchers.
- More information can be viewed by following the link:
www.hmrc.gov.uk/employers/employersupportedchildcare.pdf



providing healthy savings on your childcare fees...

Employee and Employer Savings

	Basic Rate Tax Payers (32%)			Higher Rate Tax Payers (42%)			Additional Rate Tax Payers (52%)		
	Parents Pre 6th April 2011	Parents Post 6th April 2011	Difference	Parents Pre 6th April 2011	Parents Post 6th April 2011	Difference	Parents Pre 6th April 2011	Parents Post 6th April 2011	Difference
Weekly tax exempt amount	£55	£55	£0	£55	£28	£-27	£55	£22	£-33
Monthly tax exempt amount	£243	£243	£0	£243	£124	£-119	£243	£97	£-146
Annual tax exempt amount	£2,916	£2,916	£0	£2,916	£1,484	£1,432	£2,916	£1,166	£-1,750
Employee Savings	£904	£933	+£29	£1,196	£623	£-573	£1,334	£606	£-728
Employer Savings	£373	£402	+£29	£373	£205	£-168	£373	£161	£-212

As you can see from the figures above, it is more beneficial for employees to join the scheme before the new rules come in to force on 6th April 2011. If you know someone who is a working parent and paying a registered childcare provider but not using childcare vouchers why not recommend that they join now to ensure they are not disappointed next April, remember, you can start banking childcare vouchers before you actually need to use them.

Are you aware of the income tax band changes?

Income tax rates	2010/2011	2011/2012
Personal Allowance (under 65)	£6,475	£7,475
Income taxed at 20% on first	£37,400	£35,000
Income at 40% on	£37,401-£150,000	£35,001-£150,000
Income at 50% on	£150,001+	£150,001+
NICs	2010/2011	2011/2012
Employees' primary Class 1 rate from £110 to £844 per week	11%	12%
Employees' primary Class 1 rate above Upper Earnings Limit (£844 per week)	1%	2%
Employers' secondary Class 1 rate above Secondary Threshold (£110 per week)	12.80%	13.80%

VAT Increase

The standard rate of VAT will increase from 17.5% to 20% from 4th January 2011. Apple's invoices from this date will represent this change. Please be aware and update standing orders if applicable.

For more information please contact Apple Childcare Vouchers on

0845 602 9459

or info@applechildcarevouchers.co.uk

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