



## Childcare Provided by Employers

**In order to qualify for tax and national insurance contribution exemptions an employer's childcare scheme must be open to all employees and cover only registered or approved childcare.**

The scope of exemptions has been considerably extended in the past, with the hope of encouraging more employers to help their employees with their childcare responsibilities. An exemption for the employee does not encourage employers to give help – it only encourages employees to ask for it.

The following arrangements are now free from tax and NICs and are not counted as income for tax credit purposes:

- The first £55 a week of the cost of providing childcare vouchers
- The first £55 a week of the cost of providing childcare through a third party
- The provision of childcare in a workplace nursery which the employer is wholly or partly responsible for managing and financing

The nursery facilities can also be made available to another employer's staff who work on the premises (typically someone from another company seconded to work elsewhere).

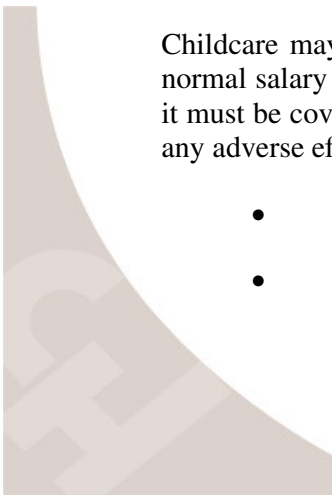
Each scheme in operation must be generally available to all employees and the childcare(r) must be registered and approved.

The £55 weekly limit applies to each individual employee. It is not affected by the number of children in the employee's family or whether one or two parents receive a childcare benefit-in-kind.

Childcare may be provided *in addition to* an employee's normal salary or *instead of part* of normal salary (known as *salary sacrifice*). For salary sacrifice to be effective for tax purposes, it must be covered by a proper contractual arrangement. In addition, there is a need to consider any adverse effects on:

- eligible childcare costs for Working Tax Credit
- entitlement to contribution-based state benefits

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**The Government has announced its intention to remove the tax and NIC exemptions for childcare vouchers, starting from April 2011, with the funding instead being allocated to providing free nursery places for two-year-olds**

