

# Childcare Vouchers Scheme Guidance

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## 1. Introduction

Childcare vouchers are a Government initiative designed to help working parents save money on their registered childcare costs by reducing the tax and National Insurance contributions (NIC) payable from gross salary. Childcare vouchers are provided by employers through a salary sacrifice arrangement.

## 2. Government Childcare Vouchers Scheme

All eligible working parents with children up to the age of 16 can take up to a specified maximum amount of their salary each month in childcare vouchers, provided their employer offers a scheme. The maximum monthly deduction depends on when the individual joined the scheme - for staff who joined before 5<sup>th</sup> April 2011 the maximum monthly deduction is £243. For staff who joined from 6<sup>th</sup> April 2011 onwards, the maximums are £243 (basic rate taxpayer), £124 (higher rate taxpayer) or £97 (additional rate taxpayer).

A 'basic earnings assessment' is carried out for those joining a scheme from 6 April 2011, to determine the maximum amount of childcare vouchers that can be taken per month.

These vouchers are free from tax and NIC's and can be used to pay for any qualifying childcare in a wide range of childcare settings. The child carer must be registered or approved. Each parent can take advantage of these exemptions if both their employers have such schemes. This can result in significant savings.

## 3. The Open University Childcare Vouchers Scheme

The Open University operates a salary sacrifice scheme through Computershare Voucher Services (CVS). The scheme applies to Open University staff (including Associate Lecturers), OUSA, Mulberry Bear Day Nursery and OUW staff.

Members of staff should contact CVS direct for information and to register onto the scheme (0845 002 1111). The Open University's employer reference number is 74923. Associate Lecturers should refer to information about the scheme on TutorHome before contacting CVS. An initial basic earnings assessment will be carried out where applicable. CVS order and distribute the vouchers and notify the Staff Payments Office so that deductions from salary can be made.

In line with HMRC requirements<sup>1</sup>, staff registered on the scheme cannot change the salary sacrifice amount on a month by month basis. The amount can only be changed in exceptional circumstances where the reason is a 'lifestyle change' that significantly alters the employee's financial circumstances. Examples include a change in marital status, a

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<sup>1</sup> HMRC guidance indicates that, in order for the tax and NIC advantages to apply, there needs to be a true sacrifice of entitlement to cash earnings. Allowing scheme members to opt in and out or change amounts at any time would not meet this requirement and so is not permissible.

change in the number of dependants, and career breaks. Members of staff should contact CVS if they require further information on what constitutes a 'lifestyle change'.

The University does not allow refunds of childcare vouchers, unless there has been an error on the part of the University or on the part of the provider. There will be no exceptions made to this rule, to ensure consistency and fairness to all members of the scheme. Similarly, the University does not allow the retrospective purchase of childcare vouchers as salary sacrifice arrangements cannot be made retrospectively. This decision is based on the HMRC rulings regarding the general principles of a salary sacrifice scheme.

It is the responsibility of the scheme member to manage their account effectively and notify any changes in a timely manner, to avoid either unnecessary salary deductions being made and/or a larger than required balance of childcare vouchers to accumulate. Childcare vouchers are electronic and do not expire, so long as they are used before the child reaches 16 years old (17 years old for disabled children).

Sacrificing part of salary for childcare vouchers may have an effect on other statutory benefits such as tax credits, statutory sick pay or statutory maternity/paternity/adoption pay. For example, where a member is not entitled to the full contractual maternity leave scheme it may be necessary to stop taking vouchers during the SMP-calculation period to ensure that SMP is not affected. General information is available in the CVS Parent Information Pack (available on their website), and further guidance on the interaction of vouchers and tax credits can be found on the HMRC website. It is the responsibility of the scheme member to look into the possible implications for such benefits as this depends on individual circumstances. This may involve seeking advice from the appropriate body (e.g. HMRC) or University department (e.g. Staff Payments or the People Hub).

Where a scheme member is due to take maternity, adoption or shared parental leave and would like their vouchers to continue, the University will pay for them during any period where the individual is in receipt of statutory pay **only** (i.e. not during any contractual pay period, where applicable), and any period of unpaid maternity, adoption or shared parental leave. Where **any** contractual pay is received (including payment for working a KIT day) this will be used first to pay for the specified childcare vouchers, with any shortfall being met by the University. Where the contractual pay is more than the voucher amount, this will be paid to the individual in the usual way. There is an expectation that scheme members will not abuse this entitlement - members of staff should only make necessary changes to their childcare voucher arrangements in line with the principles of the scheme. Staff should contact the People Hub on 01908 (5)41111 or e-mail [People-Hub@open.ac.uk](mailto:People-Hub@open.ac.uk) to discuss individual circumstances.

#### 4. Changes to Childcare Vouchers Schemes (Tax-Free Childcare)

In April 2017 the Government launched a new Tax-Free Childcare (TFC) Scheme which will gradually replace salary sacrifice schemes offered through employers. As a result, the University's Childcare Vouchers Scheme must close to new entrants by April 2018. OU staff already in the scheme at the point that it closes to new entrants may continue for as long as they are still eligible, or they may opt to switch to TFC. Parents may join one scheme only (either an employer based scheme or the TFC scheme), therefore further information to enable parents to weigh up their options is available on the [Computershare](#) website, and the HMRC website includes information on [childcare choices](#) as well as an [online calculator](#),

#### 5. Useful References

Computershare Voucher Services: <http://www.computersharevoucherservices.com>  
HM Revenue and Customs (HMRC): <http://www.hmrc.gov.uk/index.htm>