

## FAQs: April 2011 tax limit changes

### General

<p>What are childcare vouchers and how do they work?</p>	<p>Childcare voucher schemes are offered by employers and enable employees to buy vouchers from their pre-tax salary to pay for childcare. This enables parents to make income tax and national insurance (NI) savings over the year. The savings can potentially be doubled if both parents buy vouchers. Employers can also make savings on NI. <a href="#">Find out more here.</a></p>
<p>What's changing in April?</p>	<p>The Finance Bill will restrict the tax relief offered to higher-rate taxpayers. The government are limiting their tax relief to match that of basic-rate taxpayers. The good news is that the changes only apply to members joining schemes on or after 6 April.</p>

### Parents

<p>What happens if I change jobs or take a break?</p>	<p>Unfortunately, tax relief at the higher rate will only be preserved for as long as you remain in your current scheme. As soon as you start a new job and join a new scheme you'll be considered a new member and will only receive tax relief at the lower rate. If you take a break from buying vouchers, don't stop the contributions for more than 12 months, otherwise the new rules will apply to you too.</p>
<p>I earn just below the higher-rate tax threshold. What happens if I get a pay rise after April?</p>	<p>If you stay with your current employer and become a higher-rate taxpayer, the new rules will not apply to you and you'll still benefit from higher-rate tax savings.</p>
<p>My wife is expecting a baby in July 2011. Can I start buying childcare vouchers now?</p>	<p>Unfortunately, if you're expecting a baby after April 2011, you can't start buying vouchers until the baby is born. If your baby is due (and born) before 5 April, you can start ordering vouchers as soon as the baby is born. If you have recently had a child but don't expect to need childcare until after the April deadline, then you can start buying vouchers now to spend later.</p>
<p>If I work for an employer before April and I enjoy the higher tax savings as I am a higher rate tax payer, then I move to a new company after April and I start my salary as a basic rate, then move to a higher rate later on in the year - would I enjoy the higher savings as before?</p>	<p>If you join the childcare voucher scheme with your new employer as a basic rate tax payer who later on in the same tax year moves to a higher rate, you will enjoy basic rate savings for that year; you will however have your tax code re-assessed at the start of the new tax year.</p>
<p>What is the highest amount parents can purchase in vouchers?</p>	<p>The highest amount parents can purchase and enjoy tax and NI savings is £243, dependant on their tax band</p>

<p>If we are signed up on for childcare vouchers but our employer changes our childcare voucher provider, as a higher rate tax payer will I lose out?</p>	<p>When schemes are moved over they will come across as migrated and will have protected rights.</p>
<p>I am a higher rate tax payer but the company I work for is being bought out, will I still enjoy maximum savings if they continue the voucher scheme?</p>	<p>If continuous service is provided then the parent will continue to enjoy protected rights. If the takeover does not comply with TUPE law ("Transfer of Undertakings (Protection of Employment)"), or continuous service is not provided, then the parent will lose protected rights, and be subject to the limitations imposed by their tax band.</p>
<p>What is the maximum value of tax free childcare vouchers I can receive?</p>	<p>Before 6 April, and thereafter as long as they enjoy protected rights, a parent is able to claim up to £243 of childcare vouchers per month. Parents with protected rights can continue to claim £243 per month thereafter, regardless of tax band. The value that parents without protected rights can claim varies with their tax band. Basic rate taxpayers can continue to claim £243 per month. Higher rate tax payers can only claim £124 per month, and additional rate tax payers £97 per month. The value available on other scheme frequencies is similarly reduced for those in tax bands above the basic rate.</p>
<p>If I work for one employer before 6 April 2011, and enjoy higher savings as a higher rate tax payer, but then move to another employer after 6 April 2011 as a basic rate tax payer, will I continue to enjoy higher savings when I eventually move back into the higher tax band?</p>	<p>Yes, but for a limited period. Whilst at your first company, you enjoyed protected rights and as such were able to claim the maximum value of tax free vouchers. When you subsequently move companies, you will lose protected rights but, as a basic rate tax payer, are still able to claim the maximum tax free value. When you then move into a higher tax band, you will still be able to claim the maximum tax free voucher amount until your next basic earnings assessment.</p>

## Employers

<p>If a parent is a higher rate tax payer in April and May and their voucher value is calculated accordingly at the lower rate, what happens if they then drop to a lower rate due to a position change within the same company?</p>	<p>The tax rate will remain for the remainder of the current tax year.</p>
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Does the employer just do one calculation per tax year?	The employer will make an assessment at the start of the tax year.
If a basic rate parent gets promoted after they have signed up for vouchers in April and move to a higher rate tax code, will their voucher value need to change?	No, their tax code will have been authorised and will stay for the remainder of the current tax year.
Who will police any changes? The parent, the employer or Computershare Voucher Services (CVS)?	Anything tax band related will be the responsibility of the employer; CVS will only be able to put in the tax band at first contact.
Can I join the scheme now but set my first deduction date for later in the year?	You can join now but we must have an order on the system for you (don't forget the minimum deduction is £20) but you must fulfil the criteria.
If a parent is receiving vouchers already and they are a higher rate and additional rate tax payer and they change employer after April 2011, will they still get the higher amount?	No. If a parent moves employer they will join a new scheme and will receive vouchers at the lower rate depending on their tax band.
If a parent cancels their orders on their current scheme but rejoins within 12 months will they still save the higher amount?	Yes. This parent will have protected rights and will therefore still save the higher amount (but they must rejoin within the remainder of the current tax year).
If a parent with protected rights changes employer after 6 April 2011, will they still enjoy protected rights?	No. If a parent changes employer after 6 April they will lose protected rights. However, a parent can move between different schemes, as long as they are all administered by the same employer, and retain protected rights (for example, if they move between two different offices which operate separate schemes, but both offices operate under the same employer).
If a parent enjoys protected rights, but their employer changes childcare voucher provider, will they lose their protected rights?	No. If an employer changes voucher provider, the relevant parents will continue to enjoy protected rights with their new childcare voucher provider.
If a parent is a higher rate tax payer on 6 April 2011, but subsequently drops to a lower tax band, what will happen to their vouchers?	When a parent's tax band is approved by their employer, it remains valid for the next 12 months, regardless of a change in income. However, the employer does not have to wait for the 12 months to expire before changing a parent's tax band, as the employer can log in to Employer Online and change a parent's tax band at any time. Therefore, should a parent's earnings fall into a new, lower tax band, and the employer is aware of this and updates their records on Employer Online, the parent should be able to claim more tax-free vouchers on the next order.
If a parent is promoted and moves to a higher tax band, are they entitled to fewer vouchers on their next order?	No. As their tax band is valid for 12 months once approved by the employer, they will not have to reduce their voucher orders until their next basic earnings assessment. The parent may continue to claim the higher voucher value until that time.
How many times per year must the employer perform a basic earnings	The employer may carry out basic earnings assessments as often as they like, but must not allow more than 12

assessment?	months to pass between basic earnings assessments.
Who is responsible for policing parent's tax bands, to ensure that they have given the correct information to CVS and are not acting fraudulently?	The employer. As a parents tax information is not available to CVS, the employer is responsible for ensuring that parents have entered the correct tax band. Parents provide CVS with their tax bands when they sign up, but the employer is required to approve the tax band before any childcare vouchers will be provided. Once approval has occurred, CVS takes no responsibility for any consequences which arise from the provision of incorrect tax bands by the employer.
Can a parent join a scheme before 6 April, but set their first deduction date to be later in the year, in order to ensure that they get protected rights?	Yes. As long as the parent is registered with the scheme by midnight on 5 April, and the child is born before midnight on 5 April, then the parent will enjoy protected rights.  They will retain protected rights as long as they claim their first childcare vouchers within 12 months of the date they joined, and henceforth until they change employer, allow 12 months to pass between orders or are no longer eligible for childcare vouchers.
If a parent cancels their order on their current scheme before 6 April, but starts ordering again on the same scheme within 12 months, will they still enjoy protected rights?	Yes. Any parent who has claimed childcare vouchers within the last 12 months will enjoy protected rights when they continue ordering vouchers, so long as they did not change employer after 6 April. If the parent changed employer during their time without vouchers, they will not enjoy protected rights as they lost them when changing employer.
If higher rate tax payers sign up for the maximum between now and April how long will they receive the current savings for?	As long as the parent remains with the same employer and does not take a break from receiving the vouchers of more than 12 months this will continue indefinitely.
Are these changes just affecting childcare vouchers or is it across all salary sacrifice schemes?	The new HMRC regulations will only have an effect on childcare voucher schemes.
Will the minimum voucher value still be £20?	Yes, however the maximum value will be dependent on the parent tax code. We will also honour any schemes that have had a minimum voucher value set below £20.
Will the system reflect these changes?	Yes, this is currently being developed and tested ready to be implemented on the 6 April.
If a higher rate tax payer signs up in March 2011 but doesn't start receiving deductions until May do they fall under the new allowances?	No, as they have registered their interest they will fall under the old allowances and keep their protected rights.
What happens if a high rate tax payer signs up after 6 April and then has a reduction in salary to the basic rate?	They will stay on the new allowances for a higher rate tax payer until the new tax year when it will then be adjusted.
If a higher rate tax payer cancels their vouchers now and rejoins the scheme after April will they receive the old or new savings?	As long as they have received a voucher within the last 12 months they will still receive the old saving. If they have not received a voucher within the last 12 months they will restart under the new voucher allowance.

If a higher rate tax payer cancels their vouchers and rejoins under a new employer will they receive the old or new savings?	They will move onto the new voucher allowance and savings.
Will the employer know which higher rate tax payers signed up before April and which signed up after, and if so how will this be done?	Yes, the new payroll schedule will detail new, existing and amended employees along with their allowance. A parent that has joined prior to the 6 April will fall into the 'existing' category and any parents that join after this date will fall into the 'new' category. The allowances for these categories will be clearly displayed within the payroll schedule.
<i>NHS trusts</i> What if a higher rate tax payer joins the scheme before April and then moves to another NHS trust for example, do they stay on their old savings and allowance or do they move to the new ones?	As long as they are only changing schemes and not employers they will stay on the old allowance. If they are changing employers they will move onto the new allowances and savings.
If a higher rate tax payer signs up before April at £50 can they increase this and still stay on the same allowance and savings?	Yes, they will still be entitled to the old allowances and savings.
If a parent is a basic rate tax payer and has a pay increase in May and becomes a higher rate tax payer will they stay on the old allowance and savings?	Yes, as long as they were registered prior to the 6 April they will still be entitled to the old allowance
Will these changes have an impact on the employer's services charge?	Service charge is a percentage of the voucher value; therefore as the voucher value changes so will the service charge.
If a company changes from one voucher provider over to Computershare Voucher Services after April will their higher rate tax payers be moved over to the new allowance?	Parents who are already registered with the scheme will retain their protected rights. Any parent joining the scheme after the 6 April will be signed up under the new allowances.

If you have any further questions please contact your Account Management team or the Customer Services team on:

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