

# FACT SHEET

## FINANCIAL ASSISTANCE – Employers Direct Contract With A Childcare Provider

### Description:

A way to support working parents with childcare costs involving a direct contract with a childcare provider for a childcare place/part place and providing that place as a benefit in kind to employees. The childcare support can be offered as a benefit-in-kind on top of existing pay; as part of a flexible benefits package or as part of a salary sacrifice scheme.

### Benefits:

- Financial  
National Insurance Contributions saving on first £50 a week/£217 per month of vouchers, around £300 per annum per employee.  
Tax and National Insurance Contributions savings for your employees, each employed parent may claim the exemption
- Improved recruitment and retention of staff
- Improved morale and increased motivation of staff
- Reduced levels of absenteeism

### Conditions:

You have to make the scheme available to all employees at the site.

The scheme is not available to unemployed or self-employed parents.

Children are eligible for childcare support to the 1<sup>st</sup> September following their 15<sup>th</sup> birthday, or 16<sup>th</sup> birthday if they are disabled.

There is no limit on the amount of childcare support you can give employees but only the first £50 per week qualifies for exemptions on tax and National Insurance Contributions. However if an employee is receiving childcare support as part of a Salary Sacrifice scheme their hourly rate must not fall below the National Minimum Wage.

To qualify for exemption on tax and National Insurance Contribution's the childcare provider must be registered or approved.

### Requirements necessary to qualify for tax and National Insurance Contributions exemptions

Requirement	Record of Evidence
The childcare is eligible – the provider must be registered or approved.	Details of childcarer including registration or approval numbers.
The child is eligible – the employee is the parent of the child or has parental responsibility for a child. The child is within the qualifying age.	Employee declaration.  Record of child's date of birth, indicating where appropriate, if the child is disabled.

The scheme is generally available to all employees	Materials used to publicise the scheme, for example staff handbook.
In case of a Salary Sacrifice the following requirements are also necessary	
The employees contract of employment has been amended to entitle the employee to a reduced cash salary and a benefit.	Contract amended.
The contract amendment has taken place.	Payslip.
A benefit has been provided.	A letter of agreement/contract between the employer/childcare provider stating employer is purchasing a place/part place from the provider and will be supplying it to their employee as a benefit in kind.

### How Cartwheels can help with setting up a Direct Contract

We can talk to you about setting up a contract with Cartwheels to provide childcare for your employees just phone Joan Barnes at Cartwheels Children's Centre on 01440 710655 – it could not be simpler!

Useful Contacts: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### Disclaimer

Cartwheels Children's Centres have provided the information contained in this Fact Sheet in good faith. We would advise you that we do not accept any liability for consequential effects caused by any action you may take as a result of the information contained in this Fact Sheet.