

Child care vouchers help well-off more [GB] ^[1]

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EXCERPTS

Subsidies designed to help families with children will benefit well-off professionals more than those in poorer sections of society, economists looking at new child care vouchers have warned.

Parents in the top tax band stand to gain up to £200 more a year from a new tax-exemption scheme that is designed to make child care including nursery places, childminders and live-in nannies more affordable.

The scheme, which is due to start on April 1, allows parents to get £50 a week in vouchers from their employers, exempt from income tax and national insurance.

The Child Care Trust, a group that campaigns for better child care, estimated that while low income families would be able to save about £800 a year, people in the top 40 per cent tax band would be able to make savings of £1,000. Because the vouchers are paid out per employee rather than per child, families that have two working parents stand to benefit the most.

But despite the attractiveness of the new scheme to wealthy professionals, a survey by the Corporation of London, the City of London's local government, found that 86 per cent of parents and 45 per cent of businesses were not aware of the new exemptions. The corporation also found that the government initiatives had prompted only one in five City employers to implement new child care schemes.

The Inland Revenue said the government had offered several measures to support families, including tax credits and child trust funds. "It would be completely incorrect to isolate one measure of support as being more supportive of one section of society over another. They all work together to provide a targeted high level of support, ensuring those on the lowest incomes benefit most from these child-friendly measures, which are integral to wiping out child poverty."

- reprinted from the Financial Times

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