

## **MOD SALARY SACRIFICE**

### **ARMED FORCES CHILDCARE VOUCHER SCHEME**

#### **THE FACTS – ISSUE 3**

##### **What are Childcare Vouchers?**

Childcare vouchers are a way to help you pay for your childcare costs.

##### **Can I use the vouchers for all my childcare costs?**

The vouchers can be used to pay (or part pay) for childcare costs from an approved or registered childcare provider.

##### **Up to what age?**

You can continue to apply for vouchers until the 1st September following your Child's 15<sup>th</sup> birthday or 16<sup>th</sup> birthday if your child is registered disabled.

##### **Can both serving parents get Childcare Vouchers from the MOD?**

Yes, both parents will be eligible for the MOD scheme up to the maximum limit if both have parental and financial responsibility for the children. The limit is per person and not per child.

##### **What is this scheme?**

This is known as a 'salary sacrifice scheme' whereby you 'sacrifice' part of your salary in exchange for childcare vouchers. You still receive the same value of salary just in a different way. At the end of each month you will receive less cash but will receive a non-cash benefit, namely childcare vouchers.

##### **How does this help me?**

Since you only pay tax and National Insurance Contributions (NIC) on your reduced salary, you will make some savings. This can be anything up to £100 per month depending on the amount you have chosen to sacrifice and the rate at which you are taxed.

##### **So I can benefit?**

Yes, although it is dependent on your personal circumstances, generally if any of the following apply to you it is worth considering childcare vouchers:

- If you have childcare costs of more than £175 per week if you have one child; or £300 per week for two or more children. In this case it is worth considering childcare vouchers to cover the cost of childcare above these thresholds.
- You are receiving credits below £545 per year (or £1090 if you have a baby under the age of one) and are claiming for your childcare.
- You are a higher rate taxpayer.

### **Are there any drawbacks?**

Yes, there are a number of potential drawbacks that you must consider. Salary sacrifice means you will have a lower gross take home pay and this could have an impact if you are receiving any other benefits (such as tax credits or earnings-related benefits) or gross pay calculations (such as maximum mortgage loans). Before deciding on this scheme you should carefully consider your own situation and seek additional information or ultimately independent financial advice. *Further information can be found on the HMRC website: <http://www.hmrc.gov.uk/childcare/index.htm>*

- **Tax Credits.** Some people on lower salaries will be better off not using childcare vouchers. Generally if you receive more than £545 per year (or £1090 per year if you have a baby under the age of one) in childcare costs through tax credit then a childcare voucher scheme may **not** be the best option. *If you are not claiming tax credits for childcare costs you should consider doing so now, particularly if you are on a relatively low salary.*
- **Pension.** The new Armed Forces Pension Scheme (AFPS05) is based on gross pay calculation. However, the MOD has agreed that AFPS05 pension calculations will discount any salary sacrifice (i.e the pension will assume you were still receiving all the salary in cash). Members of AFPS75 with a salary sacrifice agreement will also not be affected because the scheme uses representative final salaries.
- **Contribution and earning –related benefits.** The amount you may be eligible for in contribution-based benefits such as Jobseekers' Allowance and Incapacity Benefit could be affected by a salary sacrifice agreement. These benefits are calculated according to the level of NIC you pay. Earnings-related benefits such as Statutory Maternity Pay (SMP) and the State Second Pension (if you are contracted out of the Armed Forces Pension Scheme) are based on your income and do not count the amount received in childcare vouchers as income, therefore reducing the rate of these benefits.

### **Who is eligible for the scheme?**

The scheme is open to all members of the UK Armed Forces. This includes all regular Service Personnel, MPGS and those members of the Reserves who are mobilised on Full Time Reserve Service (FTRS) or on permanent staff engagements and all other members of the Reserve Forces. The Service person must have or be expecting to have some cash salary paid by the MOD that they can elect to reduce in favour of childcare vouchers<sup>1</sup>.

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<sup>1</sup> Any Service person who ceases to receive a salary from the MOD on retirement, resignation or discharge will cease to be eligible for the scheme. This will not affect any remaining vouchers/credit but the existing salary sacrifice agreement will cease from the last month for which any salary is due.

### **Where can I get information on the scheme?**

Just call or e-mail the Contractor, Sodexo Pass, Customer Care Team on Freephone: 0800 066 5075<sup>2</sup> or [afcvs@sodexhopass.co.uk](mailto:afcvs@sodexhopass.co.uk). They will be able to provide advice and guidance for you and your family. Further information can also be found on their website: [www.modchildcare.co.uk](http://www.modchildcare.co.uk)

### **Will I need to contact JPA?**

No, the Contractor will liaise with JPA. All you have to do is ensure that the scheme is right for you, fill out the application form and send the signed form back to Sodexo Pass. They will do the rest.

### **When do I get the vouchers?**

Each month you will receive a reduced salary and childcare vouchers for the nominated part of your salary. The childcare vouchers (paper or e-vouchers) will be available within 5 working days of your salary payment. They will be delivered to you by post<sup>3</sup> or as an electronic transfer between the Contractor and your chosen Childcare provider.

### **Where can I use the vouchers?**

You can use the vouchers in lieu of cash to pay for registered and/or approved day care such as:

- Nurseries and play schemes
- Registered/approved childminders
- Private tuition that is extra to normal compulsory education
- Childcare schemes run by school governing bodies under the extended school scheme.
- The element of boarding school that is not included in compulsory education. The school bill must clearly separate the element of fees for boarding and after school care from the element of fees for compulsory education, for which childcare vouchers cannot be used.
- Childcare schemes on school premises run by a local authority
- A nanny looking after the child or children at home
- Childcare away from the Child's home by a person approved to care for the child or children aged 8 or over

### **What if childcare is provided in my own home or by a relative?**

Childcare that is provided in your child's own home will not qualify if the person approved to give that care is a relative, even if that person is registered or approved. This will also apply when childcare is provided away from the home and the person approved to give care is related to the child and that person does not look after unrelated children.

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<sup>2</sup> If you are calling from overseas please use the following telephone numbers: Cyprus (800 92421) ; Canada (1 8669 230125) ; Germany (0800 180 8980) and for all other countries use (+44 1276 418880)

<sup>3</sup> Childcare vouchers sent by post overseas will take longer to reach you – you may consider e-vouchers to be a better option for you. Contact Sodexo Customer Service Team for further information.

### **What if I am deployed overseas, can I still get childcare vouchers?**

You will still be able to use the scheme overseas as long as your childcare provider is approved and registered through British Forces Early Years Service (BFEYS) or SSAFA-FH.

### **What if I no longer need childcare vouchers?**

All you need to do is return the unused vouchers to Sodexo Pass. They will refund the cost of the vouchers subject to the relevant tax and National Insurance deductions. *However, you must bear in mind that the refund of vouchers on top of your monthly salary could take you over to the higher tax bracket which could result in you paying more tax than usual<sup>4</sup>.*

### **Will I still be able to receive childcare vouchers while on Statutory Maternity Pay (SMP)?**

SMP/SAP (Statutory Adoption Pay) is based upon your earnings and is assessed on your actual cash salary paid between the 23<sup>rd</sup> and 15<sup>th</sup> weeks before the expected week of birth or placement. If you take childcare vouchers when your SMP/SAP is being calculated then your SMP/SAP may be affected. You may choose to come off the scheme during the period in which your SMP/SAP is being calculated and then rejoin the scheme afterwards. This would mean leaving the scheme by the 23<sup>rd</sup> week before the expected week of birth or placement. You are entitled to rejoin the scheme after the 15<sup>th</sup> week before the expected week of birth or placement. If you are taking childcare vouchers at the point at which you go on maternity/adoption leave and in receipt of contractual SMP/SAP, then your entitlement to childcare vouchers through the salary sacrifice scheme will continue at the same level. Your vouchers will be provided and paid for by the MOD until the end of additional maternity/adoption leave (AML/AAL).

If you are not eligible for contractual SMP/SAP, your vouchers will continue to be provided and paid for by the MOD during your maternity/adoption leave – up to 52 weeks. The entitlement to receive vouchers as a non cash benefit during statutory maternity/adoption leave only applies to mothers/parents whose babies are due / placed on or after 5<sup>th</sup> October 2008.

*Please Note:*

- a. *The MOD is liable for the amount of vouchers that someone has been taking **before** going on SMP/SAP. Therefore you cannot increase the amount of childcare vouchers whilst on SMP/SAP (except when you are on contractual maternity pay or if only entitled to SMP before they go on statutory maternity leave). You can decrease the amount of childcare vouchers you receive at any time.*
- b. *You will not be entitled to a refund for any vouchers funded by the MOD during your maternity/adoption leave.*

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<sup>4</sup> Change in legislation and entitlement October 2008