



# Armed Forces Childcare Voucher Scheme



## THE FACTS

### What is it?

A salary sacrifice scheme is a contract variation between an employer and employee in which the employee receives a reduced cash salary in return for a form of non cash benefit provided by the employer. In the case of the Armed Forces Childcare Voucher Scheme you get childcare vouchers instead of cash as part of your total salary and you can use the vouchers to pay or part pay for registered childcare.

### Who is eligible for the scheme?

The Armed Forces Childcare Voucher Scheme will be 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.

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.

### How does it work?

A Service person who is a parent<sup>1</sup> can elect to receive between £30 and £243 per month in childcare vouchers instead of cash from the MOD. Since scheme members only pay tax and National Insurance Contributions (NIC) on the reduced salary, they will make some tax/NIC savings; in effect, the childcare vouchers are tax/NIC exempt. The upper limit of £243 is set by HM Revenue and Customs and is per person in the scheme, not per child.

The vouchers can be used to pay (or part pay) for childcare costs from a regulated (formally registered) childcare provider. It is important for scheme members to remember that at the end of each month they will receive less cash salary since part of the total salary will be in the form of childcare vouchers. The Armed Forces scheme can only be accessed through the MOD-contracted scheme provider, Sodexo Pass Ltd.

### How and when are vouchers issued?

Each month scheme members will receive their cash salary from the MOD under exactly the same arrangements and at the same time as they would do if not in the scheme. The childcare vouchers or electronic voucher credits will be available from

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<sup>1</sup> Throughout this factsheet for "parent" read "legal guardian" if this applies

the scheme provider within 5 working days of salary payment. They will be delivered to scheme members as agreed when joining the scheme, either by post for paper vouchers or as an electronic transfer between the scheme provider and scheme member. The MOD is not involved in the issuing of vouchers; that is the responsibility of Sodexo Pass as the scheme provider.

What are the benefits?

The main benefit is the tax/NIC savings made from a reduced cash salary, but the actual amount saved will vary according to personal circumstances. Income, number of dependants, childcare costs and whether in receipt of any tax credits will all affect what might be saved, but a typical standard rate taxpayer could save up to £962 per year whilst higher rate taxpayers could save over £1100 per year.

		Annual savings based on monthly childcare costs of:				
		£50	£100	£150	£200	£243
Annual Salary	£40k +	£246	£492	£738	£984	£1,196
	£10k - £33k	£198	£396	£594	£792	£962

Can I benefit?

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

- 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 tax 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?

There are a number of potential drawbacks that you need to consider. Salary sacrifice means you have lower gross pay so you must review what impact this will have on any other benefits (such as tax credits or earnings-related benefits) or gross pay calculations (such as maximum mortgage loans). Since individual circumstances vary a great deal it is not possible to offer completely specific advice and you will have to carefully consider your own situation and seek additional information or ultimately independent financial advice. In particular you should note:

- **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 credits 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 a 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 earnings-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 the State Second Pension (if you are contacted 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.
- **Statutory Maternity Pay (SMP).** SMP is based on earnings and is assessed on the basis of actual cash salary being paid between the 23<sup>rd</sup> and 15<sup>th</sup> weeks before the expected week of birth. If a pregnant Servicewoman is a scheme member during that period, her SMP will be calculated on the lower level of pay. This is normal practice for salary sacrifice schemes. Therefore, pregnant Servicewomen **must** withdraw from the scheme by the 23<sup>rd</sup> week before the expected week of birth in order to be assessed for, and eventually receive, the full rate of maternity pay. Withdrawal of membership of the scheme cannot be backdated so it is essential that this action is taken by any pregnant Servicewoman who is a member of the scheme.

When will the MOD Childcare Voucher Scheme be available?

The scheme will be available from 10<sup>th</sup> December 2007 through Sodexo Pass Ltd, the contracted scheme provider.

How do I apply?

You apply directly to Sodexo Pass for an Information pack and/or application pack. If you decide to join the scheme you will then complete an application form deciding the amount of salary sacrifice you wish to be used for childcare vouchers and return the signed application form to the scheme provider.

On receipt of the application Sodexo Pass will check that it is completed correctly. This includes personal details, a statement that you have an eligible child (a child for which you have parental and financial responsibility, until 1<sup>st</sup> September following the Child's 15<sup>th</sup> birthday or 16<sup>th</sup> birthday if disabled) and certifying that you wish to change your remuneration to a combination of a reduced cash salary and childcare vouchers. Sodexo Pass will send a complete list of scheme members to the MOD Service Personnel and Veterans Agency each month so that salary sacrifices can be implemented.

Where can I use the vouchers?

You can use the vouchers in lieu of cash to pay for regulated childcare such as:

- Nurseries and play schemes
- Registered childminders
- Out of school clubs (either after school or during the school holidays)
- Childcare schemes on school premises run by a local authority
- Nannies looking after the child at home
- Childcare away from the child's home by a person approved to care for the child or children aged 8 or over

Childcare provided in the child's own home will not qualify if the childcare provider is a relative of the child, even if that person is registered. This will also apply when childcare is provided away from the child's home and the childcare provider is related to the child and does not look after unrelated children. If in doubt you should check that the childcare you are using or intend using is regulated and will be permissible before applying to join the Armed Forces Childcare Voucher Scheme.

Where will I go for that advice or other information on the scheme?

Sodexo Pass will provide comprehensive information packs, online information and will run a helpdesk to provide advice and guidance for you and your family. This will also be accessible to any administrative and welfare support staff and the chain of command who may be supporting Service personnel and their families. You will be able to contact the helpdesk by email, phone and in writing. It should not matter where you are based given these different options for accessing information and advice, or for others to do it on your behalf.

The relevant contact details prior to the launch of the scheme on 10<sup>th</sup> December will be through a dedicated email address and will be for pre-registration only. To pre-register for an information and application pack you can use the following email: [AFCVS@sodexhopass.co.uk](mailto:AFCVS@sodexhopass.co.uk). Alternatively you can write to:

Armed Forces Childcare Voucher Scheme  
Sodexo Pass Ltd  
5 Albany Court  
Albany Business Park  
Frimley Road  
Camberley  
GU16 7QR

Packs will be issued as soon as they are ready, including during the pre-launch period where possible. Before the scheme goes live on the 10<sup>th</sup> December Sodexo Pass will confirm the further contact details for the helpdesk, including international 'freephone' numbers and a specific Internet website address for the Armed Forces Childcare Voucher Scheme.

Will I need to contact my HR staff or use JPA?

No. All you have to do is ensure that the scheme is right for you, fill out the application form and send the correctly completed form back to Sodexo Pass. They will do the rest, including confirming your scheme membership. The following month from your registration, your payslip will show that your salary has been reduced in favour of childcare vouchers.

Can I backdate my application for childcare vouchers?

No. You apply to change the balance of your remuneration to a combination of cash and childcare vouchers when you become a scheme member. You cannot change your balance of remuneration in the past; you have already been paid (in cash). This is a basic aspect of how salary sacrifice works.

Can I return unused vouchers?

No, this will not be possible as the vouchers are issued in lieu of cash salary and represent part of your total remuneration. You will need to plan in advance for how many childcare vouchers you elect to receive. You cannot sell them on or give them to others; they can only be used for regulated childcare for your eligible children. It is essential that you plan this carefully.

Exceptional cases may be made, supported by and staffed through the normal Service administrative chain and with advice from Sodexo Pass, but in general this will only take into account compelling compassionate reasons. ***Leaving the scheme on ceasing MOD employment will not be sufficient reason for the return of unused childcare vouchers.***

Can MOD Service Personnel who are grandparents or other relatives of children apply for the vouchers?

No. Vouchers must be for an eligible child of the scheme member. This is a child for whom the Service person has parental and financial responsibility, until 1<sup>st</sup> September following the child's 15<sup>th</sup> birthday (or 16<sup>th</sup> birthday if disabled).

Can I sell the vouchers to someone else to use?

No. This is fraud and you would be breaking the law. You can only use your childcare vouchers for your own child or children and you will have signed a declaration (as part of the application form) that you understand this.

What if I am stationed overseas, can I still get childcare vouchers?

You will still be able to use the scheme overseas as long as the childcare provider you use is regulated. The MOD has accredited two bodies to regulate childcare overseas: British Forces Early Years Service (BFEYS) and SSAFA-Forces Help.

Can both parents join the Armed Forces Childcare Voucher Scheme?

Yes, if both parents are Service personnel. Any employee can join a childcare voucher scheme if their employer has introduced such a scheme. If both parents are Service personnel then both can use the Armed Forces scheme; or if one parent is employed elsewhere that employer may have a scheme. At this point not all employers offer a childcare voucher scheme but many of the biggest do and others are considering doing so; it is worth asking.