



Salary Sacrifice Childcare E-Voucher Scheme Employee's Guidance

The Northern Ireland Civil Service and the Northern Ireland Office, in conjunction with Employers For Childcare Vouchers Ltd, will shortly introduce a scheme whereby you can sacrifice, or give up, part of your salary in return for childcare vouchers.

Childcare vouchers may save you money, through tax and national insurance contribution exemptions.

The following information is provided in a question and answer format, and explains all the issues you need to consider before opting into a salary sacrifice childcare voucher scheme. **PLEASE NOTE THAT THE SCHEME IS NOT YET OPEN AND THE FORMS REFERRED TO IN THIS GUIDE ARE NOT YET AVAILABLE.**

If you have a specific query about how the salary sacrifice scheme will operate or how it may affect your personal circumstances you should contact Employers for Childcare – their contact details are set out below.

Employers For Childcare
137a Hillsborough Old Road
Lisburn
BT27 5QE

Freephone: 0800 028 3008
E-mail: info@employersforchildcare.org
Web: www.employersforchildcare.org

You may also wish to contact the HM Revenue & Customs (HMRC) for advice and information. Details are contained on their web site at the following address www.hmrc.gov.uk/childcare

NEITHER HRCONNECT NOR YOUR DEPARTMENTAL PAYROLL BRANCH WILL BE ABLE TO ANSWER QUERIES ABOUT PAY, TAX OR NATIONAL INSURANCE CONTRIBUTIONS AT THE PRESENT TIME.

Commonly Asked Questions

Q1: What are childcare vouchers?

A: Childcare vouchers are a legitimate method of paying for registered childcare. Vouchers, up to a value of £55 per week, or £243 per month, are exempt from Tax and National Insurance Contributions (NIC) and therefore offer potential savings for working parents who use them to pay for registered childcare.

Q2: What does the term 'salary sacrifice' mean?

A: A 'salary sacrifice' happens when an employee gives up the right to receive part of their cash element of pay due under his or her contract of employment.

Under the childcare voucher scheme employees may 'sacrifice' part of their pay in exchange for childcare vouchers, with the potential to save money on Tax and National Insurance Contributions.

Q3: What are 'Employers For Childcare E-vouchers'?

A: Employers For Childcare E-vouchers is an on-line virtual childcare voucher system whereby employees have an account holding their childcare voucher amount. They then instruct Employers For Childcare Vouchers to transfer payments to their chosen childcare provider, a similar practice to on-line banking.

Q4: Can I receive childcare vouchers for any child?

A: In order to benefit from the scheme you must

1. be the *parent or legal guardian of the child(ren), and
2. use registered childcare for your child(ren).

A child qualifies up to 1 September following their 15th birthday or 1 September following their 16th birthday if he or she is disabled.

*Parental responsibility:

- A child of the employee maintained at the employee's expense, or
- Is resident with the employee. Or
- Is a child in respect of whom the employee has all the rights, duties, powers, responsibility and authority, which by law a parent of a child has in relation to the child and the child's property

Q5: Am I restricted to the type of childcare I choose by using childcare vouchers?

A: Employers For Childcare vouchers can be used to pay for all registered childcare including registered childminders, day nurseries, crèches and play-groups, after-school and breakfast clubs, holiday schemes and workplace nurseries.

Childcare vouchers can also be used to pay for more than one form of childcare.

Q6: Will my childcare provider accept vouchers as payment?

A: It is your responsibility to contact your childcare provider(s) and ask if they are prepared to accept vouchers. Many childcare providers already accept Employers for Childcare vouchers. If your childcare provider doesn't you will have to ask them if they are willing to do so and they will have to complete a Childcare Provider Agreement Form. Please note that this form is not available at present.

If your childcare provider has any doubts about the scheme they can contact Employers For Childcare Vouchers directly on 0800 028 3008. Employers For Childcare Vouchers can explain how childcare vouchers work, for example how and when payments are made.

Note: If your childcare provider already accepts Employers For Childcare vouchers there is no need for them to complete another Childcare Provider Agreement form as their bank details will already be held.

Q7: Is there a limit to the amount of vouchers I can purchase?

A: The maximum you will be able to purchase is £243 (if you are paid monthly) or £55 per week (if you are paid weekly). This limit is per employee, not per child, therefore both parents could purchase childcare vouchers and potentially make a double saving.

You will not be able to purchase vouchers if your gross salary falls below the National Minimum Wage of £5.73 per hour or the NIC Earnings Threshold which is currently £453 (if you are paid monthly) or £90 (if you are paid weekly) (2008/09 rates).

Q8: How much could I save under the scheme?

A: The level of financial savings will depend on your salary and the National Insurance Contribution (NIC) rates you pay:

If your salary is under *£34,600 you pay 20% tax (Basic rate)

If your earnings are above *£34,600 you pay 40% tax (Higher rate)

You can contact HMRC directly for further information.

Example of Potential Savings:

A parent decides to sacrifice the following amount in exchange for childcare vouchers	31% 20% Tax & 11% NIC	29.4% 20% Tax & 9.4% NIC	41% 40% Tax & 1% NIC
£55 per week	£17.05 per week	£16.17 per week	£22.55 per week
£243 per month (£55 pw equivalent)	£75.33 per month	£71.44 per month	£99.63 per month

***these figures are current for the Tax year 2008-09, but are subject to HMRC changes**

Q9: Am I able to return any unused vouchers?

A: Yes. HMRC have advised that the voucher amount can only be returned in exceptional circumstances and in these cases refunds can be given. You will receive your refund through your pay and Tax and National Insurance contributions will be deducted from it. The only exceptional circumstances which will be accepted are:

- Redundancy or loss of job
- Death of child; and

- Refusal of childcare provider (who previously accepted vouchers) to accept them in the future and where you choose to remain with the childcare provider
- You change your childcare provider and your new provider is not prepared to accept the vouchers.

You should therefore think carefully about the amount of vouchers that you will require each month before joining the scheme and placing your initial order. If you need to do so, you can apply for a refund of unused vouchers by completing a Reimbursement Request form (not available at present).

Q10: What if I change my childcare provider and have an unused amount in credit?

A: You will need to check if your new childcare provider is happy to accept Employers For Childcare vouchers. If they are but are not already registered with Employers For Childcare Vouchers you will have to get them to complete a Childcare Provider Agreement Form (not available at present). If your new childcare provider already accepts Employers For Childcare vouchers they do not need to complete this form. You will need to notify Employers For Childcare Vouchers of the change by completing and returning a Parent's Change of Details Form (not available at present).

Note: If your new childcare provider is not prepared to accept vouchers you can apply for a refund – see the section above "Am I able to return unused vouchers?"

Q11: When the scheme is opened how will I join it?

A: When the scheme is opened you will join the scheme by completing 2 forms - the Agreement to Vary Terms and Conditions of Employment – Opting In form and the Parent Registration form (both not available at present). Full details are given in the section below 'Step By Step Guide to Joining the Scheme and using Childcare Vouchers'.

Q12: How long will my membership of the scheme last?

A: Your membership of the scheme will continue until you decide to terminate it. When you wish to opt out of the scheme you need to give 1 months advance written notice by completing an Agreement to Vary Terms and Conditions of Employment - Opting out form (not available at present).

Q13: How do I let HRConnect know the value of vouchers I require each month/week?

A: The Agreement to Vary Terms & Conditions of Employment - Opting In Form will inform HRConnect of the amount of salary you will wish to sacrifice each month/week in exchange for childcare vouchers. The value of the vouchers will remain the same each month/week.

Q14: What if I need to change the value of childcare vouchers I receive?

A: You will have to give 1 month's notice of your intention to change by completing a new Agreement to Vary Terms & Conditions of Employment - Opting In Form. (not available at present).

Q15: Will my pension be affected?

A: State Pensions

The basic state pension is calculated on the number of years NICs are paid, not the amount, therefore as long as contributions do not fall below the minimum amount (LEL) while buying childcare vouchers, the state pension will not be affected.

An individual's State Second Pension/Additional State Pension may be affected as the amount of national insurance contributions will be reduced. However if an individual only sacrifices pay for a short period their contribution history will only be affected for that period, so the effect on their pension benefit entitlement will be minimal.

NICS Occupational Pension Scheme

The NICS Occupational Pension Scheme, the Principal Civil Service Pensions Scheme (Northern Ireland) [PCSPS (NI)] bases the calculation of benefits on the pensionable pay before reduction for salary sacrifice and therefore there will be no negative impact on an employee's pension arising out of the decision to make a salary sacrifice for childcare vouchers.

Q16: Will my tax credits be affected?

A: Tax credits help families on low to middle incomes. There are two tax credits:

Child Tax Credit (CTC) is for people who are responsible for at least one child or qualifying young persons. 9 out of 10 families are eligible for this support.

Working Tax Credit (WTC) is for people who are employed or self-employed who usually work 16 hours or more a week. The childcare element provides help of up to 80% of qualifying childcare costs up to £175 per week for one child or £300 per week for two or more children.

Childcare Vouchers can affect entitlements to tax credits; because childcare vouchers are not counted as income for tax credit purposes. They can be affected in two ways:

- your income for tax credits purposes will be reduced by the amount of pay you have given up in return for the benefit;
- your eligible childcare costs for tax credit purposes will reduce as it must only include costs you pay yourself – the amount you pay through childcare vouchers is not included

If you do not know if you would benefit from childcare vouchers you can compare your current tax credit award with the tax and NICs savings with vouchers, following the steps below.

Step 1

Check your current tax credit entitlement (this is based on your family income and qualifying childcare costs before participating in the scheme) **TIP:** the HMRC Tax Credit calculator works out entitlement from the date of the enquiry to the next 5 April.

Step 2

Check your tax credit entitlement based on what your **lower** family income will be (your original pay less the amount of cash you have given up in return for childcare vouchers). This calculation should also use your **lower** childcare costs (your qualifying childcare costs less the amount met by vouchers).

Step 3

Calculate your tax and NICs saving on taking the childcare vouchers instead of cash pay

Step 4

If the award from Step 2 plus the savings calculated in Step 3 is greater than the award from Step 1, you will benefit from the childcare voucher scheme.

HMRC Tax Credit Telephone Helpline: 0845 603 2000

Or further information can be found at

www.hmrc.gov.uk/childcare/interaction-tc-cv.htm

Employers For Childcare can provide basic advice on tax credits.

Phone 0800 028 3008

Q17: Will entering the scheme affect Sick Pay or Maternity Pay?

A: Possibly, however any potential negative impact can be avoided.

Sick Pay

If you are participating in the scheme and go onto half pay, pension rate of pay or statutory sick pay, receiving vouchers may reduce your salary below the National Insurance Lower Earnings Limit and deductions can not be made for childcare vouchers in these circumstances. Therefore if you go onto minimum statutory sick pay it is advisable that you opt out of the scheme as no deductions will be made for the vouchers when the payroll is processed. This should not normally be an issue for short term sick leave but is something you should be aware of for longer term sick leave.

Maternity Pay

If you are entitled to contractual maternity pay, no action is necessary as the vouchers will not affect it

If you are not entitled to contractual maternity pay you should consider opting out of the scheme 23 weeks before the baby is due to be born however you may opt in again 15 weeks before the expected week of confinement.

You should note that if you do not opt out of the scheme 23 weeks before the baby is due to be born your statutory maternity pay could be reduced.

Q18: How do I use the Employers For Childcare E-voucher system?

A: When the scheme is opened you will be able to get all the necessary forms from Employers for Childcare. Completed forms will have to be sent to Employers For Childcare Vouchers who will register your details and issue you with a User Name, Password and PIN.

Q19: What if I forget my password?

A: Along with your logon details you will be issued with a business card which you can use to record your details. If you forget your password you can phone Employers For Childcare Vouchers who will issue you with another one.

Q20: When will my account be credited?

A: If you are paid monthly, HRConnect will endeavour to have the payment with Employers For Childcare in order that your account will be credited by payday

each month. If you are paid weekly, your pay will be adjusted each week and money will be credited to your account by pay day each week.

Q21: How will I make payments to my childcare provider?

A: As soon as HRConnect has forwarded payment to Employers For Childcare Vouchers, your account will be credited and you can then use this amount as full or part payment of your childcare costs.

When you are ready to pay your childcare provider you will logon and instruct Employers For Childcare Vouchers to issue payment, as full or part payment of your childcare costs, to your chosen childcare provider. Payment will be in the provider's account within 3 banking days.

Q22: What if I don't have access to the internet?

A: An automated telephone service is also available whereby you can access your balance and instruct Employers For Childcare Vouchers to transfer payments to your childcare provider.

Advantages to parents using e-vouchers

- Simple and easy to use
- 24/7 online and telephone access to account information
- Easy tracking of transactions
- Multi-childcare provider options
- Fast payments
- Not subject to variations on postal service, or loss
- A Standing Order facility so you don't have to log on each time you want to make a payment.

Additional Features

- You can set up reminders to remind you to make payment to your childcare provider or remind you of special dates/occasions
- Frequently Asked Questions
- You can send a message to Employers For Childcare Vouchers
- You can view existing childcare in your area and access practical advice on Childcare Solutions by linking to the Employers For Childcare website

Q23: Is there a time limit for using my account?

A: Your voucher account will remain valid for up to 12 months from the date of the last deposit transaction.

This section sets how you can join the scheme – please remember that the scheme is not yet operational and the forms referred to are not available

Step by Step Guide to Joining the Scheme & Using Childcare Vouchers

Before completing any forms, you should consider your own circumstances and decide whether or not the scheme will be suitable for you. Remember that your weekly/monthly salary will be reduced until you decide to leave the scheme.

When the scheme is opened and you decide to join you want to join it, you will be able to access the necessary forms from Employers for Childcare. The following paragraphs set out the steps involved in joining the scheme and how it will work. If, after reading this guide, you have any questions please contact Employers For Childcare Vouchers Ltd – their contact details are given at the front of this Guide.

Please note that neither HRConnect nor your Departmental Payroll branch will be able to answer queries about your pay.

Step 1

Agreement to Vary Terms & Conditions - Opting In Form

This form will authorise HRConnect to alter your salary and enable your Department to provide you with childcare vouchers to the value equivalent to the amount you 'sacrifice' from your salary. A copy of this Agreement will be kept by HRConnect in your personnel file. As this form will constitute a change to your contract of employment it must be signed by your line manager. The amount you enter here will be the amount deducted from your salary on a weekly/monthly basis. The maximum you will be able to take in childcare vouchers is £55 per week (if weekly paid) or £243 per month (if monthly paid); if your childcare is less than this then you should enter in the relevant amount.

Step 2

Parent Registration Form

This form will ask you to provide details of your child(ren) who are receiving registered childcare. You will also have to give details of your childcare provider(s) including their registration number. The Registration Trust is the Health & Social Care Trust your childcare provider is registered with in NI. For the rest of the UK you will have to give the OFSTED Number.

Step 3

Childcare Provider Agreement

The details required on this form will enable Employers For Childcare Vouchers to send your payment directly into your childcare providers back account. Your childcare provider will also be required to send a copy of their Social Services Registration Certificate (if in NI) or OFSTED number/certificate (in rest of UK). This form does not need to be completed if your childcare provider is already registered with Employers For Childcare Vouchers (you can check this now with your childcare provider or you can call the Employers For Childcare free phone helpline). Before joining the scheme you should speak to your childcare provider and let them know you intend to pay all or part of your childcare costs by e-vouchers.

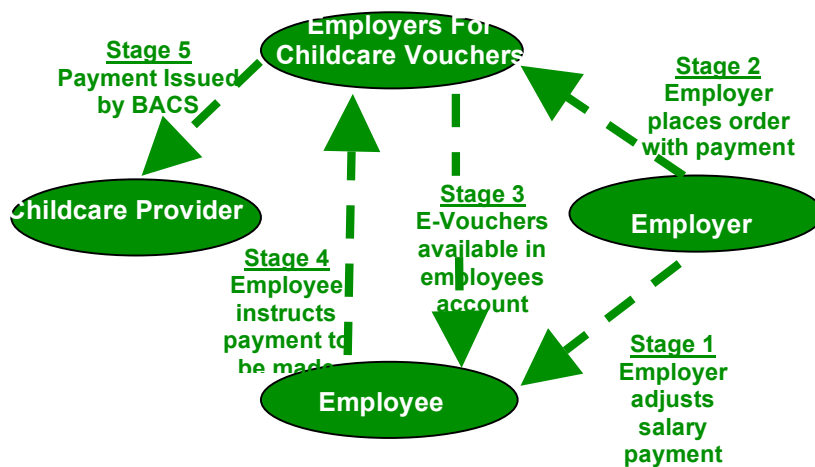
Step 4

The completed forms should be returned to Employers For Childcare Vouchers Ltd to enable them to set up an account for you and provide you with log on details. Employers For Childcare Vouchers Ltd will send a copy of your Agreement to Vary Terms & Conditions - Opting In Form to HRConnect. Your monthly/weekly pay will be adjusted and the sacrificed pay will be sent to Employers For Childcare Vouchers Ltd who will credit this to your account by payday each month/week.

Step 5

When you are ready to pay your childcare provider you will logon (or telephone) and instruct Employers for Childcare to issue payment, as full or part payment of your childcare costs, to your chosen childcare provider. Payment will be in the providers account within 3 banking days.

The following diagram summarises the ordering, payment, and redemption procedures:



Disclaimer

NICS and NIO have made every effort to ensure the information provided is factually correct.

All individual members of staff are advised to consider their own circumstances before reaching a decision on whether or not to opt into the Childcare Voucher Scheme.

Please note that HMRC regulations are subject to change over time and Employers For Childcare Vouchers Ltd cannot be held liable for errors.