

Childcare Voucher Scheme

On 10th December 2007 the MOD launched its childcare voucher scheme for Forces personnel.

A childcare voucher scheme is a salary sacrifice arrangement, meaning that an employee can choose to receive a reduced cash salary in exchange for vouchers which will pay for childcare with a registered provider. Vouchers can be received either in paper form through the post, or in the form of e-vouchers which can then be paid directly into the provider's account. They are non-transferable and cannot be exchanged back for cash. Members can exchange up to £243 a month for vouchers, and both parents can do this if their employer runs a scheme. The maximum amount is per parent, not per child, so it is not possible to receive more than £243 worth of vouchers each if you have more than one child in childcare.

The main benefits of the scheme are the savings made on tax and National Insurance contributions on the reduced cash element of the salary. The amount of savings made is dependent on the value of vouchers, the member's tax rate and whether or not they are opted out of the state second pension (most service personnel are). For example, a serviceman earning less than £40k a year and paying income tax at a rate of 22% will save £915 a year if he takes the maximum amount of vouchers. A higher rate taxpayer will save £1,195 with the same amount of vouchers.

Financial benefits do depend on individual circumstances, so parents must make a careful assessment of their situation before joining the scheme. For example, someone who is in receipt of tax credits for childcare costs may not find that a voucher scheme is to their advantage. Pregnant servicewomen with an older child in day-care also need to be aware that membership of a salary sacrifice scheme can affect the amount of Statutory Maternity Pay (SMP) to which they are entitled as SMP is calculated on the basis of actual cash salary paid between the 23rd and 15th weeks prior to the expected week of birth.

Pensions should not be affected by membership of a salary sacrifice scheme: AFPS75 uses representative final salaries to calculate pensions, and while AFPS05 is based on a calculation of gross pay, the MOD has agreed that any salary sacrifice element will be discounted from the calculation.

Service families worldwide should be able to take advantage of the scheme, as long as their childcare provider is registered. Bodies such as the British Forces Early Years Service (BFEYS) and SSAFA-Forces Help have regulatory powers overseas, and a posting does not mean that a member has to leave the scheme, provided they can find suitable childcare at their new location. Childminders, nurseries, breakfast, after-school and holiday clubs can all qualify for the scheme, as long as they are registered. While nannies looking after a child in the child's home will qualify to receive payment by vouchers, relatives doing the same will not. This also applies if a relative looks after the child away from their home and does not look after any other children. Points such as these should be checked out before joining the scheme.

The scheme is being run by Sodexo Pass Ltd, which can be contacted at afcvs@sodexhopass.co.uk. Once you have registered an interest, they will send an information pack, registration forms, and details that can be passed on to registered carers who may not yet have signed up to receive vouchers as payment. Application forms are simply sent back to Sodexo who then make all the necessary arrangements.

Sodexo have also set up international freephone helplines so that they can be contacted from wherever you might be stationed. These are:

UK: 0800 066 5075

Cyprus: 800 92421

Canada: 1 8669230125

Germany: 0800 1808980

All other countries: +44 (0)1276418880

Visit www.modchildcare.co.uk for more information