Newcastle University Addendum
March 2011

To be read in conjunction with the
Parent Information Pack,
Computershare Voucher Services (CVS) Limited

This addendum must be read in conjunction with the Parent Information Pack supplied by Computershare Voucher Services Limited. It contains information particular to the Childcare Voucher Scheme at Newcastle University.

Index                                Page
Changes to the Childcare Voucher Scheme with effect from 6 April 2011 2
Salary Sacrifice Schemes at Newcastle University 5
Important Things to Consider 5
Payment of Childcare Vouchers during University Maternity Leave 7
Changes to the Scheme with effect from 6 April 2011

On 3 December 2009, the Government announced proposed changes to the tax and NIC exemptions for childcare vouchers. These will now take effect from 6 April 2011 and will only affect you if you join the University’s scheme on or after 6 April 2011 or you are registered but have suspended your orders for 12 consecutive pay periods or more.

The purpose of these changes is to make the level of tax saving the same for all employees regardless of the rate of tax that is paid on employment income. This will equate to approximately £11 per week (£49 per month).

Prior to 6 April 2011 higher rate tax payers could receive a greater amount of tax saving than those who paid tax at the basic rate.

I registered with the University of Newcastle Childcare Voucher Scheme, Computershare Voucher Services on or before Tuesday 5 April 2011. How will this affect me?

If you are registered with the University of Newcastle Childcare Voucher Scheme, Computershare Voucher Services, on or before 5 April 2011 you will not be affected by the changes. You will retain your current level of tax savings until you leave the University scheme or are no longer eligible to participate, eg if your child/children no longer receive qualifying childcare.

You may ask to stop receiving vouchers temporarily whilst remaining within the employer’s scheme. Providing the overall period in which you stop receiving childcare vouchers does not exceed 12 pay periods you can remain as an existing member of the scheme. This also applies to employees who are on maternity leave, long term sick leave and those who wish to take a career break providing the total length of absence does not exceed a period of 12 months (12 pay periods).

However should you not place an order within a 12 month period, when you recommence you will be deemed to be a new joiner (ie as if you were joining on or after 6 April 2011) and the following rules will apply.

What happens if my employment contract is ended but I recommence work with the University within the 12 month period?
Your contract of employment will be broken and the rules that apply to new scheme joiners from 6 April 2011 will apply.

I am registering /have registered with the University of Newcastle Childcare Voucher Scheme, Computershare Voucher Services on or after Wednesday 6 April 2011. How will this affect me?
If you decide to join the University scheme on or after 6 April 2011 the amount of tax you can save will be limited to the saving available to a basic rate tax payer. The University must carry out a basic earnings assessment (BEA) of your employment income at the time of joining and then annually every March. We will inform you of the maximum monthly amount of vouchers you may obtain in the next tax year eg during March 2012 you will be advised for the tax year April 2012 to March 2013.

**What is the basic earnings assessment? How is it calculated?**
The assessment checks your estimated employment income based on the following information that the University will have.

- Basic pay as stated in your contract of employment.
- Contractual or guaranteed bonuses.
- London weighting or other regional allowances.
- Taxable benefits.
- Shift allowances.

The assessment does not need to include the following:

- Performance related or discretionary bonuses.
- Overtime payments.
- Benefits that are exempt from tax such as pension contributions, employee share schemes and payroll charitable donations.

As the University scheme is offered on a salary sacrifice basis, it is your salary after the salary sacrifice that is used for the assessment of basic earnings.

**How much can I receive free from tax?**
The amounts that you can receive from your employer as exempt income in the form of childcare vouchers are as follows and apply only if you join the scheme on or after 6 April 2011.

<table>
<thead>
<tr>
<th>Taxpayer Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic rate taxpayer</td>
<td>£243 per month</td>
</tr>
<tr>
<td>Higher rate taxpayer</td>
<td>£124 per month</td>
</tr>
<tr>
<td>Additional rate taxpayer</td>
<td>£97 per month</td>
</tr>
</tbody>
</table>

Employees already registered with the scheme on or before 6 April 2011 can continue to receive up to £243 per month.

These amounts are specified by the Government and can be subject to change.

**What if I change my employment earnings during the year?**
The University will assess your employment income at the beginning of the tax year or when you first apply to join the scheme. This will determine the level of exempt income you are entitled to receive for that tax year. If your pay changes during the course of the year this may affect the amount of exempt income you will be entitled to receive from the start of the following tax year when a further BEA is carried out. Annual BEAs will be carried out during March.
What if I disagree with the University’s basic earnings assessment?
Please contact Val Wall, Payroll Manager. Val.wall@ncl.ac.uk Extension 5102.

Leaving University employment
Childcare vouchers relate to specific pay periods - they are not aggregated over the course of a year. There is no entitlement to claim additional tax relief in cases where your level of earnings over the course of a year is reduced due to cessation of employment or if you have not received childcare vouchers for each pay period within a tax year.

If you start work for a new employer you may wish to join their childcare voucher scheme however you will be treated as a new joiner, even if they use the same provider as the University. Your entitlement will depend on the level of your basic employment earnings in your new job. There are no special arrangements for people who regularly change employment.

How will these changes affect my National Insurance Contributions (NICs)?
The amount of NICs you save will depend on the value of the childcare vouchers that you receive from your employer. If you are subject to the revised rules and are only entitled to receive a reduced value of tax and NICs free childcare vouchers, this will affect the level of NICs that you can save. For basic rate taxpayers the NICs saving is based on 12% of the value of the exempt vouchers (10.4% if you are a member of a University pension scheme). For higher rate and additional rate taxpayers, the NICs saving is based on 2% of the value of the exempt vouchers.

Employees registered with the University scheme on or before 5 April 2011 will retain their current level of savings subject to the conditions specified earlier.

Can I join the Childcare Voucher Scheme at Newcastle University before my child is born?
No, you must be a parent or have parental responsibility for a child at the time you join the scheme.

Can I join the Childcare Voucher Scheme before I have chosen a carer?
Yes, however you must opt to receive e-vouchers and inform Computershare as soon as you have chosen your carer.

Can I change the amount of the voucher?
You can alter the amount of the childcare vouchers you receive. This will not affect the rate of tax relief that you can receive. The maximum exempt amounts are shown below:

<table>
<thead>
<tr>
<th>Taxpayer Category</th>
<th>Exempt Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic rate taxpayer</td>
<td>£243 per month</td>
</tr>
<tr>
<td>Higher rate taxpayer</td>
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<tr>
<td>Additional rate taxpayer</td>
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</tr>
</tbody>
</table>

How do childcare vouchers affect my tax credits?
Please refer to the Parent Information Pack for further guidance.
For further guidance on the April 2011 changes please contact Jane Elliott-Simm, Reward Adviser, HR, Newcastle University on 0191 222 6311 or jane.elliott-simm@ncl.ac.uk

Salary Sacrifice Schemes at Newcastle University

Newcastle University currently has two other salary sacrifice schemes in place for Cycle to Work hire payments and Pensions+. These schemes also enjoy tax and/or NI relief within specified rules. Employees are not permitted to reduce their gross earnings, after allowing for all benefits to be paid via salary sacrifice, below the National Minimum Wage. Further information is available in the Parent Information Pack and by contacting the Payroll Manager on extension 5102.

Important Things to Consider
Please read the following text in lieu of the information provided on page 8 of the Parent Information Pack.

Statutory Maternity Pay at Newcastle University

Although salary sacrifice can reduce the amount of Statutory Maternity Pay (SMP) a woman is entitled to, for those who have more than 52 weeks service at the Qualifying Week, the University ensures that participating employees are no worse off by paying Occupational Maternity Pay (as defined in the Maternity Policy).

For employees with more than 26 but less than 52 weeks service as at the Qualifying Week, participation in salary sacrifice could result in a reduced SMP payment for the first 6 weeks of your maternity leave. This is because SMP is calculated on the amount of average weekly earnings during the 8-week period, fifteen weeks prior to the expected date of childbirth. By participating in salary sacrifice there is a reduction in salary for NI purposes during this period which can then reduce entitlement. In these circumstances the University will ensure there is no detriment to any employee with salary sacrifice arrangements by paying a “top-up” payment equal to the amount you would have received if you were not participating in salary sacrifice.

If you are receiving SMP and maternity pay at present you should contact the Payroll Manager on extension 5102 to find out whether you are receiving sufficient income to enter into a "salary sacrifice" arrangement and receive Childcare Vouchers after taking into account your other financial commitments which are deducted at source whilst on maternity leave.

Please note that under legislation you are not permitted to sacrifice against any part of your Statutory Maternity Pay (SMP).

A notice is shown on the bottom of the Agreement Form through which a "salary sacrifice" is made, stating that if Childcare Vouchers are received at a time when the employee becomes pregnant then the employee should contact her employer immediately.

At Newcastle University similar arrangements apply for scheme members on adoption leave.
**Paternity**

The rights to paternity leave and Statutory Paternity Pay (SPP) allow an eligible employee to take paid leave to care for his baby or to support the mother following the birth. If you expect to have a period of paternity leave or Statutory Paternity Pay (SPP) you should think very carefully as to whether you should take Childcare Vouchers during this period. Please contact the Payroll and Pensions Office for further details, as you are not permitted to sacrifice any part of your SPP.

**Pensions**

**State Pension:** Childcare Vouchers will not impact on your state pension as long as your pay meets the minimum required for NI Payments. They may however have a small effect on your Second State Pension because you are reducing the amount of NICs for a limited period of time.

**Universities Superannuation Scheme (USS) and Retirement Benefits Plan:** If you are a member of either of the above schemes Childcare Vouchers will not have any impact on your pension. Your pension benefits and contributions are based on your pensionable salary, which is not affected should you elect to take the childcare vouchers. Pensionable salary is your annual salary or “Reference Salary” including any other pensionable earnings.

For further advice about pension issues, please contact Val Wall on extension 5102.

**National Health Service Members:** If you are a member of the NHS Pension Scheme please be advised that the NHS Pensions Agency has confirmed that the value of Childcare Vouchers cannot count as pensionable pay. Please contact your NHS Pensions Advisor for more information on (01253) 774774

**Redundancy**

Weekly pay is one of the factors used to calculate statutory redundancy payments. An employee’s Reference Salary will be used to calculate redundancy payments at Newcastle University and thus there will be no impact on redundancy pay where an employee sacrifices salary for in return for Childcare Vouchers.

**What is a Reference Salary?**

Participating employees will have a **Reference Salary** (referred to as “Monthly Salary” on your payslip) which refers to your pay before taking account of any salary sacrifice adjustment. Your payslip will appear differently after salary sacrifice.

The **Reference Salary** is the amount used to calculate your other salary-related benefits including salary increases, bonuses and overtime. It is also the amount used in personal official correspondence eg mortgage letters, loan applications or job references etc and will be the figure typically quoted in pay scales.
Payment of Childcare Vouchers (CCV) during University Maternity Leave

Legislation introduced in October 2008 states that where a baby is due on or after 5 October 2008 the employer must continue to provide CCV to the employee for the period of requested maternity leave. This only applies when the employee was already in receipt of CCV immediately prior to the commencement of maternity leave and the employee indicates that she wishes to continue to receive CCV. This would therefore normally only affect employees taking maternity leave for a second and subsequent child.

The cost of the vouchers will continue to be on a salary sacrifice basis as at present, however during periods of insufficient salary the cost will be charged to the University.

An employee meeting the criteria will be contacted by Jane Elliott-Simm, Reward Adviser, HR Policies and Projects Team at the appropriate time. However if you have any queries in the meantime please do not hesitate to make contact for further information and advice.

An employee is not permitted to sacrifice against any part of their Statutory Maternity Pay (SMP).