

**1<sup>ST</sup> OCTOBER 2005  
HSBC CHILDCARE SCHEME**

**YOUR TOP 20 QUESTIONS ANSWERED**

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## Introduction

Before the background to the new Scheme is explained, it is important to stress that existing users of our current nursery scheme will be able to continue to use their nursery on the same basis until the child leaves.

Government changes in Income Tax and National Insurance (NI) treatment for employer-supported childcare have provided the HSBC Group with an opportunity to examine the existing provision for our employees. The current programme has been an excellent example of good practice in childcare support since it was set up in 1989, but now we want to make it even better.

We recognise that there are many employees who are unable to access the existing scheme. So the new Scheme is designed to extend the provisions to everyone who needs assistance with childcare.

We are not only significantly extending the nursery scheme, but also introducing a childcare voucher scheme to provide the best options for all our UK-based employees.

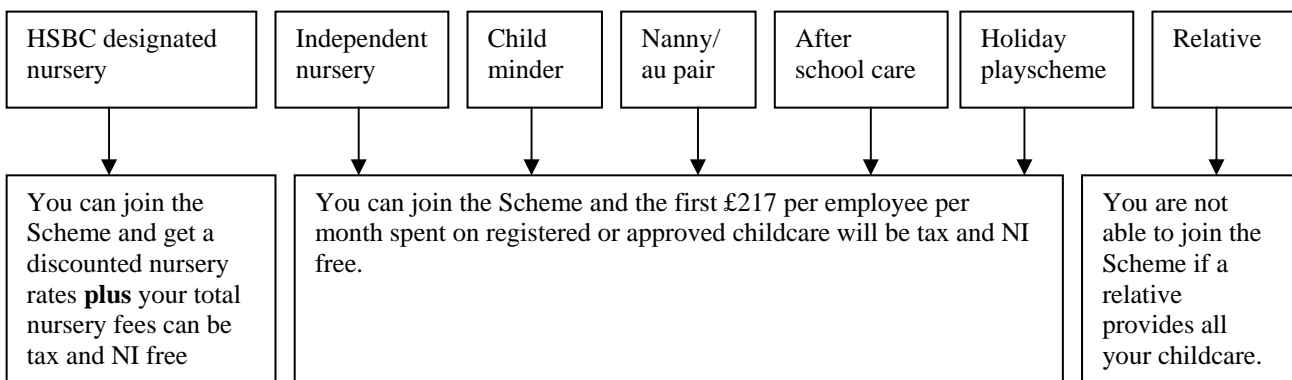
The new HSBC Childcare Scheme is available from 1<sup>st</sup> October 2005 for payment of childcare from 1<sup>st</sup> November 2005 onwards, as payment for childcare under the new Scheme will always be in advance. You will be able to apply to join the new Scheme from 1<sup>st</sup> July 2005.

### 1. What are the benefits of the new Scheme?

From 1<sup>st</sup> October 2005 the new Scheme will:

- give employees the choice and responsibility of selecting and securing their own preferred form of childcarer, e.g. day nursery, childminders, au pairs/nannies, holiday clubs and after school care
- remove the current restrictions and complexities of the existing scheme
- support all employees with registered or approved childcare for children up to the 1st September following their 15th birthday
- through a system of salary sacrifice provide Tax and National Insurance (NI) exemptions/savings.

Select the type of childcare you will use to see how the new Scheme can benefit you:



There will be a transition period, as children on the current programme reach five years old and move off the scheme. This does mean that some users of the existing programme may have a greater benefit than users of the new Scheme. We understand this, but think this is the fairest way not to penalise existing users, whilst benefiting many more employees, who would not have had access to the old scheme.

Due to tax regulations in the Channel Islands, the existing scheme will continue under the existing terms and conditions until a suitable viable option has been identified.

**first direct** operates its own scheme, therefore **first direct** employees are not eligible for membership of this Scheme (**see 14**).

## 2. What does the new Scheme consist of?

The new Scheme is open to **all UK-based HSBC Group** employees with children up to the age of 16 years. **kidsunlimited** is the Scheme provider administering the new Scheme on behalf of HSBC.

The Scheme consists of **two** elements that you can take advantage of.

### 2.1 HSBC Designated Nurseries

Benefits are:

- flexibility in terms of selecting and securing a nursery from a larger number of HSBC designated nurseries UK-wide (**see 16**)
- a discounted corporate rate in the HSBC designated nurseries
- 100% tax and NI exemption on the fees payable via a salary sacrifice scheme.

If you are a basic rate tax payer and decide to join this Scheme, you will benefit from a discounted corporate rate plus a saving of up to 33% off your nursery fees, if you are able to secure a place in a HSBC designated nursery (the exact percentage will depend on your salary level and the pension scheme (if any) which you belong to).

A higher rate tax payer will benefit from the same discounted corporate rate plus a saving of up to 41% off nursery fees.

#### Case study examples:

**Nigel** - Basic rate tax payer; and

**Jane** - Higher rate tax payer.

- one child under two years, with a full-time place at Leicester Riverview, Childbase - a HSBC designated nursery in the new Scheme, that will offer an additional 10% discount to HSBC staff
- current nursery fees £170 pw, £736.67 pm
- discounted nursery fees of £153 pw, £663 pm, (from 1<sup>st</sup> October)
- fees and amount to be salary sacrificed £7,956 pa or £663 pm.

**Nigel - savings under new Scheme:** £736.67 - £444.21 = **£292.46 pm**

**Jane - savings under new Scheme:** £736.67 - £391.17 = **£345.50 pm**

Initial childcare costs	Saving	Actual monthly cost of childcare
£663 pm	£218.79 (33%)	£444.21
£663 pm	£271.83 (41%)	£391.17

## 2.2 Childcare Vouchers

Benefits are:

- flexibility, in that you will be able to use childcare vouchers to pay for a wide range of registered or approved childcare including nursery care (in non HSBC designated nurseries), childminders, nannies/au pairs, afterschool clubs and holiday playschemes
- available to working parents (with children up to the age of 16 years)
- tax and NI exemption on up to £50 per week per employee (or £217 per month) of fees payable via salary sacrifice.

If you are a basic rate tax payer and you decide to join this Scheme, you will benefit from a saving of up to 33% off the first £217 per month paid towards the cost of childcare (the exact percentage will depend on your salary level and the pension scheme (if any) which you belong to).

A higher rate tax payer will benefit from a saving of up to 41% on childcare costs off of the first £217 per month paid towards the cost of childcare.

### Case study examples:

**Joy** - Basic rate tax payer; and

**John** - Higher rate tax payer.

- one child at primary school using a registered childminder 10 hours pw
- childminder fees of £50 pw, £216.67 pm
- fees and amount to be salary sacrificed £2,600 pa or £217 pm.

**Joy** - savings under the new Scheme: **£71.50 pm**

**John** - savings under the new Scheme: **£88.83 pm**

Initial childcare costs	Saving	Actual monthly cost of childcare
£216.67 pm	£71.50 (33%)	£145.17
£216.67 pm	£88.83 (41%)	£127.84

## 2.3 New Scheme at a glance:

New nursery scheme	New voucher scheme
Through salary sacrifice	Through salary sacrifice
Tax and NI exempt on whole nursery fees	Tax and NI exempt on maximum of £50 per

/ amount salary sacrificed	week, per employee
Can only use one of HSBC's designated nurseries	Can be used for any childcarers including: nursery care (in non HSBC designated nurseries), childminders, nannies/au pairs, afterschool clubs and holiday playschemes, provided they are registered or approved.
Salary Sacrifice (from employee's salary) ↓ HSBC Childcare Scheme account ↓ Selected HSBC designated nursery	Salary Sacrifice (from employee's salary) ↓ HSBC Childcare Scheme account ↓ Selected registered or approved childcarer
Saving: <ul style="list-style-type: none"> <li>• up to 33% (basic rate tax payer) on whole amount sacrificed</li> <li>• up to 41% (higher rate tax payer) on whole amount sacrificed</li> </ul>	Saving: <ul style="list-style-type: none"> <li>• up to £859 (basic rate tax payer) pa</li> <li>• up to £1066 (higher rate tax payer) pa</li> </ul>

## 2.4 Paying the difference

For both the HSBC designated nursery and childcare voucher scheme, if your childcare fees are more than the amount of your salary sacrifice, we can make a separate deduction from your net salary to meet the costs, if that is the way you would like to make the additional payments.

The benefit of this is to ensure that your childcare provider receives one payment for the total costs on time and it saves you having to make separate payments by another method.

## 3. How will the new Scheme work?

Payments for the nursery scheme, childcare vouchers (known as 'virtual vouchers') and any additional payments from net salary are made by an electronic transfer of funds – no paper is used. It operates in the same way as Telephone or Internet Banking. Once you have specified how much salary you'd like to sacrifice and how much you wish to pay and to which carer, the transaction is made automatically via BACS.

**Payments for the nursery scheme, virtual vouchers** and additional payments are paid into a HSBC Childcare **Scheme** account, in your name, which is held by **kidsunlimited**. You will be able to access details of your account online and over the telephone. The payments can then be used either to pay your regular childcare expenses under the HSBC designated nursery scheme or to your childcare provider, or can be saved for future expenses, such as school holiday playschemes. You cannot withdraw nursery payments, **virtual vouchers** or any additional payments from your HSBC Childcare Scheme account, as they can only be used to pay your childcare expenses. Any excess contribution left at the end of the contribution year will roll over to the following year.

In order to receive payment your childcare provider must agree to be paid monthly in advance by **kidsunlimited** on behalf of HSBC and provide bank account details. Payment is then made directly to your childcare provider's bank account. It will not be possible therefore to make payments by cheque or in cash.

#### 4. Can I use the Scheme to pay for holiday or non-regular care?

You can use the **virtual**vouchers to pay for regular care and for periodic care and still use salary sacrifice. For example, **virtual**vouchers offer the flexibility to pay for your holiday childcare as follows:

- **virtual**vouchers can be paid to any approved or registered childcare provider
- you make an estimate of the total annual cost of your childcare and divide that by 12 in order to calculate the average monthly cost
- you can salary sacrifice a maximum of £217 per month and benefit from the tax and NI savings on that amount
- the funds will accumulate until you have booked your holiday place and are ready to make the payment in one lump sum
- you instruct **kids**unlimited to pay your chosen carer up to the full amount that has been “banked” in your HSBC Childcare **Scheme** account.

#### 5. Who is eligible for the new Scheme?

All HSBC Group employees in the UK, who are subject to UK tax and NI schemes with the exception of **first direct** and employees who work on Jersey, Guernsey or the Isle of Man, (**see 14**) are eligible.

You must be a parent, or have parental responsibility for, a child or children who are aged up to 16 years old or under in registered or approved childcare to participate. HM Revenue & Customs (previously known as Inland Revenue) rules state that the tax and NI exemptions are only available to parents or those with parental responsibility. Condition A in the Finance Act defines Parental responsibility as:-

*“A child or stepchild of the employee and is maintained wholly or partly at the employee’s expense”.*

Membership of the Scheme is also subject to certain limits, in particular, that your gross basic pay does not fall below the national minimum wage after the salary sacrifice reduction. For further explanation and limits **see 12.6**.

If your partner also works for HSBC Group in the UK and is subject to UK tax and NI schemes, you can both participate in the Scheme. The tax and NI savings are available per employee. Subject to certain limits (**see 12.6**), you can share the childcare costs between you and sacrifice salary in proportions of your choosing.

If your partner works for another organisation that also offers childcare vouchers, you can combine your individual entitlements, again, subject to eligibility and rules of the particular Schemes.

**Please note: Parents who are in receipt of the childcare element of the Working Tax Credit should seek further guidance before participating in a salary sacrifice scheme (see 13).**

## **6. What are the first steps that I need to take if I wish to participate in the new Scheme?**

The new Scheme has removed all restrictions relating to the allocation of places. Parents wishing to participate in either or both the new HSBC Designated Nursery scheme and/or **virtual** vouchers schemes should approach their preferred childcare provider and arrange the booking of their place direct. It is therefore wholly your responsibility to ensure that any childcare provider which you select is (and remains) a suitable, safe and appropriate carer for your child/ren and are registered or approved (**see 19**). Parents are advised to secure their childcare place(s) well in advance.

You will then need to apply to enrol on the new HSBC Childcare Scheme via **kidsunlimited** who will be managing the application and payment processes. This can be done from 1<sup>st</sup> July 2005 onwards via any of the following methods:

t: 0845 606 0935

e: [HSBCChildcare@kidsunlimited.co.uk](mailto:HSBCChildcare@kidsunlimited.co.uk)

w: [www.kidsunlimited.co.uk/HSBCChildcare](http://www.kidsunlimited.co.uk/HSBCChildcare)

## **7. I currently use the existing scheme – what do these changes mean for me?**

If you have an existing place at one of our nurseries, you will have the choice to retain your subsidised place under the current terms and conditions until the child/ren leaves the nursery or alternatively, you may transfer to the new Scheme.

However, you will not be able to participate in both the existing and the new Scheme for the same child.

You may keep your existing place under the current terms and conditions, and also apply for:

- childcare vouchers to pay for childcare in a non-HSBC designated nursery, or other registered or approved childcare for a different child, or
- a place in the new nursery Scheme for a different child.

## **8. What happens if I am currently on the waiting list for the existing scheme?**

You may remain on the waiting list up until the new Scheme is introduced and places will be allocated under the current scheme criteria. If you are offered a place under the existing scheme, you will have the option of retaining the place under the existing terms and conditions, or transferring to the new Scheme.

Should a place not be available before 1<sup>st</sup> October 2005 in the existing scheme, you will be able to apply to join the new Scheme from 1<sup>st</sup> July 2005 for a 1<sup>st</sup> October start. In the new Scheme, the first salary reduction will take place in your October 2005 pay for payment of childcare from 1<sup>st</sup> November 2005 onwards, as payment under this Scheme will always be in advance.

You will need to ensure you secure the place with the new nursery before applying for the new Scheme.

Please liaise with the HSBC Childcare Team and advise them of your intentions.

### **9. What happens if I am currently on the waiting list for the existing scheme and have a child on the existing scheme?**

If you have a child on the existing scheme and you are on the waiting list for an additional place for a sibling, you may retain your place under the current terms and conditions until this child/ren leaves the nursery or alternatively, you may transfer to the new Scheme.

For the new additional place, if the nursery is one of the new HSBC designated nurseries available from October 2005, then you may apply for a place direct with the nursery and take advantage of a discounted rate, if offered. Through a salary sacrifice agreement, you will also benefit from the tax and NI exemption on 100% of the funds sacrificed.

Alternatively, if the nursery is not a HSBC designated nursery within the new Scheme, from the 1<sup>st</sup> October 2005, you may apply for childcare vouchers, again through a salary sacrifice agreement and benefit from the tax and NI savings on the first £50 spent on childcare per employee per week. Applications to join the new Scheme may be submitted after 1<sup>st</sup> July 2005.

### **10. Can I transfer my child/ren from the existing scheme to the new scheme?**

If you are in the existing scheme you may choose to apply to join the new Scheme from 1<sup>st</sup> July 2005 (for a 1<sup>st</sup> October start) and transfer your child/ren to a HSBC designated nursery that is part of the new Scheme. You may wish to do this if for example, the subsidy level in the existing scheme is lower than the savings you will make through the new salary sacrifice scheme.

In the new Scheme, the first salary reduction will take place in your October 2005 pay for payment of childcare from 1<sup>st</sup> November 2005 onwards, as payment under this Scheme will always be in advance.

You will need to ensure you secure the place with the new nursery before applying for the new Scheme.

Please liaise with the HSBC Childcare Team and advise them of your intentions.

### **11. What happens if I want to join the new Scheme but am due to go on maternity leave?**

If you are currently on maternity leave, adoption leave or on long term sickness and not in receipt of pay from the bank or your employing company, you will not be able to participate in a salary sacrifice agreement until you return to work (**see 12.3**).

### **12. What is Salary Sacrifice?**

A salary sacrifice happens when an employee gives up the right to receive part of the cash pay due under his or her contract of employment. Usually the sacrifice is made in return for the employer's agreement to provide the employee with some form of non-cash

benefit e.g. childcare. The “sacrifice” is achieved by varying the employee’s terms and conditions of employment relating to pay and an actual reduction to gross basic pay occurs as a result.

This means that you pay for your childcare directly from your gross basic pay before tax and NI are deducted. Therefore, nursery payments and childcare vouchers are not subject to income tax and NI payments, unlike your basic salary and there will be a saving to you on the amount you choose to reduce your basic salary by.

From the 1<sup>st</sup> October 2005, once you have joined the Scheme, the first childcare payment will come out of your gross basic pay on your next pay date and be paid to your chosen childcare provider/s a few days later directly into their bank account. This will be payment in advance for the following month’s childcare costs.

Shown below is an example of a typical payslip where the employee earns £12,000 pa, sacrifices £217 pm for childcare vouchers, pays basic rate tax and contracted in NI, contributes 2% earning into the DCS Pension Scheme and £50 pm into the Sharesave scheme:

<b>Example Pay Statement</b>			
<b>Processed by Payroll Personnel Administration Griffin House Sheffield S1 3GG</b>		<b>PAY STATEMENT</b>  DD-MMM-YY	
<b><u>PAY &amp; ALLOWANCES</u></b>	<b>£</b>	<b><u>DEDUCTIONS</u></b>	<b>£</b>
SALARY	£1,000.00	TAX CODE 489L	£56.97
CHILDCARE – VOUCHER	-£217.00	NI CODE A	£41.25
		PENSION DCS	£20.00
		SHARESAVE	£50.00
<b>TOTAL CREDITS</b>	<b>£783.00</b>	<b>TOTAL DEBITS</b>	<b>£168.22</b>
		<b>NET PAY</b>	<b>£614.78</b>
<b><u>CUMULATIVE</u></b>	<b>£</b>	Staff Number	00000000
Taxable Earns To Date	£763.00	NI Number	XX000000X
Tax To Date	£56.97	Branch	XXXX
NI To Date	£41.25	Account Credited	00000000
		Tax Reference	072/M4

Under the new HSBC Childcare Scheme, the sacrificed funds will not affect salary related benefits or payments, e.g. pension or bonus, as a notional pre-sacrificed salary will be used in these calculations (**see 12.1**).

The tax and NI free payments for nurseries and childcare vouchers will not be classed as a ‘benefits in kind’ for tax purposes.

Please note that you will need to seek further advice from HM Revenue & Customs if you are in receipt of any state benefits, such as Statutory Maternity Pay (SMP), Statutory Sick Pay (SSP) or the childcare element of Working Tax Credits. An HM Revenue & Customs guide to salary sacrifice is available and can be downloaded from:

[www.hmrc.gov.uk/specialist/salary\\_sacrifice.pdf](http://www.hmrc.gov.uk/specialist/salary_sacrifice.pdf)

## 12.1 Pension Schemes

### HSBC Bank (UK) Pension Scheme

#### **DBA (defined benefit sections). This includes the DBS and Merged Schemes Sections.**

If you are a basic rate tax payer and a member of the DBA, you will benefit from a saving of up to 31.4% off your nursery fees or childcare vouchers. This is slightly less than the saving you would make if you were a member of the defined contribution section of the HSBC Bank (UK) Pension Scheme and is because the DBA is contracted out of the state second pension, and you therefore pay reduced NI contributions.

A higher rate tax payer will benefit from a saving of up to 41% off nursery fees or childcare vouchers.

If, as a member of the DBA, you are required to pay contributions your contributions will continue to be based on your nominal pre-sacrificed salary. It is also intended that employer contributions into the DBA will continue to be based on the nominal pre-sacrificed salary.

It is intended that any benefits payable to you, or anyone on your death, will be calculated before any adjustment is made to your salary because you participate in the new HSBC Childcare Scheme. Your pension and death benefits must not exceed limits presently laid down by HM Revenue & Customs. In assessing these limits, account is taken of non-pensionable payments, e.g. Territorial Allowance, overtime, bonus payments received in cash, car cash, as well as the value of benefits in kind, e.g. company cars, medical insurance). **However, the amount sacrificed under the new HSBC Childcare Scheme, is not taken into account.**

Under current tax arrangements, employees may pay contributions under a voluntary contribution arrangement (VCA) up to a maximum of 15% of taxable remuneration in any one tax-year. As "taxable remuneration" excludes the amount sacrificed, by participating in the new HSBC Childcare Scheme, your VCA contributions may have to be reduced, if you are currently paying near to the maximum of 15%.

Very few members are affected by HM Revenue & Customs limits referred to above, but if you think you are close to these limits or may be if you take part in the HSBC Childcare Scheme, please contact the Trustee's administrators, HSBC Actuaries and Consultants Limited in St Albans.

#### **Defined Contribution Section (DCS)**

If you are a basic rate tax payer and a member of the DCS, you will benefit from a saving of up to 33% off your nursery fees or childcare vouchers. This is slightly more than the saving you would make if you were a member of the DBA detailed above and is because the DCS is not contracted out of the state second pension, and you therefore pay full NI contributions.

A higher rate tax payer will benefit from a saving of up to 41% off nursery fees or childcare vouchers.

If you are currently making standard employee contributions of 2%, there will be no change to the amount you pay because it will continue to be based on the pre-sacrificed salary. However, it is possible that an adjustment may have to be made if you are making Voluntary Contributions (VCs) near to the maximum of 15% (see above). Should you think this may affect you please contact the Trustee's administrators, HSBC Actuaries and Consultants Limited in St Albans.

It is intended that employer credits into the DCS Pension Scheme will continue to be based on your pre-sacrificed salary.

## **12.2 Other pension schemes**

If you have transferred from another Group Company and/or are a member of an alternative Group sponsored or private arrangement please contact the Administrator or provider.

### **NOTES:**

- in all cases where you participate in the new HSBC Childcare Scheme you would need to ensure that any post-sacrificed salary does not take you below the National Minimum Wage
- you may wish to seek independent financial advice for which you would expect to pay a fee.

## **12.3 Statutory benefits and payments**

By reducing your basic salary you may lose or reduce your entitlement to certain statutory payments paid or funded by the Government. This is because your entitlement to the statutory benefits (and level of, payments in the case of some benefits) is based on your basic salary after the salary sacrifice reduction.

Such statutory benefits include, but are not limited to, statutory maternity, paternity and adoption pay, incapacity benefit, job seekers allowance, state pension, maternity allowance, state second pension, statutory sick pay, tax credits, and reduced rate NI Contributions. Some of these payments are paid to you through the Bank.

Any payments in respect of statutory maternity pay, statutory adoption pay and any equivalent maternity or adoption leave payments paid by your employing company, will be based on your Notional Pre-Sacrificed Salary.

If you receive working family tax credits, participating in this Scheme could reduce the childcare element of these credits. Further information can be obtained from this leaflet produced by the HM Revenue & Customs: <http://www.hmrc.gov.uk/leaflets/ir115.htm#i>

## 12.4 Mortgage references

HSBC will provide details of your nominal pre-sacrificed salary, as well as your actual salary, so any remuneration requiring calculation on pay will not be affected with the exception of state benefits.

## 12.5 Maxima and minima and the National Minimum Wage

The minimum an employee can sacrifice will be £10 per month.

The maximum reduction for childcare vouchers which you may make is currently £50 per week, £217 per month or £2604 per annum. If your childcare expenses are greater than this you may choose to have any additional childcare expenses deducted from your net salary (**see 2.3**). Your net salary is what you receive after income tax, national insurance and other reductions have been made.

There will be no financial advantage to you paying your additional childcare costs this way. However, it will mean that the payment will be taken directly from your salary and your childcare provider will receive one payment.

For the new HSBC designated nursery Scheme, there is no maximum payment, except within National Minimum Wage regulations and other payments the bank is obliged to make, as set out below.

Your monthly salary must be sufficient to allow the salary sacrifice to be made without your salary falling below the National Minimum Wage. Your salary will also not be considered sufficient if making any salary sacrifice would mean there were insufficient funds to make any payments to your occupational pension scheme (DBA or DCS) or if there were insufficient funds to make any payment that your employing company is obliged to make from your net salary, for example any payments under court order or student loan payments.

In the event that your salary is insufficient to allow the salary sacrifice to take place then your membership of the Scheme will be suspended until your salary returns to a sufficient level.

You should note that if there are sufficient funds for the salary sacrifice to occur, but insufficient funds for any additional payments to be made from your net salary, the salary sacrifice will be made, but the additional payment will not be made. **kidsunlimited** will notify you of this. You will need to contact your childcare provider to make arrangements for you to pay any missing payments directly to that childcare provider.

## 13. How will the Working Tax Credit and the Childcare Element be affected?

Tax Credits are another form of government childcare support provided by HM Revenue & Customs. The level of payment depends on personal family income and, therefore, we cannot know exactly how salary sacrifice may affect your entitlement.

The new childcare Scheme uses salary sacrifice to save tax and NI on the nursery places and on the **virtual**vouchers. This means HSBC is effectively paying the sacrificed proportion of your childcare fee. Therefore, you will not be able to include this sacrificed amount on your Working Tax Credit declaration and, if claiming the “Childcare Element” of Working Tax Credit, you will not receive any on the fee paid on your behalf by the Bank.

So, if you are receiving the Childcare Element of the Working Tax Credit then you need to check the effect of salary sacrifice on your entitlement. You may be better off retaining the Childcare Element.

If you are not entitled to the Childcare Element then you are almost certain to benefit through salary sacrifice and it is possible, as salary sacrifice is actually a reduction in your salary, that this in fact increases your entitlement to other Tax Credits.

**Here are two extracts from HM Revenue & Customs documents that may help you to understand your own position:**

1. Quote, HM Revenue & Customs document 050512 taxcredit interaction v2

*“Some families cannot claim help with their childcare costs through tax credits as they do not qualify for Working Tax Credit. This may be:*

- *Two parent families where only one parent works;*
- *Single or two parent families where one or both parents work less than 16 hours per week; or*
- *Where the level of income is such that WTC is not due”*

and

2. Quote, HM Revenue & Customs document 050512 taxcredit interaction v2

*“If your childcare costs exceed the tax credit limits of £175 per week for one child and £300 per week for two or more children, you will always gain from accepting childcare help from your employer on the amount that exceeds the relevant limit.”*

If you have a partner who also works for HSBC in the UK, you may wish to discuss whether you should share salary sacrifice between your salaries and the effect this may have on Tax Credits. If you have a partner who works for another employer that offers childcare vouchers, these can be used in conjunction with the HSBC Scheme, but it is worth carrying out the same checks.

Each family situation is unique, therefore you should always take advice regarding Working Tax Credits and the Childcare Element. The Tax Credits Helpline is 0845 300 3900. The website is:

<https://www.taxcredits.inlandrevenue.gov.uk/HomeIR.aspx>

Further information is also available on the HM Revenue & Customs (HMRC) website <http://www.hmrc.gov.uk/childcare/> and all employees are advised to read the information provided.

**Case study example:**

**Lisa** - Basic rate tax payer; and in receipt of Childcare element of Tax Credits

- 4 children aged 17, 15, 8 and 3 years with a full-time place at Hemel, Childbase - an HSBC designated nursery in the new Scheme, that will offer an additional 10% discount to HSBC staff
- current nursery fees £127pw, £550 pm
- childminder costs of £36pw, £156 pm
- discounted nursery fees of £176.40 pw, £764 pm, (from 1<sup>st</sup> October)
- monthly gross basic salary is £1550pm, maximum sacrifice is £784pm
- receives £196 pw in tax credits

**Lisa - costs of childcare and savings under new Scheme:** £920 - £259 = **£661 pm**

**Therefore it would not be beneficial for Lisa to transfer to new Scheme**

<b>Initial childcare costs</b>	<b>Saving</b>	<b>Actual monthly cost of childcare</b>
£706 pm - under current arrangements	£850pm (Tax Credits)	Cr £144
£764 pm – HSBC designated nursery	£252.12 (33%)	£511.88
£20 pm – virtualvouchers for childminder	£6.60 (33%)	£13.40
£136pm net deductions from salary	nil as taken from net salary	£136

**14. first direct and Offshore employees**

For those currently working in Jersey, Guernsey or the Isle of Man, salary sacrifice schemes are not possible to use due to different tax regulations in the offshore islands. The existing nursery scheme will therefore continue to run in these locations for the time being until a viable alternative is identified.

**first direct** have added **virtualvouchers** to their '**plus**' flexible benefits scheme and they plan to introduce salary sacrifice in 2006.

HSBC employees using the **first direct** nurseries may apply to the HSBC Childcare Scheme. However, for places required after the 1<sup>st</sup> October you will need to book the place direct with the nursery. Please note that as **first direct** employees receive priority over places at these nurseries, you will need to ensure that you have secured your place before applying to the new Scheme.

## 15. How will changes to the new Scheme be communicated?

We will be communicating the changes to the childcare Scheme in a range of ways:

- From the end of June onwards, you will be able to find out more by visiting the HSBC Childcare Scheme website: [www.kidsunlimited.co.uk/HSBCChildcare](http://www.kidsunlimited.co.uk/HSBCChildcare) (case sensitive). This dedicated site for HSBC employees will provide detailed information and guidance on how to make the relevant calculations
- A number of roadshows will be taking place during July and August 2005 at key sites throughout the UK. This will provide you with an opportunity to meet face to face with both the HSBC Childcare team and **kidsunlimited**, and pose questions or sign-up to the Scheme, prior to its launch in October 2005
- You will be able to apply for the new Scheme from July onwards and full details will be posted on the HSBC Childcare Scheme website.

## 16. Which Nursery Chains will participate in the new Scheme?

We have negotiated corporate rates for HSBC employees with the major nursery chains shown below and, in some cases, this discount is available to you before 1<sup>st</sup> October 2005. Contact your HSBC designated nursery to find out what is available to you now.

A post code locator tool and the nursery locations together with the discounted rates will be available to you via the HSBC Childcare Scheme Helpline or website.

Although we have negotiated with these nursery chains in order to give as broad a coverage as possible across the UK, there may not be an HSBC designated nursery in your preferred location. Your options will be to travel to the nearest designated site, or to apply for, and use **virtual** vouchers for your chosen childcarer.

Nursery Chain	Corporate Discount %
Asquith Court	10
Bright Horizons	5
Busy Bees	10
Childbase	10
Early Years Childcare	10
Just Learning/Care Share	10
<b>kidsunlimited</b>	10
Teddies	10

## 17. What process do I need to follow if I want to withdraw from the new Scheme or make changes to my childcare arrangements?

In the event that you experience a “Life Change Event”, you may either choose to withdraw from the nursery scheme or the childcare vouchers scheme, or make changes to your salary sacrifice arrangements.

You will need to give one month’s written notice to change or cancel the agreement and this must be received by the pay day in the month before you wish the change to take

effect (for employees of HSBC Bank plc this will be the 20<sup>th</sup> of the month, but for employees of other companies this will vary according to your pay date). You must also notify **kidsunlimited** as soon as you give (or receive) notice that your employment will terminate.

For those wishing to leave the Scheme, any amount left in your HSBC Childcare **Scheme** account will remain there until it is spent at which point the account will terminate. In exceptional circumstances, unused salary sacrifices may be refunded at HSBC's discretion but will be subjected to income tax and NI contributions. Further advice on doing this should be sought from the HSBC Childcare Scheme Helpline.

Failure to inform **kidsunlimited** of your circumstances will result in you remaining in the Scheme, and receiving **virtual**vouchers or childcare payments for nurseries, which you may not want or be able to use.

**A “Life Change Event” is:**

- leaving to go on maternity leave, parental leave, paternity leave or adoption leave;
- returning from maternity leave, parental leave, paternity leave or adoption leave;
- termination of your or your partner's employment;
- change of your or your partner's employment or hours of work,
- relocation – home or office;
- death of a family member or dependant which effects your use of the Scheme;
- marriage, divorce or legal separation;
- significant change in childcare arrangements / circumstances, eg, child starts school;
- long term sickness, or starting receipt of long-term disability benefit,
- returning from long-term disability;
- long term sickness of a child; or
- the ending of a Life Change Event

When you withdraw from the Scheme, there are HM Revenue & Customs regulations relating to salary sacrifice, which must be adhered to. The section on salary sacrifice will explain this in more detail, as well as outlining information about changes to your childcare vouchers or nursery payment.

Notice periods required by the childcarers will vary, but are typically two months. Therefore you should make sure you are aware of and give the correct notice.

If you wish to change your childcare provider during the year, you should inform **kidsunlimited** via the HSBC Childcare Scheme Helpline and complete a new application form.

Membership of the Scheme will end if your employment terminates. Your final salary payment will include any nursery payment, childcare vouchers or additional payments under the Scheme. The nursery payment, childcare vouchers and additional payments will not be paid on a pro rata basis, if your employment terminates part way through a month.

**Please note that if your membership of the Scheme is withdrawn your terms and conditions of employment will automatically change to those which would have been in place had you not joined the Scheme.**

## 18. Can I rejoin the new Scheme?

Normally you will not be able to apply to and rejoin the Scheme for a period of 12 months after you have withdrawn. However you may apply to and rejoin the Scheme at any time if you wish to rejoin because of a Life Change Event (**see 17**) including the ending of a Life Change Event.

Rejoining the Scheme will always be subject to eligibility, the terms and conditions of the Scheme, your acceptance of a change to your contract of employment and the Scheme continuing in existence.

## 19. How can I ensure my chosen childcare provider or childcarer is registered or approved?

Only **registered** or **approved** childcare can be paid through the Childcare Scheme with effect from October 2005.

### Registered or Approved Care

Registered or approved childcare includes:

- registered childminders, nurseries and play schemes\*
- out-of-hours clubs on school premises run by a school or local authority
- childcare schemes run by school governing bodies under the 'extended schools' scheme
- childcare schemes run by pre-approved providers, for example, an out-of-school hours scheme or a provider approved under a Ministry of Defence accreditation scheme
- in England only, childcare given in the child's own home\*\* by a domiciliary worker or nurse from a registered agency who cares for the child or children
- in England only, childcare given in the child's own home\*\* by a person approved to care for that child or children
- in Scotland only, any childcare including out-of-school hours care, regulated by the Care Commission
- in Scotland only, childcare given in the child's own home\*\* by (or introduced through) childcare agencies, including sitter services and nanny agencies, which must be registered
- approved foster carers (the care must be for a child who is not the foster carer's foster child)

\* Childcare provided away from the child's own home is required to be registered in England and Wales for children up to and including 7 years, in Scotland for children up to age 16 and in Northern Ireland for children up to and including age 12.

\*\* Childcare provided in the child's own home will not qualify if the person approved to give that childcare is a relative of the child. Relative means a parent, grandparent, aunt or uncle, brother or sister (whether by blood, half-blood, marriage or affinity), and includes step-parents.

A registered childminder, nursery or childcare scheme is one that is registered

- in England, by OFSTED Tel: 0845 601 4771, website: [www.ofsted.gov.uk](http://www.ofsted.gov.uk)

- in Wales, by the National Assembly for Wales (through the Care Standards Inspectorate for Wales) Tel: 01443 848450, website: [www.wales.gov.uk/csiw](http://www.wales.gov.uk/csiw)
- in Scotland, by the Scottish Commission for the Regulation for Care, Tel: 01382 207 200, website: [www.carecommission.com](http://www.carecommission.com) and
- in Northern Ireland, by your local Health and Social Services Trust website: [www.dhsspsni.gov.uk/hss/index.asp](http://www.dhsspsni.gov.uk/hss/index.asp)

Approved care is administered by the Department for Education and Skills (DfES) through the Sure Start Unit. This is a voluntary scheme for approving childcare providers and enables parents and employers to check if a carer is approved. This scheme provides recognised national status for individuals providing childcare that is not otherwise required to register and is provided in the child's own home or, for children aged over 7, on other domestic premises. This process will apply in particular to nannies or au pairs caring for children in their own home.

The Sure Start Approval Scheme can be accessed through the following website [www.childcareapproval.scheme.co.uk/index.asp](http://www.childcareapproval.scheme.co.uk/index.asp) or by calling the national helpline on 0845 767 8111.

**Relatives of the child will not be able to apply. A relative of the child means a parent, grandparent, aunt, uncle, brother or sister (whether by blood, half-blood, marriage or affinity), and includes step-parents.**

Alternatively the HSBC Childcare Scheme Helpline may be able to provide you with further assistance on whether your chosen childcarer is registered or approved.

## **20. Who can I contact if I have further questions?**

**kidsunlimited** are handling the application process and payment administration for the new Scheme and are operating the HSBC Childcare Scheme Helpline, e-mail support and website. Applications to join the new Scheme will be accepted from 1<sup>st</sup> July 2005 onwards.

To find out more, contact the HSBC Childcare Scheme Helpline:

t: 0845 606 0935

e: [HSBCChildcare@kidsunlimited.co.uk](mailto:HSBCChildcare@kidsunlimited.co.uk)

w: [www.kidsunlimited.co.uk/HSBCChildcare](http://www.kidsunlimited.co.uk/HSBCChildcare)

**kidsunlimited** can also provide further assistance in determining whether your childcarer is registered or approved and can also help to guide you through the application process.

Any policy or HSBC-specific queries can be directed to the HSBC Childcare Team at HR Connect, Mayfield Court, Mayland Avenue, Hemel Hempstead, Herts, HP2 4SE. Sort code: 40-71-85:

External E-mail	<a href="mailto:Hrconnect@hsbc.co.uk">Hrconnect@hsbc.co.uk</a>
External Tel DDI	0845 602 4348
External Fax DDI	01442 835020
External Minicom	01442 835026

Internal E-mail (Lotus notes)

Internal Tel

Internal Fax

Internal Minicom

Great Britain HRConnect/HBEU/HSBC **or**  
HRCONNECT, Great Britain

7241 8170

7240 5020

7240 5026