Ministry of Defence

UK Nursery Authority (UKNA) Grossing Up

The effects of receiving a UKNA payment on Tax and National Insurance payments

September 2026

What is Grossing Up?

Payments made to reimburse Service personnel for the cost of early years childcare in Scotland, Wales and Northern Ireland via the UK Nursery Authority (UKNA) will be subject to PAYE (Pay As You Earn) tax and Class 1 National Insurance (NI).

Defence will compensate tax and NI payments made through an established process known as 'grossing up.' This takes account of the additional liability on the further benefit to the Service person of having their tax paid for them.

This process can have a knock-on effect on an individual's tax allowances and brackets, e.g., the extra payments may push individuals at the cusp of tax brackets into the higher one.

All Service personnel are encouraged to seek independent financial advice on this prior to claiming UKNA.

Why is this needed?

The MOD is reimbursing Service personnel for their childcare costs, and this is called a 'taxable benefit' by HMRC (His Majesty's Revenue and Customs). It is effectively extra income and so HMRC will charge Income Tax on the UKNA payments that the Service person receives with their pay.

The Defence UKNA scheme will make provision for this by paying this additional tax and NI liability so that the Service person does not have to. They will do this by 'grossing up' or 'paying more than actually claimed' via UKNA. The extra amount paid will cover the extra tax and NI the Service person needs to pay because of the UKNA reimbursement they have claimed.

Grossing up is applied in the month that the claim is submitted, and the rate applied will depend on the tax threshold the claimant is in at that time. It cannot be adjusted at a later date if circumstances change.

How does it work?

JPA will automatically gross up UKNA payments so that they include the actual amount claimed, along with an extra amount to cover the additional tax and NI due from the UKNA payment.

This ensures that Income Tax and NI implications are applied correctly. This will not affect the amount Service personnel are paid for the claim as the MOD will uplift the credit made to take the increased deductions into account.

The UKNA credit shown on the Statement of Earnings (payslip) will show as 'childcare' followed by 'SNA (Scotland), WNA (Wales) or NINA (Northern Ireland)'.There will also be a deduction shown as 'childcare SNA / WNA / NINA Offset', this is the claim amount which will have already been paid into the bank account linked to JPA, within 5 working days of claiming. The credit amount covers the claim amount plus the extra PAYE and NI that had to be paid because of receiving the claim amount. There will be a message at the bottom of the payslip showing the claim, PAYE and NI amounts.

Example 1

An example of Service personnel claiming UKNA
The Service person:

- is a 20% taxpayer
- pays National Insurance at the 8% rate
- has an active Tax-Free Childcare (TFC) account
- is registered for UKNA.

Step 1 – The parent receives the childcare invoice/ bill

They receive an invoice from their childcare provider for £1000.

Step 2 - Claiming the TFC allowance

1. The parent pays £800 from their bank account into their child's TFC account.
2. The government tops this up by £200 to take the total in the TFC account to £1000. (The government adds £2 for every £8 that the parent puts into their TFC account). The maximum TFC top up per quarter is £500. If the invoice is £1000 each month, at month 3 the parent will need to add £900 to the TFC account to receive the £100 top up that is remaining in that quarter.
3. The parent pays the £1000 to their childcare provider from their child's TFC account.
4. The Service parents submits the UKNA claim.

What Service personnel will see in their payslip

Their payslip for an £800 UKNA claim will show a payment of £1,111.11

This represents the £800 UKNA actual amount claimed, plus an extra amount of £311.11

The £311.11 represents £222.22 to cover the tax liability and £88.89 to cover the NI resulting from the UKNA payment.

Examples of other Tax bands with UKNA claims:

Claim Amount	Tax Band	Total Reimbursed	Claim Element	Tax Element	NI Element
£800 claim	19%	£ **1,095.89**	£800.00	£208.22	£ 87.67
	20%	£ **1,111.11**	£800.00	£222.22	£ 88.89
	21%	£ **1,126.76**	£800.00	£236.62	£ 90.14

Claim Amount	Tax Band	Total Reimbursed	Claim Element	Tax Element	NI Element
£200 claim	19%	£ **273.97**	£200.00	£ 52.05	£ 21.92
	20%	£ **277.78**	£200.00	£ 55.56	£ 22.22
	21%	£ **281.69**	£200.00	£ 59.15	£ 22.54

Please note, in Northern Ireland the childcare invoice may already include the deduction of the 15% government subsidy.

Step 3 - Claiming the UKNA reimbursement

The Service parent completes the UKNA claims calculator which will show the amount that can be entered into the claim. They can then submit the claim via iExpenses. A step-by-step guide on how to submit a UKNA claim will be added to the Defence Childcare Information Page on defnet and Defence Connect from September 2026. Claims are paid within 5 working days of being submitted. Claims and the grossed-up element will show on the next payslip if submitted before payroll cut off date. Claims submitted after payroll cut off date will show on the following months payslip.
Service personnel can access the payroll cut-off dates via the JPA Portal on defnet.

Example 2

An example of Service personnel claiming UKNA
The Service person:

- is a 40% taxpayer
- pays National Insurance at the 2% rate
- has a Tax-Free Childcare (TFC) account
- is registered for UKNA.

Step 1 – The parent receives the childcare invoice/ bill

They receive an invoice from their childcare provider for £1000.

Step 2 - Claiming the TFC allowance

1. The parent pays £800 from their bank account into their child's TFC account.
2. The government tops this up by £200 to take the total in the TFC account to £1000. (The government adds £2 for every £8 that the parent puts into their TFC account). The maximum TFC top up per quarter is £500. If the invoice is £1000 each month, at month 3 the parent will need to add £900 to the TFC account to receive the £100 top up that is remaining in that quarter.
3. The parent pays the £1000 to their childcare provider from their child's TFC account.
4. The Service parents submits the UKNA claim.

What Service personnel will see in their payslip

Their payslip for an £800 UKNA claim will show a payment of £1,379.31.

This represents the £800 'UKNA actual amount claimed,' plus an extra amount of £579.31

The £579.31 represents £551.72 to cover the tax liability and £27.59 to cover the NI resulting from the UKNA payment.

Examples of other Tax bands with UKNA claims

Claim Amount	Tax Band	Total Reimbursed	Claim Element	Tax Element	NI Element
£800 claim	40%	£ **1,379.31**	£ 800.00	£ 551.72	£ 27.59
	42%	£ **1,428.57**	£ 800.00	£ 600.00	£ 28.57
	45%	£ **1,509.43**	£ 800.00	£ 679.25	£ 30.19

Claim Amount	Tax Band	Total Reimbursed	Claim Element	Tax Element	NI Element
£200 claim	40%	£ **344.83**	£ 200.00	£ 137.93	£ 6.90
	42%	£ **357.14**	£ 200.00	£ 150.00	£ 7.14
	45%	£ **377.36**	£ 200.00	£ 169.81	£ 7.55

Please note, in Northern Ireland the childcare invoice may already include the deduction of the 15% government subsidy.

Step 3 - Claiming the UKNA reimbursement

The Service parent completes the UKNA claims calculator which will show the amount that can be entered into the claim. They can then submit the claim via iExpenses. A step-by-step guide on how to submit a UKNA claim will be added to the Defence Childcare Information Page on defnet and Defence Connect from September 2026. Claims are paid within 5 working days of being submitted. Claims and the grossed-up element will show on the next payslip if submitted before payroll cut off date. Claims submitted after payroll cut off date will show on the following months payslip.
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Other Considerations

The Gross UKNA payments will effectively increase the Service person's annual income by the same amount.

So, in example 1, if they claim UKNA funding for 9 months per year, the Service person's monthly income will have increased by £1,111.11 per month for the 6 months they claim £800 and increased by £1,250 per month for the 3 months they claim £900. Their annual income would increase by £10,416.66. This will be reflected in payslips and the end of year P60.

Effects on tax brackets and other allowances

Where income is increased, it is possible that some SP may move to a higher tax bracket, or may find that future Universal Credit, means tested tax credits (e.g. Child Tax Credits), Child Maintenance Service awards, Child Benefit payments (if they reach High Income Child Benefit Tax Charge level, currently £60,000), the rate of repayment on Student Loans etc. are affected.

If pushed into a higher tax bracket, the rate of tax paid on second incomes such as pension, dividend, or rental income etc. may be affected since these are taxed at the highest rate (i.e., the personal tax-free allowance and basic rate taxation etc. will be set against MOD employment income).

Child Benefit

If claiming UKNA funding pushes your individual income over £60,000 AND you or your partner get Child Benefit, you may have to pay the High-Income Child Benefit Charge.

If your income is over the £60,000 threshold. You can choose to either:

- receive Child Benefit payments and pay any tax charge at the end of each tax year (Service personnel should be aware that for this option they would have to file a Self-Assessment Tax Return each year).
- opt out of receiving Child Benefit payments and not pay the tax charge.

SP can find out more about the High-Income Child Benefit Charge at High Income Child Benefit Charge: Overview - GOV.UK (www.gov.uk)

The UKNA reimbursement is paid in to your Armed Forces salary. If your salary is your only income, then tax and NI will be calculated automatically. If you have additional income streams or have any doubt, then you should seek independent financial advice about declarations.

SP should be aware that UKNA claims are paid within 5 working days of submission and will show on the next payslip if submitted before the payroll cut-off date. Claims which miss the payroll cut-off date will be grossed up in the following month's payslip. SP may need to consider this when submitting claims in March, as claims submitted after the payroll cut-off in March will show on the April payslip and will be treated as income in the following tax year.