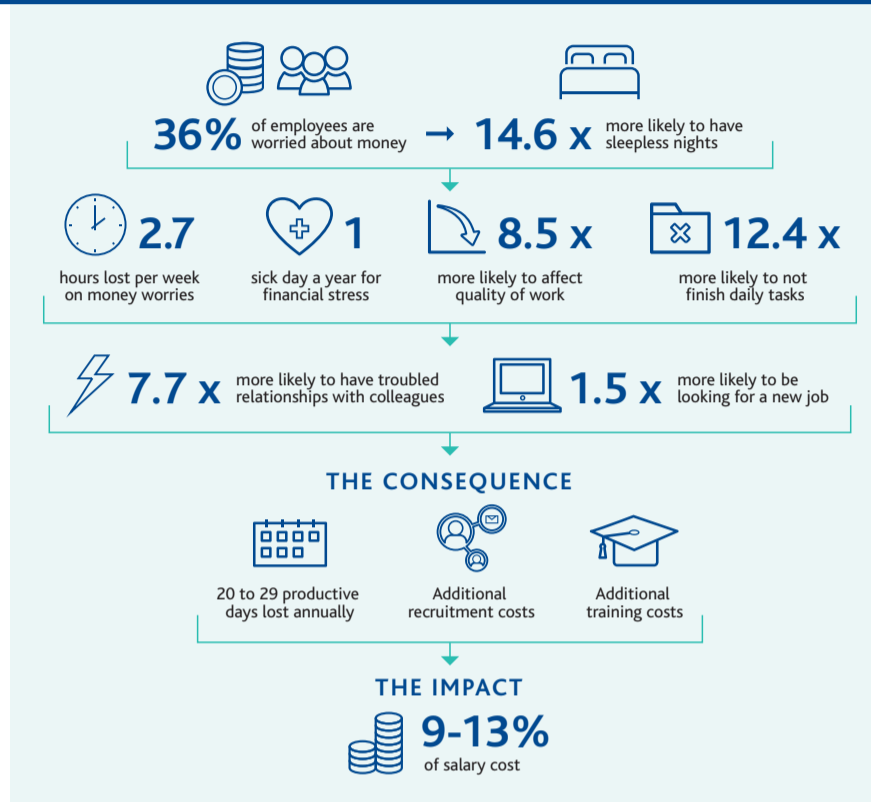


Salary Sacrifice Options

Making Pensions more tax efficient in a cost of living crisis

A survey undertaken in 2019/2020 highlighted that 36% of your employees are worried about money. The recent changes to interest rates and increasing debt will put further pressure on households to meet the demands of the rising cost of living.



Increasing employee take home pay – Introduction of Salary Sacrifice to your pension scheme

Your employees will already be saving into a Workplace Pension Scheme. With the correct implementation and communication of Salary Sacrifice, your employees could benefit further from an increase to take home pay as a result of the change. Furthermore, as an employer you are able to make a substantial saving to your own business costs as a result.

How Salary Sacrifice works

Salary Sacrifice is the exchange of salary for a non-cash benefit, such as additional pension contributions. You can use salary sacrifice for other non-financial benefits too such as cycle to work or a company car.

If employees are paid a bonus, they can also sacrifice some or all of the bonus for extra pension contributions. The advantage of salary sacrifice is that employees will save on tax and national insurance contributions and from an employer perspective, you will save on employers national insurance as well. The savings come from the exchange of salary for pension contributions before the employee is taxed on their earnings.

Position from 6th November 2022

EMPLOYEE	Before Salary Exchange (traditional pension structure)	After Salary Exchange (April 2022)
Gross Salary	£30,000.00	£28,500.00
Income Tax	£3,486.00	£3,186.00
NI Contribution	£2,091.60	£1,911.60
Net Annual Contribution (5% gross / 4% net)	£1,200.00	£0.00
Net Pay	£23,222.40	£23,402.40 (take home pay increases by £180 per annum*)

*This is broadly similar to pre-salary exchange/pre-NIC increase take home pay

EMPLOYER	Before Salary Exchange	After Salary Exchange
Gross Salary	£30,000.00	£28,500.00
NI Contribution	£2,884.20	£2,677.20
Pension Contribution	£900.00	£2,400.00
Cost to Employer	£33,784.20	£33,577.20 (cost reduces by £207)

PENSION CONTRIBUTION	Before Salary Exchange	After Salary Exchange
Employee Pension Contribution (5%)	£1,500.00	£0.00
Employer Pension Contribution (3%)	£900.00	£2,400.00
Pension Contribution	£2,400.00	£2,400.00

For an employer with 200 employees...

These figures are based upon the assumptions above and the employer saving may be retained or used to enhance the overall employee benefit arrangements.

The potential saving to employees is

£36,000

The potential saving to the employer is an additional

£41,400

It is important that any salary sacrifice arrangement is structured and communicated correctly. Contact us for more information and a free review of your own arrangements.

Contact us

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