

Employee Factsheet

Salary Sacrifice Information



1. What is Salary Sacrifice?

Salary Sacrifice is a way of saving money by reducing the amount of National Insurance Contributions (NIC) that you pay. Instead of making your pension contributions from your net pay (after tax and NIC are deducted), Salary Sacrifice is your agreement for them to be taken from your gross pay and paid directly to the pension provider by Refuge. Salary Sacrifice is also known as Sal Sac or Salary Exchange. It is put in place by way of an alteration to your employment contract. The following tables compare using and not using Salary Sacrifice for both basic and higher rate taxpayers.

Basic Rate Taxpayer Each month:	Without Sal Sac	With Sal Sac
Your contribution	£200.00	NIL
Employer contribution	£200.00	£400.00*
Income Tax Savings	£40.00	£40.00
NIC Saving	NIL	£24.00
Total Invested in your pension	£400.00	£400.00
Net cost to you	160.00	£136.00
Monthly saving	NIL	£24.00
*Employer contribution represents Sal Sac Contribution of £200 & Employer NI Saving		

The above example is based on a monthly contribution of £200 gross from you, made via Salary Sacrifice, and a monthly employer payment of £200. The income tax and NIC savings are those applying to basic rate taxpayers. The exact amount you receive depends on your individual circumstances and is subject to change.

Higher Rate Taxpayer Each month:	Without Sal Sac	With Sal Sac
Your contribution	£300.00	NIL
Employer contribution	£300.00	£600*
Income tax savings	£160.00**	£160.00
NIC Saving	NIL	£6.00
Total invested in your pension	£600.00	£600.00
Net cost to you	£180.00	£174.00
Monthly saving	NIL	£6.00
*Employer contribution represents Sal Sac contribution of £300 & Employer NI Saving		
** After claiming higher rate tax relief through your tax return		

The higher rate taxpayer example is based on a monthly contribution of £300 gross from you, made via Salary Sacrifice. The income tax and NIC savings are those applying to higher rate taxpayers and the example without Salary Sacrifice assumes the higher rate tax relief has been reclaimed and reinvested. The income tax and National Insurance Contributions savings you receive depend on your individual circumstances and are subject to change.



2. How do I benefit?

Reduced employee National Insurance Contributions

By sacrificing your salary you will reduce the amount of National Insurance Contributions you pay. As employer pension contributions are not subject to either income tax or NIC you will effectively be benefiting from relief against both of these. Basic rate taxpayers could see a total effective tax saving of up to 32%, whilst for higher rate taxpayers this could reach up to 42% (2021/22 tax year).

Immediate income tax relief

By making use of Salary Sacrifice you will get immediate income tax relief at up to the highest rate you pay. If you are a higher rate taxpayer, up to 40% tax relief is automatically paid into your pension, rather than having to be reclaimed from HM Revenue & Customs (HMRC).



3. Will my income tax be affected?

Usually, making pension contributions via Salary Sacrifice does not result in any additional income tax savings. It is not usually necessary to include details of pension contributions made via Salary Sacrifice on your tax return.



4. Will it affect my future salary & company benefits?

Your future benefits with your employer will not be affected. Once you have confirmed what percentage of your salary should be 'sacrificed', we will reduce your salary from your chosen date. Your original salary will continue to be used for calculating pay reviews, overtime and other benefits.



5. How do I take part in Salary Sacrifice?

If you wish to pay your pension contributions via salary sacrifice, please complete a salary sacrifice consent form which is attached. Alternatively, you can obtain this form via your HR department.

If you have any questions regarding the suitability of salary sacrifice for your circumstances please contact our pension adviser at andrewmarsden@lebc-group.com.



6. Can I change or opt-out of Salary Sacrifice?

Opting out

By joining the pension scheme on a Salary Sacrifice basis you are able to opt out. This can be done on the policy anniversary or if you experience a lifestyle change (marriage, birth, divorce, change of working hours, etc). You may opt out at any other time by contacting the HR department who will tell you when your salary will return to its pre-sacrifice level. There may be a short delay while the appropriate changes to your personnel records are made. If you withdraw from Salary Sacrifice you will cease to benefit from a saving in National Insurance Contributions.

Changing the amount you contribute via Salary Sacrifice

HMRC guidelines state that once included in a Salary Sacrifice arrangement you can increase or decrease the amount of your 'sacrifice' at any time. However, frequent changes to your Salary Sacrifice arrangements are not encouraged, and may be at the discretion of your HR department. As a general rule, if you swap between cash earnings and a non-cash benefit whenever you like, any expected tax and National Insurance contributions advantages under a salary sacrifice arrangement will not apply.



7. What are the implications of using Sal Sac?

The following list is not exhaustive but gives an indication of some of the key issues. As your gross salary will be reduced under Salary Sacrifice, your entitlement to certain benefits may be affected. There may also be implications for other financial products where reference is made to your salary. You should consider these carefully, and if you feel you would be adversely affected by any of these, you should seek further independent advice.

- Statutory Maternity or Paternity Pay

The earnings-related elements of Statutory Maternity Pay or Statutory Paternity Pay will be reduced as a result of the reduction in your gross salary.

- Working Tax Credit/Child Tax Credit

Your entitlement to this means-tested benefit may be increased as a result of reducing your gross salary.

- Basic State Pension

Your eligibility for the State Pension may be affected should your gross salary reduce to less than £120 per week (£6,240 per annum)*. If your earnings remain above this level your entitlement to State Pension should be unaffected.

- Mortgage and credit applications

The amount you are able to borrow may be affected because lending is often determined by the level of your post-sacrifice salary. However many mortgage providers are now more sophisticated in how they assess their lending criteria, basing their decision on how much you can afford.

- Individually arranged personal protection policies

A reduction in basic salary can have an impact on the maximum cover available in some personally arranged life and health insurance policies.

- Student Loan repayments

These are calculated by a formula which uses gross pay and using Salary Sacrifice may result in reduced repayments.



8. Important information

The information in this document is provided solely to help you to make your own decisions. It does not constitute a personal recommendation or contractual promise in any way. If you have any doubts about the suitability of Salary Sacrifice for your circumstances you should seek independent advice. The information given here is based on our understanding of UK law (excluding Scotland) and HMRC practice at the date of publication.

The exact amount of tax relief and NIC savings you receive depends on your individual circumstances and is subject to change. Your right to participate in and the effectiveness of this Salary Sacrifice scheme is subject to legislation, HMRC rules and the rules of the pension scheme to which your application relates.

*In 2021/22 tax year

Taxation information can be found at: <https://www.gov.uk/guidance/rates-and-thresholds-for-employers-2021-to-2022>

Taxation advice is not regulated by the Financial Conduct Authority.

