



Salary sacrifice for pension contributions

savings to be made

The government has confirmed it has no intention of abolishing salary sacrifice for pension contributions so there is now no reason why employers should not implement this for their pension arrangements. If you have yet to implement salary sacrifice then we at Quantum Advisory can help.

What is salary sacrifice?

Employee pension contributions attract income tax relief, but do not attract relief from National Insurance Contributions (NICs). Salary sacrifice changes the way employees contribute to their pension arrangement so that both the employer and employees obtain NIC relief on employee pension contributions.

This is achieved by employees giving up that part of their earnings which they would have normally used to pay their employee pension contributions (it is this reduction in earnings which triggers the NIC savings) with the employer paying the employee pension contributions on their behalf.

What savings are made?

Substantial savings for both employers and employees can be made.

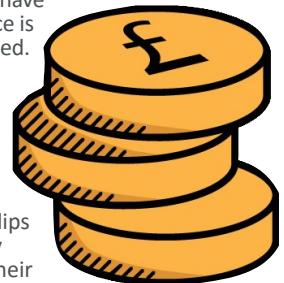
Employers save 13.8% per annum on the total pension contribution paid by employees, while employees save either 12% per annum (if they earn below the Upper Earnings Level) or 2% per annum (if they earn above the Upper Earnings Level) on the total pension contribution they pay.

How can Quantum help?

There is no “one size fits all” arrangement – different employers will have varying membership profiles which will impact on how salary sacrifice is implemented and also, crucially, how it is communicated and managed. Our offering is flexible and is tailored to meet your needs.

The process of introducing and administering a salary sacrifice arrangement is relatively straightforward, but special care must be taken with employee communication.

Our salary sacrifice offering is quite unique. We provide bespoke communications that include personalised “before and after” payslips for employees, (the design of the payslips replicate what is actually provided to employees) so employees can see the real benefit to their take home pay of salary sacrifice. We find that these, combined with employee presentations, results in a very high take up rate and employees fully appreciate the win-win situation resulting in savings for both employers and employees.



Example payslips (before and after salary sacrifice)

Before salary sacrifice

Employee earning £31,200 per annum

Personal Information		Statutory Details		This Period	To Date
Employee No.	000001	Taxable Pay		2,600.00	2,600.00
Name	Miss Angela Smith	Income Tax		287.20	287.20
Address	1 The Lane The Town The City AB1 2CD	Employers NIC		265.51	265.51
Tax Code	1100L	Other information		This Period	To Date
National Insurance No.	AA123456A	Employers Pens		520.00	520.00
N.I. Category	A				
Tax Period	1				
Department	1				
Occupation Code	1				
Cost Centre	1				

Pay Item	Units	Rate	This Period	To Date	Deduction Item	This Period	To Date
SALARY	0.00	0.00	2,600.00	2,600.00	TAX	287.20	287.20
					N.I.	231.56	231.56
					PENSION	247.00	247.00
PAYMENT TOTAL			2,600.00	2,600.00	DEDUCTION TOTAL	765.56	765.56
Pay method						NET PAY	
BANK						1,834.44	

This pension contribution is exempt from tax but you do pay National Insurance on it

After salary sacrifice

Employee earning £31,200 per annum

Personal Information		Statutory Details		This Period	To Date
Employee No.	000001	Taxable Pay		2,600.00	2,600.00
Name	Miss Angela Smith	Income Tax		287.20	287.20
Address	1 The Lane The Town The City AB1 2CD	Employers NIC		231.43	231.43
Tax Code	1100L	Other information		This Period	To Date
National Insurance No.	AA123456A	Employers Pens		767.00	767.00
N.I. Category	A				
Tax Period	1				
Department	1				
Occupation Code	1				
Cost Centre	1				

Pay Item	Units	Rate	This Period	To Date	Deduction Item	This Period	To Date
SALARY	0.00	0.00	2,600.00	2,600.00	TAX	287.20	287.20
SALARY EXCHANGE	0.00	0.00	-247.00	-247.00	N.I.	201.72	201.72
PAYMENT TOTAL			2,353.00	2,353.00	DEDUCTION TOTAL	488.92	488.92
Pay method						NET PAY	
BANK						1,864.08	

Your employer pays your pension contributions in addition to their own

Your employee National Insurance goes down by £29.64

Salary Exchange replaces your pension contributions

Your net pay goes up by £29.64

Want to know more?

If you have yet to implement salary sacrifice for employee pension contributions and would like further information please contact stuart.price@quantumadvisory.co.uk or 029 2083 7902