



# Charities and Salary Sacrifice

## Charities encouraged to explore salary sacrifice arrangements to tackle national insurance increases

All charities should explore salary sacrifice for employee pension contributions to reduce the amount of national insurance contributions (NICs) they pay, but it is even more imperative for charities with revenues greater than £1m as this will help reduce the impact of the forthcoming rise in national insurance.



Employer NICs will increase from **13.8%** to **15%** from 6 April, with charities forecast in total to pay £1.4bn more each year following the rise.

On 25 February, the National Insurance Contributions (Secondary Class 1 Contributions) Bill was debated in the House of Lords and an amendment was passed exempting charities with an annual revenue of less than £1m from the employer NICs increase.

The exemption, if approved by the Commons and included in the legislation when it is granted royal assent, will benefit small charities which account for almost 95% of the UK's 170,770 registered charities.

Charity sector bodies such as the **Association of Chief Executives of Voluntary Organisations (ACEVO)**, **Charity Finance Group (CFG)** and the **National Council for Voluntary Organisations (NCVO)** have welcomed the amendment but expressed concern that medium and large sized charities will struggle to absorb the additional costs.

One approach is to implement a salary sacrifice arrangement; this is an efficient way for charity employees to pay pension contributions and help offset the rise in NICs. Salary sacrifice is seen as a tax-efficient way to make pension contributions and can increase employees' take-home pay.

Salary sacrifice for employee pension contributions is an agreement between an employee and their employer where the employer pays the employee's pension contribution and the employee's wage is adjusted to reflect this. The reduced salary means that both employees and employers are subject to lower NICs. The more employees who have entered into a salary sacrifice scheme, the more charities can save on their national insurance costs.

Stuart Price, Partner and Actuary at Quantum Advisory, said:

*"Charities are part of the fabric of our society, actively supporting those in need in our communities and providing vital services that may not exist otherwise."*

*"The rise in employer NICs has been a concern for many businesses in the lead up to April, particularly in the charitable sector. While it is good news that the majority of UK charities are likely to benefit from an exemption, those with a revenue greater than £1m will be looking carefully at their cash flow and how to manage an increase in labour costs while still maintaining the use of funds raised and grants to fulfil their mission."*

*"Salary sacrifice could be an option for charities to lower NICs for both the employee and employer. It is a relatively straightforward way to save money but the barriers to these types of arrangement often stem from a lack of understanding of how salary sacrifice works, the benefits it provides and communication with employees."*

*"There's no one size fits all arrangement, however we strongly encourage all charities and in particular medium and larger charities to explore the salary sacrifice options available to them as soon as possible to minimise the impact of increasing NICs from April."*



### Want to know more?

Should you wish to discuss this in more detail contact:  
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