

At a glance: pension salary sacrifice

Pension salary sacrifice is an arrangement which benefits both the employee and employer.

The 'what?'

- Pension salary sacrifice is an arrangement which benefits both the employee and employer
- Arrangement works by employee agreeing to reduce pay in return for increased employer pension contributions

The 'why?'

- NIC savings (annual and recurring)
- HMRC-compliant
- Mandatory increase in pension contributions year-on-year - adds to the savings
- April 2019 increase to 3% for employers and 5% for employees (minimum total 8% contribution)

National Insurance Contributions saving

Employee pension contributions (per annum)	Indicative employee/ employer NIC saving
£10,000	£2,580
£20,000	£5,160
£50,000	£12,900
£100,000	£25,800
£500,000	£129,000
£1,000,000	£258,000

Framework

Successful implementation includes the following five stages:

- Notification to employees
- Design of the arrangement
- Communicate to employees
- Implementation
- HMRC clearance

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- Over 20 years of experience in implementing arrangement
- Able to be flexible in the level of assistance we provide from full service offering to 'sounding board' for any aspect of the five stages
- 100% success with HMRC clearance applications

For information, please visit our [website](#).



Payslips - 20% tax band

The key element of a successful Pension Salary Sacrifice (PSS) is how the benefits are communicated and presented to employees. Below, we provide an illustrative example of payslips before and after PSS, demonstrating savings for employee/employer.

Before

Description	Rate	Units due	Amount (£)	This year (£)
Salary			1,500	
Total			1,500	
Tax			102.20	
National Insurance			95.76	
Pension Contribution			60.00	
Employer's NI 110.12				
Net pay			1,242.02	

After

Description	Rate	Units due	Amount (£)	This year (£)
Salary			1,500	
Salary sacrifice			(75)	
Total			1,425	
Tax			87.20	
National Insurance			88.75	
Employer's NI 99.77				
Net pay			1,250.04	



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