

## Salary Sacrifice Scheme

For us, From a payroll calculating point of view, it is very simple indeed! We can advice businesses regarding the **Salary Sacrifice Scheme**

Many organisations now offer salary sacrifice schemes. The idea behind this is quite simple. The employee gives up part of their salary and, in return, the employer gives the employee a non-cash benefit, such as childcare vouchers, or increased pension contributions. Once the employee accepts a salary sacrifice, their overall pay is lower, so they pay less Tax and National Insurance. In addition, the employer will not have to pay their Employers' National Insurance contributions on the part they sacrifice.

### Guidance for employee - Things to consider before taking a salary sacrifice:

- Sacrificing part of your salary means you earn less. This might affect maternity pay or mortgage applications.
- Lower earnings may also affect your State Pension or contribution-based state benefits such as Jobseeker's Allowance and Employment and Support Allowance. However, you may be able to claim more tax credits.
- Because your salary is lower as a result of salary sacrifice, any life cover through a scheme at work could be less if it's based on your lower salary. It's worth checking – some employers do provide life cover at your original salary so you don't lose out.

Salary sacrifice schemes only work for you and your employer if the benefits involved are tax-free. These include:

- Childcare vouchers
- Additional employer pension contributions
- Cycle to work schemes
- Company cars
- Work-related training
- Car parking near your workplace

### How salary sacrifice affects tax credits

Accepting childcare vouchers from your employer may affect your tax credits. The employee can check here how much it will affect them: <https://www.gov.uk/childcare-vouchers-better-off-calculator>

If you're already getting tax credits to help with childcare costs, you're probably better off not opting for salary sacrifice.

That's because you can only claim tax credits for the childcare you pay with your own money, rather than with vouchers.

### Ask HMRC to confirm the tax and NICs

Once a salary sacrifice arrangement is in place, employers can ask the HMRC Clearances Team to confirm the tax and NICs implications. HMRC won't comment on a proposed salary sacrifice arrangement before it has been put in place.

HMRC Clearances Team  
Alexander House  
21 Victoria Avenue  
Southend-on-Sea  
Essex  
SS99 1BD

Alternatively they can [email the HMRC Clearances Team](#).

To be satisfied that the change has been effective at the right time and not applied retrospectively, HMRC would need to see:

- evidence of the variation of terms and conditions (if there is a written contract)
- payslips before and after the variation

You can view **examples of salary sacrifice** and read more here:

<https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-pay>