

Salary Sacrifice

The Government is increasing National Insurance Contributions (NIC's) rates from April 2022 for employees and employers by 1.25%. Therefore, employers could consider tax efficient salary sacrifice arrangements as a way of mitigating this.

A salary sacrifice scheme is a contractual agreement between the employer and employee, whereby the employee receives a reduced gross salary (before tax) in exchange for benefits in kind. Some employees are not eligible for this scheme; those who are on pay below National Minimum Wage or National Living Wage, or will be after such an arrangement, are not able to sacrifice any pay and may also not benefit from a reduced income.

There has been a restriction on the use of such schemes in recent years, however two of the more significant salary sacrifice arrangements that are still available are electric vehicles (EVs) and company pension contributions.

No employees NI is due on company car benefits and the benefit in kind rates on EVs are comparatively low therefore the Income Tax payable by the employee and the employers NI paid by the company can also be lower than on the salary sacrificed.

In the case of pension contributions, the gross salary sacrificed will get paid as employer pension contributions instead, which are not liable to NI at all, or Income Tax, providing the employee has sufficient capacity to do so.

You should always take advice specific to your situation before taking any action. If you would like to speak with our team, please call 01227 454627 or email us at info@burgesshodgson.co.uk. We are always happy to book a free and no-obligation consultation.