

Salary Sacrifice Options

Making Pensions more tax efficient – Post Budget Implications

Increasing employee take home pay – Introduction of Salary Sacrifice to your pension scheme

Your employees will already be saving into a Workplace Pension Scheme. With the correct implementation and communication of Salary Sacrifice, your employees could benefit further from an increase to take home pay as a result of the change. Furthermore, as an employer you are able to make a substantial saving to your own business costs as a result.

Budget change and mitigating the cost of the National Insurance Contribution increase

The Autumn Budget announced a 1.2% increase to employers National Insurance Contributions from 13.8% to 15% and reduction to the threshold of earnings where National Insurance Contributions become payable from £9,100 to £5,000 with effect from 6 April 2025.

Naturally, this will increase the cost of employment for the Company and as such you may wish to consider implementing Salary Sacrifice to your Workplace Pension Scheme to help mitigate this cost increase.

How Salary Sacrifice works

Salary Sacrifice is the exchange of salary for a non-cash benefit, such as additional pension contributions. You can use salary sacrifice for other non-financial benefits too such as cycle to work or a company car.

If employees are paid a bonus, they can also sacrifice some or all of the bonus for extra pension contributions. The advantage of salary sacrifice is that employees will save on tax and national insurance contributions and from an employer perspective, you will save on employers national insurance as well. The savings come from the exchange of salary for pension contributions before the employee is taxed on their earnings.



For an employer with 200 employees...

These figures are based upon the assumptions above and the employer saving may be retained or used to enhance the overall employee benefit arrangements.

It is important that any salary sacrifice arrangement is structured and communicated correctly.

Contact us for more information and a free review of your own arrangements.

EMPLOYEE	Post Budget Before Salary Sacrifice	Post Budget Salary Sacrifice 6 April 2025
Gross Salary	£30,000.00	£28,500.00
Income Tax	£3,486.00	£3,186.00
NI Contribution	£1,394.40	£1,274.40
Net Annual Contribution (5% gross / 4% net)	£1,200.00	£0.00
Net Pay	£23,919.60	£24,039.60 (take home pay increases by £120 per annum)

EMPLOYER	Post Budget Before Salary Sacrifice	Post Budget Salary Sacrifice 6 April 2025
Gross Salary	£30,000.00	£28,500.00
NI Contribution	£3,750.00	£3,525.00
Pension Contribution	£900.00	£2,400.00
Cost to Employer	£34,650.00	£34,425.00 (cost reduces by £225 per annum)

PENSION CONTRIBUTION	Post Budget Before Salary Sacrifice	Post Budget Salary Sacrifice 6 April 2025
Employee Pension Contribution (5%)	£1,500.00	£0.00
Employer Pension Contribution (3%)	£900.00	£2,400.00
Pension Contribution	£2,400.00	£2,400.00

The potential saving to employees is:

£24,000
per annum

The potential saving to the employer is an additional:

£45,000
per annum

Contact us

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