

# Salary Sacrifice Options

Making Pensions more tax efficient  
Post Autumn Budget 2025 Implications



## Still worth the Sacrifice

### Increasing employee take-home pay: Introducing Salary Sacrifice into your Workplace Pension Scheme

Your employees are already contributing to a Workplace Pension Scheme. With the correct implementation and communication of Salary Sacrifice, both employees and employers can benefit through increased take-home pay and reduced National Insurance (NI) costs.

**For employees:**  
this means **more net pay** for the same pension contribution.

**For employers:**  
this represents a **genuine reduction** in payroll costs.

### Budget change: impact on employee and employer National Insurance contributions

The Autumn Budget 2025 confirmed that from **April 2029**, the amount an employee can contribute into their pension via salary sacrifice will be **capped at £2,000 per year**.

Despite this planned cap, salary sacrifice remains a **highly effective and tax-efficient** method of pension funding. Contributions above £2,000 will still be allowed - they will simply be treated as standard pension contributions (eligible for tax relief but without National Insurance savings).

### How Salary Sacrifice Works

Salary sacrifice is an agreement where an employee exchanges part of their gross salary in return for a non-cash benefit—in this case, additional employer pension contributions.

Employees can also sacrifice all or part of a bonus, although from April 2029 only the first £2,000 of the salary/bonus sacrifice will generate NI savings.

#### Benefits of salary sacrifice:

- Employees save National Insurance, increasing take-home pay.
- Employers save employer NI, reducing total employment costs.
- Pension contributions are made before tax, increasing efficiency.

Example: Employee earning £30,000  
(5% employee / 3% employer pension)

#### Employee Impact

EMPLOYEE	Before Salary Sacrifice	After Salary Sacrifice	Post-April 2029 (with £2,000 cap)
Gross Salary	£30,000.00	£28,500.00	£28,500.00
Income Tax	£3,486.00	£3,186.00	£3,186.00
NI Contribution	£1,394.40	£1,274.40	£1,274.40
Net Annual Contribution	£1,200.00	£0.00	£0.00
Net Pay	£23,919.60	£24,039.60	£24,039.60

£120 increase in take-home pay per year for the same total pension contribution.

#### Employer Impact

EMPLOYER	Before Salary Sacrifice	After Salary Sacrifice	Post-April 2029
Gross Salary	£30,000.00	£28,500.00	£28,500.00
Employer NI	£3,750.00	£3,525.00	£3,525.00
Employer Pension Contribution	£900.00	£2,400.00	£2,400.00
Total Employer Cost	£34,650.00	£34,425.00	£34,425.00

£225 annual saving per employee.

#### Pension Contribution Comparison

Pension Contribution	Before Salary Sacrifice	After Salary Sacrifice	Post-April 2029
Employee Contribution	£1,500.00	£0.00	£0.00
Employer Contribution	£900.00	£2,400.00	£2,400.00
Total Pension	£2,400.00	£2,400.00	£2,400.00

**Pension impact:** Employee gets the same pension funding for less cost, and the employer also saves.

## For an employer with 200 employees...

### Key-Takeaway

Even with the introduction of the £2,000 salary sacrifice cap, an employer with 200 employees could still achieve around **£60,000 in annual savings** (assuming each employee contributes £2,000 or more). These savings can help offset any additional employer National Insurance costs that may apply from April 2029 on contributions above the cap.

\*Figures are based on the assumptions above. Actual savings may vary depending on salary profiles, contribution levels and scheme design.

### Next Steps

Salary sacrifice arrangements must be set up correctly, with appropriate documentation, payroll alignment and clear employee communication.

#### Corpad can provide:

- A **free review** of your current pension and salary sacrifice structure
- Modelling of employee and employer savings
- Support with implementation and communication



Please contact us for more information or to arrange a review

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