



UNDERSTANDING SALARY EXCHANGE

*The tax-efficient employee benefit saving
companies thousands each year.*





AN INTRODUCTION TO SALARY EXCHANGE

There can be huge benefits for both employers and employees by focusing on employee engagement and optimising your workplace pension scheme (WPS) with the use of tools such as salary exchange.

What is Salary Exchange?

Salary exchange (also known as salary sacrifice) offers valuable National Insurance Contribution (NIC) savings for both employers and employees on the value of employee pension contributions.

Due to changes to National Insurance in recent years, an increasing number of employers are implementing salary exchange to create employer NIC savings to help offset their increased NIC costs.

How does it work?

When an employee elects to contribute into a pension via salary exchange, they are agreeing to a reduction in their salary in exchange for an additional employer's pension contribution.

As a result of exchanging a monetary amount, the employee saves Income Tax at their marginal rate (often a benefit for higher rate taxpayers who may be missing out on 40% tax relief on pension contributions if paid on a non-salary exchange basis) and NIC, thus reducing the cost of paying the pension contribution.



WHAT ARE THE BENEFITS TO EMPLOYERS AND EMPLOYEES?



As the employee is taking a reduction in salary, both parties pay less National Insurance, therefore creating a monetary saving for employee and employer.

For the employee, the same level of pension contribution is paid into the workplace scheme but at a lower cost, a welcome saving as we navigate the current cost-of-living crisis.

Employers benefit too by saving 15% NIC on the value of the employee pension contributions - in simple terms, a saving of £15.00 for every £100 paid by an employee.

Unlock the full guide here:

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