



Why choose salary sacrifice?

This guide is for employers only

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What is salary sacrifice?

Salary sacrifice, also known as 'salary exchange', is an arrangement with you and your employees where you agree to reduce your employee's salary by the amount you want to contribute to their pension. You will then pay this amount, plus your contribution, to their pension savings.

Why should I choose salary sacrifice?



It is a tax efficient way for you to save money on your workplace pension scheme



Both you and your employees pay less National Insurance contributions



You can choose how to reinvest those savings



Allows you to offer increased benefits for your employees, at no extra cost to you

How does it work?

If you offer salary sacrifice, this is how it works:

- you will reduce the employee's salary by the pension contribution they wish to pay
- the National Insurance contributions paid each month will be calculated on the employee's reduced salary figure
- the total regular amount paid into their pension plan will not reduce and may increase at no extra cost, depending on the basis of the arrangement
- the amount exchanged will be added to your existing employer contribution and result in a new total employer only contribution being paid into the member's pension

Some things to consider

- increased level of administration and HR work required to set up salary sacrifice
- your payroll provider will need to display salary sacrifice correctly
- your employees' pre-tax salaries will reduce by agreeing to salary sacrifice which may impact their entitlement to statutory or salary benefits

Interested in finding out more?

Get in touch by calling us on 0333 666 2323 or speak to your dedicated Smart Pension contact.

You can also contact our employer support team by [completing this online form](#).



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