

# Salary Exchange (also known as salary sacrifice)

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As an employer, you can set up a salary exchange arrangement by changing the terms of your employees' employment contracts.

Your employees need to agree to this change. Introducing salary exchange will change the way in which your employees' pension contributions are deducted and paid to the Workplace Pension provider.

The employee agrees to exchange a percentage of their salary, in return for a higher employer pension contribution.

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### **National Insurance saving for employees**

Employees' take-home pay will increase due to the employee's National Insurance saving.



### **National Insurance saving for employers**

The company can choose to keep or share their employer National Insurance saving.



### **Immediate tax relief for higher/additional taxpayers**

Employees can benefit from all their tax relief immediately.

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### **You should know that...**

- An arrangement must stay in place for a minimum of 12 months unless a 'life event' occurs
- A mortgage lender could offer a lower borrowing amount based on the lower salary
- Employees may pay less towards any Student Loan repayment
- Entitlement to state benefits e.g. Statutory Maternity Pay and the State Pension may be affected if a salary falls below the level at which you pay National Insurance contributions
- If employees earn less than £12,500 per annum, this arrangement can be detrimental
- If employees earn the Minimum Wage, they cannot use this arrangement

## Why use SG Corporate Services?

- Our team works specifically with businesses to solve their Workplace Pension and Employee Benefit problems
- We are Chartered Independent Financial Advisers
- Our approach is to give employers clear advice and meaningful communications to engage their staff
- We have significant experience working with a broad range of businesses, from PLCs to SMEs. We can help you with the common problems but, most importantly, the unique challenges affecting your business.

**We have offices in Norwich and Ipswich that service our clients across the UK. Contact us on 01603 760866 or [hello@sgcorporateservices.co.uk](mailto:hello@sgcorporateservices.co.uk)**

This a service for employers, not individual investors.

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