



Salary Exchange (Sacrifice) Scheme

A Salary Sacrifice Scheme is otherwise known as a Salary Exchange Scheme. It is where an employee chooses to exchange remuneration (cash) for an additional benefit (non-cash).

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Advantages/Disadvantages

Advantages

- Reduces tax
- Reduces National Insurance
- Gain a non-cash benefit
- Employer National Insurance Saving

Disadvantages

- Effect maternity
- Could affect mortgage borrowings

2

What can you exchange?

Now Restricted to:

- Payments into pension schemes
- Employer provided pension advice
- Childcare vouchers pre-October 2018
- Cycle to work – Bikes and equipment
- Electric cars

3

Alternative benefits to consider

- Season ticket loan
- Gym membership
- Tech scheme

4

How to Report/Tax the benefits?

- Payrolling the benefits
- P11D
- PSA Agreement for minor or one-off benefits

5

Common Pitfalls

- Gym – still deducted from gross pay
- Salary exchange isn't shown on payslips (legal requirement)
- Incorrectly setup on payroll
- Pension setup incorrectly with provider
- Breach of national minimum wage
- Failure to communicate with staff the contractual change