

Nest webinar

Salary sacrifice – what it is and does it work for your employers?

Tips for using Nest

Pension industry changes

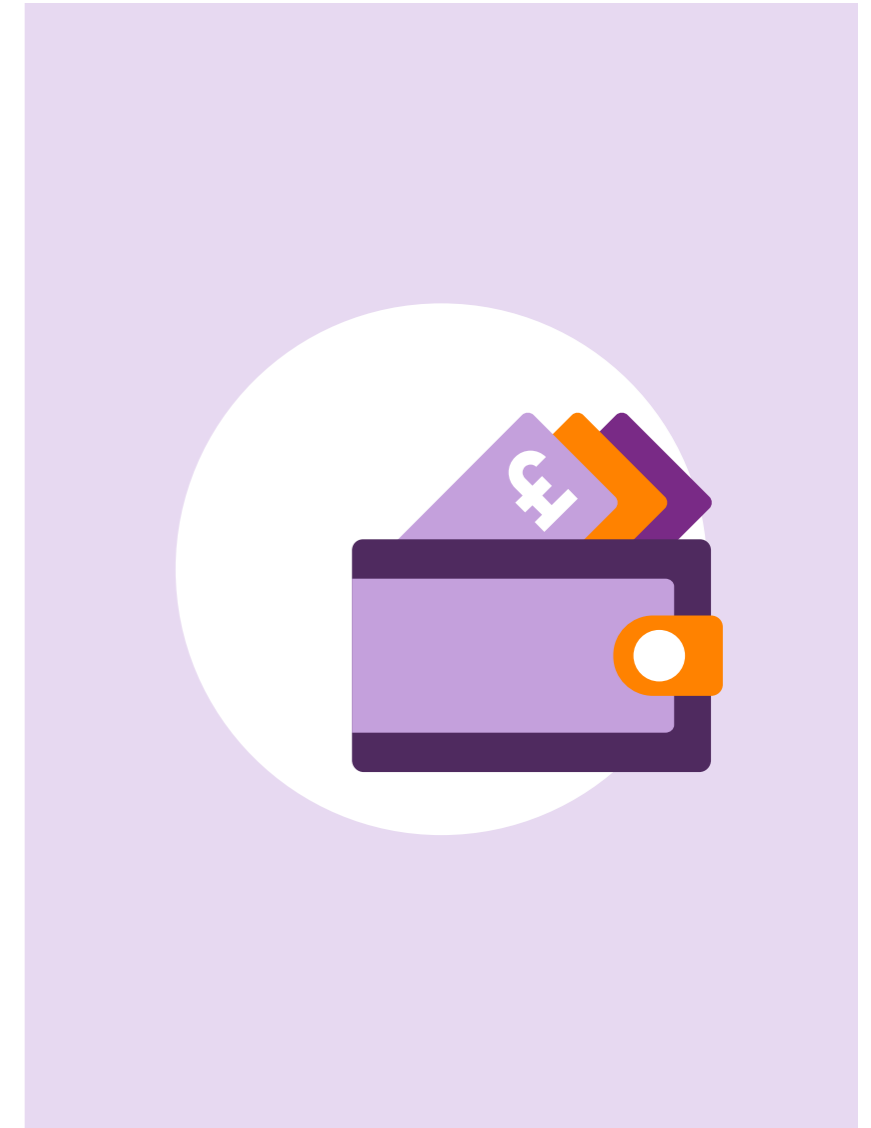
Agenda

Practical tips

- 1 Salary sacrifice – what it is and does it work for your employers?
- 2 Tips for using Nest

Pension industry changes

- 3 Extension of auto enrolment
- 4 Digitisation of Pension tax Relief at Source



Salary sacrifice

What is it?

- › Employees give up part of their salary (i.e. the amount they would normally pay as a personal contribution)
- › You use that to pay their pension contributions

Why?

- › As salary is reduced the employee pays less tax and National Insurance
- › Employer also saves on their National Insurance contributions



National Insurance rates

2023/24 (Class A)

Employees:

12% on earnings above Primary Threshold to Upper Earnings Limit (i.e. £12,570 p.a. to £50,270 p.a.)

2% on earnings in excess of £50,270 p.a.

Employers:

13.8% on earnings in excess of £9,100 p.a. (secondary threshold)

Savings

National Insurance

Assume employee is paying 5% of Qualifying earnings

Employer saves:

- › If earning £23,000 = £115.56 per annum saving
- › If earning £25,000 = £129.48 per annum saving
- › If earning £27,000 = £238.80 per annum saving



Does it work for your employers?

Cannot include an employee if the sacrifice takes the employee below the National Minimum Wage

Reducing salary may affect the employee's entitlement to state benefits or their ability to take out a mortgage or loan etc.

You should also think about other employer provided benefits – e.g. life assurance where it is a multiple of salary

Practical considerations

- › Does your payroll cope with salary sacrifice?
- › Employer may need to change contracts of employment
- › Dealing with those who don't qualify for, or don't want to use, salary sacrifice
- › Additional payments by employees, salary sacrifice or not?
- › Will the employer use their National Insurance saving for the benefit of employees – e.g. increased pension contributions?

Salary sacrifice contributions are deemed employer contributions, therefore when submitting contributions to Nest all contributions for these employees must go in the employer contribution field

Links

Nest

How to set up salary sacrifice [Salary sacrifice | Nest pensions](#)

General information [Salary sacrifice \(nestpensions.org.uk\)](#)

HMRC

[Salary sacrifice for employers - GOV.UK \(www.gov.uk\)](#)

Money & Pensions Service – MoneyHelper

[Salary sacrifice and your pension | MoneyHelper](#)

Moving members between groups

Help centre video



[How to change a worker's group | Nest pensions](#)

Pension industry changes

Extension of auto-enrolment (AE)

The Government announced its support for a Bill which give the Secretary of State the power to extend AE to jobholders under the age of 22 (likely to 18) and lower the qualifying earnings threshold (likely to £0)

The 2017 DWP review of AE identified these two points as important changes and a commitment was made to implement them by the mid-2020s

The timetable for changes is not yet known.

Consultation on the implementation approach expected Autumn 2023

There will be a statutory requirement to consult again before using these powers

HMRC aim to have a fully digital service for schemes claiming RAS tax relief from April 2025

Claims will be based on individual level data to allow HMRC to accurately calculate the tax relief due and only where they determine that an individual is eligible for tax-relief

There is an HMRC working group with industry participants which is seeking views before moving to build. Nest is represented

Draft regulations and a consultation expected this summer



HMRC – Digitisation of Pension Tax Relief at Source (RAS)

What could this mean?

It should mean any tax relief is paid quicker

Where there isn't a match it could lead to the underpayment of member contributions against AE regulations

Increase in queries where there hasn't been a match

What can you do? – member details should match those successfully reported through RTI to HMRC

Nest will be undertaking a data review exercise



QA



© Nest Corporation 2023. All rights reserved.

This information does not constitute financial, investment or professional advice and should not be relied on.

We do not make any personal recommendation or give advice to employers and their workers or third parties on how to make investment decisions. If you are considering using Nest you should consider talking to an appropriately qualified professional.

We do not give any undertaking or make any representation or warranty that this document is complete or error free. We do not accept responsibility for any loss caused as a result of any error, inaccuracy or incompleteness.

Any form of reproduction of all or any part of these slides is not allowed.

Any links on these slides to other websites and resources provided by third parties are given for your information only and we have no control over, and cannot take any responsibility for any loss caused to you by, the content of those sites or resources.

The Nest trade marks and trade names used above are owned by Nest Corporation and should not be used in any way without our permission.