**Salary sacrifice FAQs**

##### Glossary

**Notional Salary** means your original salary amount before the salary sacrifice reduction.

**Non-cash benefit** means the benefit provided by the University, purchased by the employee often by giving up a proportion of their salary. For example, childcare vouchers, or car parking

**What is salary sacrifice?**

Salary sacrifice is when you agree to sacrifice, or give up part of, your salary in order to receive tax and/or National Insurance (NI) contributions savings - increasing the overall value of your pay package.

Many organisations are now offering their employees salary sacrifice schemes. The idea behind this is quite simple. You give up part of your salary and, in return your employer gives you a non-cash benefit, such as pension or car parking, which is exempt from NI contributions and often income tax as well.

The concept of salary sacrifice will not affect other pay and benefits, for example pension contributions provided by the University, as the University will use your notional salary to calculate these.

**What are the benefits of salary sacrifice?**

The way the salary sacrifice works is that you pay for your benefit before any tax and NI contributions are deducted; therefore you pay tax and NI contributions on a lower salary and thus making a saving. In effect, the scheme offers a better deal, as you can buy more for your money. By introducing salary sacrifice schemes, employers increase the overall value of the reward offer.

**Can I change my mind and leave the scheme?**

When you agree to salary sacrifice, it is usually for a set time period, as outlined within the relevant scheme rules. However, you can cease the agreement in the event your circumstances change. This may happen if an employee has agreed terms and conditions for a set period and within that period an event happens that means the arrangements are no longer suitable. These are called ‘lifestyle changes’ and may include, but are not limited to, the following:

* Redundancy of a partner
* Pregnancy of employee or partner
* Marriage or divorce of employee
* Change in childcare arrangements (childcare vouchers)
* Change of mode of transport to work (car parking).

**If I am reducing my salary, will this have an impact on other pay elements and benefits which are based on my salary?**

No. We will use your notional salary to calculate any benefits and pay elements which are determined by your salary. These include:

* Overtime
* Sick pay
* Holiday pay
* Annual pay review
* Occupational maternity, paternity and adoption pay
* Pension benefits.

**Will salary sacrifice affect my application for loans and mortgages?**

A salary sacrifice scheme should not affect applications for mortgages and/or loans. The lender will usually write to the University for a reference and the University will give them details of your notional salary which the majority of lenders will accept. Salary sacrifice is a standard practice used by various organisations and approved by HMRC and therefore is widely recognised by lending institutions.

**How does salary sacrifice affect me for national minimum wage (NMW) purposes?**

The University cannot pay at a rate below the NMW. As a result, if the reduction in your salary takes your hourly rate below this level, you will not be able to participate. It is unlikely that any University employees will be affected by this, but the University will carry out regular checks to ensure this does not happen. Should an issue arise, the University will notify you and automatically opt you out of the salary sacrifice scheme.

**What if I want to participate in more than one salary sacrifice scheme?**

Provided you meet the rules of entry for each scheme and the reductions for your chosen salary sacrifice options do not take your salary to a rate below the NMW, you will be able to participate in all schemes.

**What impact will salary sacrifice have on my Working Tax Credits/Child Tax Credit/Child Support Agency payments?**

Working Tax Credit and Child Tax Credit payments are based on your gross salary. As your gross salary will reduce under a salary sacrifice scheme, it follows that there may be a change to your Working Tax Credit and Child Tax Credit payments as these will be calculated on your reduced salary.

HMRC’s [Tax credit calculator](https://www.gov.uk/tax-credits-calculator) can be used to give you an idea of how your Working Tax Credit and Child Tax Credit payments may be affected.

Child Support Agency (CSA) payments are calculated using your take-home salary. As your take-home salary will reduce under a salary sacrifice scheme, there may be a change in the amount of CSA payments. It is your responsibility to inform the CSA if your take home pay changes. Further advice can be found at [www.gov.uk/child-maintenance/changes-you-need-to-report](https://www.gov.uk/child-maintenance/changes-you-need-to-report) or [www.gov.uk/child-maintenance/overview](https://www.gov.uk/child-maintenance/overview).

**Will salary sacrifice have any effect on my entitlement to state benefits such as the state pension?**

Your entitlement to most state benefits depends on your earnings rather than the amount of Income Tax or NI you pay. If your earnings are above the NI contributions or Lower Earnings Limit (£520 per month at 2020/2021 rates) your entitlement to benefits such as the State Pension, Employment and Support Allowance and Jobseekers Allowance will be unaffected. The University will monitor earnings to ensure that any employees who may be affected will not be included in a salary sacrifice.

Further information can be found at [www.gov.uk](https://www.gov.uk/). If you are unsure about your entitlements to state benefits the University recommends that you seek professional advice.

**Will I lose any pension benefits as my salary is reducing?**

A salary sacrifice will not affect the pension benefits for members of the USS and UPS pension arrangements. These pension schemes accept the concept of notional salary which means they calculate your pension benefits before the salary sacrifice reduction is applied.

However, a salary sacrifice does affect the pension benefits for members in the NHS pension scheme. This scheme does not accept the concept of notional salary which means your pension benefits are calculated after the salary sacrifice reduction is applied. In other words, employees’ contributions will only be based on the reduced salary. This means that benefits (including those payable following death in service) may be significantly reduced if claimed during a period when salary is sacrificed or within twelve months of the resumption of full cash pay.

**How do I obtain independent financial advice?**

Please note that the pensions team at Warwick is not authorised to give any form of financial advice, so if your queries are related to your personal financial situation you may benefit from taking independent financial advice. [www.unbiased.co.uk](http://www.unbiased.co.uk)  is a website that helps you find an Independent Financial Adviser and the Single Financial Guidance Body [www.singlefinancialguidancebody.org.uk](http://www.singlefinancialguidancebody.org.uk/) may also be of use.