

Pension Salary Sacrifice

NIC savings guide - Tax year 2019/2020

How much could I save?

The amount of *National Insurance contributions (NIC)* you could save will depend on your salary and the amount of pension salary sacrifice you choose.

The table below provides an indication of the annual *NIC* savings available for the tax year 2019/2020 based on a pension salary sacrifice of 3%, 4%, 5% and 6%.

Important notes

- All illustrations are based on tax and *NIC* rates for the 2019/2020 tax year. Your actual tax will depend on your personal tax code.
- *NIC* savings are smaller for higher earners because the rate at which *NIC* is paid reduces to 2% for earnings over the *NIC* Upper Earnings Limit (£50,000 per annum for 2019/2020).
- From 6 April 2017, employers can claim exemption from *NIC* for Apprentices under the age of 25, hence there would not be a 50% *NIC* saving to share for these members.
- Tax and social security rules, and *NIC* rates, are subject to change.
- This guide should be read in conjunction with the **pension salary sacrifice factsheet 10** available on the *pension website*: <http://ukpensions.basf.co.uk>

Pre-sacrifice salary	Annual employee <i>NIC</i> savings based on a pension salary sacrifice of:			
	3%	4%	5%	6%
£15,000	£54	£72	£90	£108
£20,000	£72	£96	£120	£144
£30,000	£108	£144	£180	£216
£40,000	£144	£192	£240	£288
£50,000	£30	£40	£50	£60
£75,000	£45	£60	£75	£90
£100,000	£60	£80	£100	£120
£175,000	£105	£140	£175	£210

How much of its saving will your employer share?

You will also (where applicable) benefit from *additional savings pension contributions* equal to 50% of the *NIC* saving your employer makes from pension salary sacrifice. The examples overleaf illustrate the impact of pension salary sacrifice in the DC section of the *Scheme*, both with and without the operation of pension salary sacrifice.

Example 1

This example is based on a DC section *member* with a *pre-sacrifice salary* of £25,000 per year and a pension salary sacrifice of 4%. The *member* saves **£120** in NIC per annum and receives an *additional savings pension contribution* of **£69** per annum, equal to 50% of the *employer's NIC saving*, paid to their DC account.

Before pension salary sacrifice		With pension salary sacrifice	
Salary	£25,000	<i>Pre-sacrifice salary</i>	£25,000
Less <i>regular member pension contribution</i> (4%)	(£1,000)	Less <i>pension salary sacrifice adjustment</i> (4%)	(£1,000)
Less tax paid (on £24,000)	(£2,300)	<i>Adjusted salary</i>	£24,000
Less NIC (on £25,000)	(£1,964)	Less tax paid (on £24,000)	(£2,300)
Employee net salary	£19,736	Less NIC (on £24,000)	(£1,844)
		Employee net salary	£19,856
		<i>Additional savings pension contribution paid to member's DC account (50% x employer's NIC saving)</i>	£69

Example 2

This example is based on a DC section *member* with a *pre-sacrifice salary* of £50,000 per year and a pension salary sacrifice of 6%. The *member* saves **£60** in NIC per annum and receives an *additional savings pension contribution* of **£207** per annum, equal to 50% of the *employer's NIC saving*, paid to their DC account.

Before pension salary sacrifice		With pension salary sacrifice	
Salary	£50,000	<i>Pre-sacrifice salary</i>	£50,000
Less <i>regular member pension contribution</i> (6%)	(£3,000)	Less <i>pension salary sacrifice adjustment</i> (6%)	(£3,000)
Less tax paid (on £47,000)	(£6,900)	<i>Adjusted salary</i>	£47,000
Less NIC (on £50,000)	(£4,594)	Less tax paid (on £47,000)	(£6,900)
Employee net salary	£35,506	Less NIC (on £47,000)	(£4,534)
		Employee net salary	£35,566
		<i>Additional savings pension contribution paid to member's DC account (50% x employer's NIC saving)</i>	£207

A number of words and phrases used in this guide have a special meaning. These are defined in the **pension salary sacrifice factsheet 10** and appear in *italics* in this guide.