



# Salary Sacrifice Guidance and Frequently Asked Questions

**This document is guidance relating to Salary Sacrifice schemes for employees of York and Scarborough Teaching Hospitals NHS Foundation Trust and Facilities Management LLP. It sets out the implications of these schemes on your salary, pension, tax etc. It is important that you read this before you decide to participate in a salary sacrifice agreement.**

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# What is Salary Sacrifice?

Salary sacrifice schemes provide staff with an excellent opportunity to gain a benefit (benefit in kind) whilst making substantial savings by agreeing to 'sacrifice' (or give up) a portion of salary in exchange for a benefit.

When you join a salary sacrifice scheme you sign an agreement to vary your terms and conditions relating to pay. Savings for basic rate taxpayers can be as high as 38% and for higher rate taxpayers as much as 48%. Your savings are made because you pay less PAYE (income tax), National Insurance and Pension contributions.

**A good example of this:** An employee earning £20,000 per annum joins the Cycle to Work Scheme and orders a bike for £1000. For the next 12 months, the employee agrees to sacrifice that £1000 and therefore effectively earns £19,000 for the next twelve 12 months and therefore pays less tax, NI and pension.

# What is 'Benefit in Kind'?

"Benefit in Kind" are benefits that employees receive from their company which aren't included in their salary or wages. Not all benefits in kind are treated in the same way by the tax system. Some aren't taxed, but others are. It's a good idea to consider them as cash equivalents which contribute to your income. There's a wide range of benefits in kind - from company cars to home electric schemes, some of which the Trust offers as part of its Staff Benefits package.

Some benefits don't incur any tax. However, there are complex rules around each type of benefit and a range of circumstances which HMRC will take into account before deciding if you have tax to pay or not. You may hear the words "Taxed at Source" or "P11D", this is the way the Trust can collect the benefits in kind payment from the employee. The Trust takes the Tax payment at source; this method means you pay your benefits in kind payment monthly from your salary. The payments usually start the month after receiving your taxable benefit and end the month after the benefit ceases. This method means you do not receive a P11D form from the Trust and your tax coding is not amended by HMRC.

The benefits that do not have a tax charge are:

-Cycle to Work

-Buying and Selling of Annual Leave

## National Minimum Wage

A Salary Sacrifice scheme must not reduce your pay to below the National Living Wage. As a Trust we have made the decision to set our rate slightly higher to future proof against government wage increases over the following three years.

You will not be able to take part in the salary sacrifice scheme if your hourly rate falls below this limit after the salary sacrifice has been deducted. This will take into account any other deductions made from your wage including any existing salary sacrifice's, student loans etc. that you have in place.

## **Will participating in a salary sacrifice scheme effect my universal credits?**

**Possibly, universal credit depends on a number of hours worked, the number of children and whether eligible childcare costs are paid. We strongly suggest that you check this with your local Government Benefits office before applying.**

## **Will salary sacrifice affect mortgage and credit applications?**

**A reduction in salary might affect general financial matters such as mortgage applications. However, the majority of lenders take into account salary sacrifice arrangements when making decisions.**

## **Will my pension be affected?**

**If you are a member of the NHS pension scheme, then having a salary sacrifice will reduce your pensionable pay. This means that you will pay less pension contributions from your salary, providing you with a saving on the salary sacrifice amount, but also means that you will accumulate slightly less pension benefits for your retirement while you have the salary sacrifice deductions.**

# Is there any impact on Student Loans?

**Student loan recovery is based on post-sacrifice amounts. Therefore, under salary sacrifice arrangements the amount of student loan repayments will go down.**

# What happens if I change jobs or leave to go to another Trust?

**The Trust will do what it can to support staff in these circumstances and it might be possible to transfer responsibilities under the scheme to another employee or a future employer but this cannot be guaranteed. If it cannot be transferred all monies owed will be taken from your final salary. Please note that moving from the Trust to Facilities Management, or vice-versa, means that you will potentially be treated as a leaver under the rules of the salary sacrifice agreement, and may need to pay any outstanding balances.**



# What contract do I need to be eligible for salary sacrifice schemes?

The schemes are open to all employees. However, participation is subject to the National Minimum Wage limit. The Trust sets this slightly higher to future proof over NMW Government increases for the following three weeks.

You must have completed a period of six months working for either the Trust or Facilities Management before you are eligible to participate in any of the schemes. Each scheme is administered separately and gives different opportunities to join. Each scheme has its own participation length which is advised to you in advance.

As the schemes require staff to sacrifice part of their salary in return for a benefit, if you are a bank worker your monthly salary cannot be guaranteed to cover a salary sacrifice therefore you will not be eligible to apply. Staff with fixed term contracts can only participate in the scheme if participation can be completed before the end of the fixed term.

## Opting out

Participation in each scheme requires a change to your terms and conditions of service and therefore it is only possible to opt out of the scheme on the renewal dates or due to a life changing event (for example a change to working hours).

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In these circumstances, the Trust may agree for you to opt out of one or more of the schemes. Any outstanding monies owed will need to be paid.

If in the car lease scheme, the car will need to be returned, and an early termination fee will be required.

## Once in any of the schemes, can I change the benefits I have chosen?

As above, if there is a life changing event the Trust will consider a request to change the benefits selected.

**What is a life changing event? Examples include:**

A new baby, Adoption, Divorce/ Separation, Death of a partner/ Child, Changes to Childcare arrangements

(This list is not exhaustive)

## What happens if I leave voluntarily when I am part way through a salary sacrifice agreement?

On leaving the Trust you will be liable for any and all outstanding salary sacrifice monies still owed, this will be deducted from your final salary payment. If more than your final salary is owed after your final salary deduction, you will be invoiced for the remaining amount.

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If you have a longer notice period than one month, you can arrange for the money to spread over this period. You will need to check with the salary sacrifice team in this instance on email [yhs-tr.fleet.management@nhs.net](mailto:yhs-tr.fleet.management@nhs.net) as to what the impact may be.

If in the car lease scheme, the car will need to be returned, and an early termination fee will be required.

## Redundancy

When you take out a salary sacrifice scheme, you are agreeing to vary your contractual terms in respect of basic pay. However, any contractual payments in relation to redundancy including payment in lieu of notice will be based on the higher salary rate (i.e. the rate before the salary sacrifice is applied)

## TUPE

If you have a salary sacrifice scheme and you are transferred to another organisation under the TUPE regulations, a discussion will be had with you over the scheme that you are a part of to advise you of the next steps. Benefits programmes are not a contractual right under TUPE and therefore, there is no guarantee that the new employer will take a scheme forward. Usually, the scheme is closed as if you were a leaver from the organisation and all outstanding money will be taken from your final salary.

# Retire and return

If you choose to retire and return whilst you have an existing salary sacrifice it will be the same process that would happen if you were to leave the Trust on a permanent basis. All monies owed would be taken from your final salary before you retire.

# Death in service benefits

These benefits will also be impacted if you die in pensionable employment during the scheme. The life assurance within the NHS Pension Scheme is paid by a lump sum equal to two years of Pensionable Pay. As your Pensionable Pay will decrease by the amount of the Salary Sacrifice, this may have an effect on your benefits.

# Is there a cooling off period?

## **Cycle to Work Scheme**

14 days cooling off period

## **Buying Annual Leave**

14 days cooling off period after 31<sup>st</sup> January

## **Home Electronic Scheme**

No cooling off period

## **Fleet Car Scheme**

No cooling off period

## **CPC Car Scheme**

No cooling off period

# Criteria

The Trust/ LLP reserves the right to reject any application if you are involved in a formal process which may have an impact on your salary or employment status.

# More information

If you require further information, please email [yhs-tr.staffbenefits@nhs.net](mailto:yhs-tr.staffbenefits@nhs.net)