

CLIENT SALARY SACRIFICE EXAMPLE

Client	Donna Collier	44 Main Street, Pelton, Co Durham, DH7 1ZZ
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Employer	Pay Ref	Nat Insurance No.	Retirement Age
Pelton Pooch Parlour	PPP001		65

Before SalSac

After SalSac

Gross Annual Salary		£24,000.00
Gross Monthly Salary		£2,000.00
Tax Allowance		£11,000.00
Tax	20%	£216.67
Tax	40%	£0.00
Tax	45%	£0.00
Employee National Insurance		£159.40

Gross Annual Salary		£21,882.26
Gross Monthly Salary		£1,823.52
Tax Allowance		£11,000.00
Tax	20%	£181.37
Tax	40%	£0.00
Tax	45%	£0.00
Employee National Insurance		£138.22

Total Deductions		£376.07
Net Pension Contribution		(6.0%) £120.00
Gross Pension Contribution		(7.5%) £150.00
Employer Voluntary Contribution		(5.0%) £100.00

Total Deductions		£319.59
Net Pension Contribution		£0.00
Gross Pension Contribution		£0.00
Total Employer Pension Contribution		(16.5%) £300.83

Spendable Income	£1,503.93
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Spendable Income	£1,503.93
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AMOUNT INVESTED IN PENSION	(12.5%) £250.00
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AMOUNT INVESTED IN PENSION	(16.5%) £300.83
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Before

Basic rate tax relief is added to the pension contribution at source.

For higher rate taxpayers it is assumed that they have claimed the difference between basic rate tax relief and higher rate tax relief.

The relief claimed back in the 'Higher Rate Tax Relief Adjustment' is then added to the 'Spendable Income'.

After

A reduced gross salary for the employee is calculated and an increased pension contribution is made on behalf of the employee by the employer.

The total cost to the employer and the spendable income of the employee remain the same as before without having to claim any tax relief back from HM Revenue & Customs.

Additional Contributions At No Extra Cost

Each Month	£50.83
Each Year	£609.96
To Anticipated Retirement Age (65)	£10,369.32

Amounts do not include any investment growth that may be realised and assumes no change in pension contributions or tax relief legislation.

These figures are examples only and should be checked with your employer before proceeding.



EXAMPLE PAY SLIPS

Before SalSac

COMPANY NAME: PELTON POOCH PARLOUR							
Department:				Payment Method:		Payment Period: Monthly	
DESCRIPTION	HOURS	RATE	AMOUNT	DESCRIPTION	AMOUNT	DESCRIPTION	AMOUNT
Salary	1.00	2000.00	2000.00	PAYE Tax	216.67	Total Gross Pay TD	2000.00
				National Insurance	159.40	Gross for Tax TD	2000.00
				=====		Tax Paid TD	216.67
				Employee Personal Pension Contribution	120.00	Earnings for NI TD	2000.00
				(Paid by Direct Debit)		Nat Insurance TD	159.40
				(Gross Contribution)	(150.00)	=====	
				Employer Voluntary Contribution	100.00	Earnings for NI	
						Gross for Tax	2000.00
						Total Gross Pay	2000.00
						Nat Insurance No	
DATE	DEPT	TAX ALLOWANCE	EMPLOYEE No	EMPLOYEE NAME		NET PAY	
1 30/04/2016		11000.00	PPP001	Donna Collier		1503.93	

After SalSac

COMPANY NAME: PELTON POOCH PARLOUR							
Department:				Payment Method:		Payment Period: Monthly	
DESCRIPTION	HOURS	RATE	AMOUNT	DESCRIPTION	AMOUNT	DESCRIPTION	AMOUNT
Original Salary	1.00	2000.00	2000.00	PAYE Tax	181.37	Total Gross Pay TD	1823.52
Salary Sacrifice			176.48	National Insurance	138.22	Gross for Tax TD	1823.52
=====						Tax Paid TD	181.37
New Salary	1.00	1823.52	1823.52			Earnings for NI TD	1823.52
						Nat Insurance TD	138.22
						=====	
(Employer Pension Contribution)			(300.83)			Earnings for NI	
						Gross for Tax	1823.52
						Total Gross Pay	1823.52
						Nat Insurance No	
DATE	DEPT	TAX ALLOWANCE	EMPLOYEE No	EMPLOYEE NAME		NET PAY	
1 30/04/2016		11000.00	PPP001	Donna Collier		1503.93	



Mrs D Collier
44 Main Street
Pelton
Co Durham
DH7 1ZZ

11/04/2016

Dear Mrs Collier,

I have pleasure in enclosing a draft illustration of the potential benefits to be gained from the use of a Salary Sacrifice Scheme to provide additional contributions to your pension scheme.

Your personal current and proposed pension contributions are shown below. Any additional employer voluntary contributions are shown on the main illustration.

Current Monthly	Proposed Monthly	Percentage Increase
Gross £150.00	Gross £200.83	Gross 33.9%

Additional contributions gained are at no extra cost to either yourself or your employer - savings made from your tax and national insurance give you the enhanced benefits shown above. The draft illustration attached gives you a more detailed breakdown of the before and after figures.

Please do not hesitate to contact me if you require any further information.

Yours sincerely,

Mary McNaughton
Adviser

11/04/2016

Dear Mrs Collier,

Salary Sacrifice

With effect from 11/04/2016, your salary will reduce from £24,000.00 p.a. to £21,882.26 p.a. The monetary reward has been reduced in lieu of an employer contribution to your pension arrangement.

By signing this letter, you are confirming your agreement. Please sign both copies, keep one for your own records and return the other copy to Pelton Pooch Parlour.

Yours sincerely,

Signed

Date

For and on behalf of Pelton Pooch Parlour

I confirm that I agree to this reduction in salary.

Signed

Date

As this agreement constitutes a change to the employee's contract of employment, we recommend that legal advice be sought.