

CLIENT SALARY SACRIFICE EXAMPLE

Client	Bernard Saint	44 Main Street, Pelton, Co Durham, DH7 1ZZ
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Employer	Pay Ref	Nat Insurance No.	Retirement Age
Pelton Pooch Parlour	PPP003	BB220000Z	65

Before SalSac

After SalSac

Gross Annual Salary		£60,000.00
Gross Monthly Salary		£5,000.00
Tax Allowance		£11,000.00
Tax	20%	£533.33
Tax	40%	£566.67
Tax	45%	£0.00
Employee National Insurance		£377.73

Gross Annual Salary		£55,344.83
Gross Monthly Salary		£4,612.07
Tax Allowance		£11,000.00
Tax	20%	£533.33
Tax	40%	£411.49
Tax	45%	£0.00
Employee National Insurance		£369.98

Total Deductions		£1,477.73
Net Pension Contribution		(6.0%) £300.00
Gross Pension Contribution		(7.5%) £375.00
Employer Voluntary Contribution		(5.0%) £250.00

Total Deductions		£1,314.80
Net Pension Contribution		£0.00
Gross Pension Contribution		£0.00
Total Employer Pension Contribution		(15.0%) £691.46

Higher Rate Tax Relief Adjustment	£75.00
Spendable Income	£3,297.27

Spendable Income	£3,297.27
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AMOUNT INVESTED IN PENSION	(12.5%) £625.00
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AMOUNT INVESTED IN PENSION	(15.0%) £691.46
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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	£66.46
Each Year	£797.52
To Anticipated Retirement Age (65)	£17,545.44

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	5000.00	5000.00	PAYE Tax	1100.00	Total Gross Pay TD	5000.00
				National Insurance	377.73	Gross for Tax TD	5000.00
				=====		Tax Paid TD	1100.00
				Employee Personal Pension Contribution	300.00	Earnings for NI TD	5000.00
				(Paid by Direct Debit)		Nat Insurance TD	377.73
				(Gross Contribution)	(375.00)	=====	
				Employer Voluntary Contribution	250.00	Earnings for NI	
						Gross for Tax	5000.00
						Total Gross Pay	5000.00
						Nat Insurance No	BB220000Z
						Higher Rate Tax Relief Adjustment	75.00
DATE	DEPT	TAX ALLOWANCE	EMPLOYEE No	EMPLOYEE NAME		NET PAY	
1 30/04/2016		11000.00	PPP003	Bernard Saint		3297.27	

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	5000.00	5000.00	PAYE Tax	944.82	Total Gross Pay TD	4612.07
Salary Sacrifice			387.93	National Insurance	369.98	Gross for Tax TD	4612.07
=====						Tax Paid TD	944.82
New Salary	1.00	4612.07	4612.07			Earnings for NI TD	4612.07
						Nat Insurance TD	369.98
						=====	
(Employer Pension Contribution)			(691.46)			Earnings for NI	
						Gross for Tax	4612.07
						Total Gross Pay	4612.07
						Nat Insurance No	BB220000Z
DATE	DEPT	TAX ALLOWANCE	EMPLOYEE No	EMPLOYEE NAME		NET PAY	
1 30/04/2016		11000.00	PPP003	Bernard Saint		3297.27	



Mr B Saint
44 Main Street
Pelton
Co Durham
DH7 1ZZ

11/04/2016

Dear Mr Saint,

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 £375.00	Gross £441.46	Gross 17.7%

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 Mr Saint,

Salary Sacrifice

With effect from 11/04/2016, your salary will reduce from £60,000.00 p.a. to £55,344.83 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.

Client: Mr B Saint, £60,000.00 income, £11,000.00 personal allowance, £49,000.00 taxable income
Employer: Pelton Pooch Parlour
Tax Year: 2016-2017 Tax Year

Higher rate tax payers have basic rate tax relief applied to their pension contributions at source but are required to claim the difference between their higher rate tax relief entitlement and basic rate relief back from the Inland Revenue. For the purpose of this Salary Sacrifice illustration it is assumed that the claim has been successfully made and the amount of relief paid back monthly is shown in the 'before' side of the illustration in the green box with the heading 'Higher Rate Tax Relief Adjustment'.

The calculations below show how the figure is arrived at. The first set of figures show the tax situation before any pension contribution is made and the second set of figures are showing the position after personal pension contributions are being made.

Calculation 1.
ZERO pension contribution.

£49,000.00 income - £32,000.00 (40% threshold) = £17,000.00 @ 40% (£6,800.00 p.a. or £566.67 month)
£32,000.00 @ 20% (£6,400.00 p.a. or £533.33 month)

Total Tax Monthly: £533.33 + £566.67 = £1,100.00 Tax Payable

Calculation 2.
£300.00 net BRT monthly pension contribution £375.00 gross BRT (£4,500.00 p.a)

£32,000.00 basic rate tax band increases by the £4,500.00 pension contribution to £36,500.00

£49,000.00 income - £36,500.00 (40% threshold) = £12,500.00 @ 40% (£5,000.00 p.a. or £416.67 month)
£36,500.00 @ 20% (£7,300.00 p.a. or £608.33 month)

Total Tax Monthly: £608.33 + £416.67 = £1,025.00 Tax Payable

TAX TO CLAIM BACK FROM REVENUE: £1,100.00 - £1,025.00 = £75.00 monthly to be added to spendable income in the green box titled 'Higher Rate Tax Relief Adjustment'.

SalSac Software by Solidata Ltd

Salary Sacrifice calculations are based on National Insurance 'Contracted In' rates. Whilst every effort has been made to ensure that the figures provided are accurate, it is impossible to predict all the individual circumstances for which these calculations may be used. Solidata Ltd or Retirement Planning UK shall not be liable to any person or entity with respect to any loss or damage caused or alleged to be caused by the information contained in or omitted in the Salary Sacrifice illustrations. It would be advisable to contact your employer, accountant or tax adviser before entering into a Salary Sacrifice agreement.