Salary Sacrifice Guidance & Frequently Asked Questions

Employee Information
This document is guidance relating to Salary Sacrifice for the employees of York Teaching Hospital NHS Foundation Trust and sets out the implications of these schemes on your salary, pension, tax etc. **It is important that you read this before you make a decision to participate in a salary sacrifice arrangement.**

Salary sacrifice is where an employee chooses to give up part of their salary for a given period of time in return for a benefit provided by the employer, the value of which is exempt from Tax and National Insurance contributions. As the employer is providing a benefit then some of these benefits will attract a tax charge on the employee. The benefits that do not have a tax charge are:

- Mobile phones
- Cycle to work
- Childcare vouchers
- Buying annual leave

Where there is a tax charge this will be estimated at the outset of the scheme so that you are aware of the cost of the sacrifice compared to the benefit being given. It is possible that changes in your salary or in HMRC regulations and limits could impact on the net cost of the benefit. However, it is unlikely that this change would mean that the overall cost was materially increased and in some cases it could result in additional savings. There is a £100 per month maximum that can be deducted from your salary for participation in salary sacrifice scheme this excludes the car lease scheme and child care vouchers.

Any member of staff with an attachment of earnings or who are currently managed under a HR policy e.g. sickness, disciplinary or performance management may not be accepted.
As the schemes require staff to sacrifice part of their salary in return for a benefit, if you are a casual worker your contract will be for zero hours and therefore the sacrifice cannot be made and if you have a fixed term contract you can only participate in the scheme if participation can be completed before the end of the fixed term. The schemes are open to part time employees. However, participation is subject to National Minimum Wage limit.
You have to have completed your probationary period before you are eligible to participate in any of the schemes.
Each scheme is administered separately and gives different opportunities to join. Some schemes, such as the annual leave scheme start on 1st April each year. Each scheme has its own participation length which is advised to you in advance. On leaving the Trust you will be liable for any outstanding salary sacrifice monies still owed, this will be deducted from your final salary payment. If more than your final salary is owed you will be invoiced for the remaining amount.

Frequently Asked Questions

What do I need to consider before participating in a salary sacrifice scheme?
The benefits of salary sacrifice need to be balanced against the possible consequences for your income in future. Reducing the amount you pay in National Insurance contributions, even for a limited period, could affect your entitlement to future benefits.
Will participation in a salary sacrifice scheme affect my NHS pension?

Yes, dependant on which section of the Scheme you are in, and particularly for members of the 2015 Scheme introduced in April 2015 as for most members the Scheme changed from a final salary to a career average scheme. Salary sacrifice reduces the basic salary that the pension is based on. The Trust and its officers do not give pension advice. **You are strongly advised to consider the impact of the reduced salary and seek independent financial advice if you are unsure about the potential impact.**

Further information can be obtained from:

- www.nhsbsa.nhs.uk - NHS Pension Scheme: Arrangements beyond 1 April 2015

Will it affect my State pension and other State benefits?

Possibly, Your State pension and other benefits such as Statutory Sick Pay and Statutory Maternity Pay can be affected by the level of National Insurance contributions you make. This is unlikely to affect most staff, but would affect those whose annual pay after salary sacrifice falls below the lower earnings limit.

See HMRC guidance at:

- www.hmrc.gov.uk – Salary Sacrifice

**Minimum Wage**

By law the Salary Sacrifice scheme must not reduce your pay to below the National Living Wage. As a trust we have made the decision to set this at £8.10 per hour to future proof against government wage increases over the next 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 takes into account any other Salary Sacrifice you have in place.
Will participation in a salary sacrifice scheme affect my tax credits?

Possibly, Tax credits depend on a number of personal factors including the number of hours worked the number of children and whether eligible childcare costs are paid. Salary sacrifice for childcare vouchers/benefit schemes can reduce relevant pay for tax credit purposes and this may increase the Working Tax Credit award. However this award could be reduced if the cost of the childcare voucher/benefit is met by the employer.

See HMRC guidance and the Childcare vouchers and tax credits - better off calculator at www.hmrc.gov.uk/calcs/ccin.htm.

Working Tax Credit/Child Tax Credit Helpline - 0345 300 3900 (text phone 0345 300 3909).

Once in any of the schemes can I opt out?

Participation in each scheme requires a change to your terms and conditions of service and therefore it is only possible to opt out on the scheme renewal dates or due to a life changing event (for example that might lead to the need to change working hours). In these circumstances, the Trust may agree for you to opt of one or more of the schemes. All Schemes require payment in full on exiting early with the possible loss of any savings. The Trust may agree alternative payment plans.

Examples of life changing event:

This might include
- A new baby
- Adoption
- Divorce/separation
- Death of a partner/child
- Changes in childcare arrangements

This list is not exhaustive.
Will participation in a salary sacrifice scheme affect my entitlement to return to my original salary?

No, subject to the conditions of participation set by the employer. If an employee wishes to cease participating in salary sacrifice, following notification to the employer they should return to the salary to which they would otherwise be entitled, subject to any conditions that have been agreed. It is possible that salary sacrifice arrangements may be determined for a defined period or purpose, after which the employee's salary would revert to the original entitlement (plus any uplift applied during the period of the salary sacrifice).

All Schemes require payment in full on exiting early with the possible loss of any savings. The Trust may agree alternative payment plans.

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

Generally, once committed to a scheme an employee is required to make the full sacrifice for the term of the agreement. If the employee leaves before the end of the agreed term then the remaining amount of salary sacrifice and any early termination fees (plus any VAT that might be payable) will be deducted from net pay (i.e. without any tax exemptions). If there is insufficient monies to cover the outstanding amount in your final salary an invoice will be issued and sent to you for payment for all outstanding monies owed.
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 (Car Lease) or a future employer but this cannot be guaranteed.

**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.

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.

**Redundancy & MARS Scheme**
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 or the MARS scheme including payment in lieu of notice will be based on the higher salary rate (i.e. the rate before the salary sacrifice is applied).

**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 2 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.
For more information on any of the schemes:
Contact the Staff Benefits Team:
Tel: 01904 721170 or 01723 385262
e-mail StaffBenefits@york.nhs.uk
For any pensions related queries, please contact the pensions department on 01904 725196 or 01723 342242.

You should seek your own independent financial advice if you