HMRC - VATSC49200 - Consideration - What Is Salary Sacrifice?

Salary sacrifice occurs where an employee foregoes part of his or her salary for optional benefits provided by the employer. Such arrangements often apply to cars or home computers - but can involve other benefits - that are provided over a number of years.

Staff opting to take such benefits have their employment contracts amended or enter into fresh contracts in order to reflect the new provisions and reduce gross salaries accordingly. In effect the staff have sacrificed some of their former salaries in return for the benefits.

In some cases employment contracts are renegotiated annually, with staff taking, or giving up, various benefits available to them under their companies’ schemes.

These salary sacrifices do not constitute consideration for the provision of the benefits.

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