

Salary Sacrifice – Q&A

Q – What is the benefit of salary sacrifice?

A – There are two main benefits; you do not need to claim high rate tax relief and you save employee National Insurance on your own contributions.

Q – How much NI will I save?

A – Typically the saving will be 2% of your employee contribution if you are a higher rate taxpayer and 12% if you are a basic rate taxpayer.

Q - Can I opt out of salary sacrifice?

A – Yes, the scheme is not compulsory salary sacrifice. You can choose not to make personal contributions via salary sacrifice (net deduction instead). Although, you will need reclaim any tax relief due on your Tax Return. You will also need to inform HR.

Q – Will my entitlement to life cover change?

A – No – this will continue to be based on your pre-sacrifice salary.

Q – I need to maximise my income for mortgage purposes – should I opt out of salary sacrifice?

A – There should be no need. If you explain that your employer operates salary sacrifice and provide them with your pre sacrifice salary, most lenders will understand how it works. Your pre-sacrifice salary will be confirmed if the lender requests an employer reference.

Q – Can I change the amount of my sacrifice or stop completely?

A – Yes, you can increase the amount you sacrifice at any point. However, if you wish to reduce/stop your personal contributions, Aberdeen only allow a change once a year (each April). You can elect to opt out of salary sacrifice if you experience an approved listed lifestyle change. If you are impacted by the Lifetime or Annual Allowance restrictions, Aberdeen allow changes at their discretion.

A lifestyle change would include marriage, entering into a civil partnership, birth of a child, separation or divorce, death of a partner or child, change from full time work to part time work, and otherwise at the discretion of the HR Manager.

Q – Can I sacrifice all my salary?

A – No, your post-sacrifice salary cannot be lower than the 2019/20 National Minimum Wage of £8.21 per hour. (This is the minimum hourly rate if you are age 25 or over, but there are lower rates for under 25's).

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