

# Salary Sacrifice Guide

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This relates to: Pluss CIC

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# Pluss CIC Salary Exchange Scheme

## Salary Exchange Employee Guide

The following notes provide a brief overview of salary exchange. It should be stressed that you have sole responsibility for the management of your tax and legal affairs. Pluss CIC is not a tax or legal advisor; these notes are supplied for general information and should not be viewed as providing you with any advice. Should you have any concerns we recommend that you obtain your own independent tax and legal advice based on your individual circumstances.

The information is based on current legislation, taxation law and HM Revenue & Customs (HMRC) practice, which may change in the future.

The value of any savings depends on your financial circumstances and legislation may change.

## Salary Exchange

Salary Exchange is an arrangement between you and Pluss CIC, whereby you agree to a reduction in your salary, and you receive a non-cash benefit from Pluss CIC. In this case the benefit here is an increase in employer pension contribution equivalent to the exchanged amount. The benefit of this is that you and Pluss CIC make a saving in National Insurance contributions (NIC).

## The Salary Exchange arrangement

Strict rules apply to salary exchange to protect both you and Pluss CIC. The following factors are important considerations that need to be observed in order to satisfy the requirements of HMRC:

- Your terms and conditions of employment will need to be revised to include a salary exchange arrangement.
- Only future salary can be exchanged; this means that it must not be money already 'earned' or 'received' by you for tax and NIC purposes.

## What you need to be aware of with Salary Exchange

Salary exchange may not be suitable for everyone. You should be aware of the potential impact and take this into account before deciding whether to use this type of arrangement. These potential impacts should be considered in conjunction with any other salary exchange arrangements that you may have in place:

- If your earnings (after salary exchange ) fall below the Personal Allowance for income tax (currently £12,570 per annum for 2025/26 tax year), then you will not be paying any income tax on these earnings and therefore effectively not receive any tax relief on your contributions.
- Salary Exchange could affect your current or future entitlement to a range of State benefits, including the receipt of Universal/Tax Credit. In some instances, your entitlement may increase.
- If your earnings (after salary exchange ) fall below a certain limit called the NIC Lower Earnings Limit (LEL - currently £6,500 a year 2025/26), the following state benefits may be reduced:

- Statutory Sick Pay (although Income Support may still be claimed)
- Statutory Maternity Pay (although Maternity Allowance may still be claimed)
- Employment and Support Allowance (although an individual may be entitled to means-tested Income Support)
- Jobseekers Allowance (although means-tested benefits may still be claimed)
- If you have not paid enough NIC on your income, your State Pension may also be reduced on retirement.
- It may affect the amount you can borrow when applying for a mortgage. However, most mortgage lenders are familiar with salary Sacrifice and will accept Reference Pay (i.e. your salary prior to the salary exchange being applied) as actual earnings.

Salary exchange cannot reduce your cash pay to below the National Living Wage (NLW) and the main rate for those 21 and over is £12.21 per hour from 1 April 2025. This means that assuming you work 37 hours per week in full-time employment and earn £23,492 a year or less (after taking off your pension contribution amount), participating in a salary exchange arrangement is unlikely to be appropriate for you. If your earnings are below this level, but you work less than 37 hours per week, salary exchange may still be suitable for you subject to National Minimum Wage/National Living Wage requirements being met. If you are in any doubt as to the suitability of this arrangement, you should seek advice.

Pluss CIC will base the calculation of other company variable payments and benefits on your Reference Pay so there will be no reduction in these payments and benefits.

### **Salary Exchange Eligibility**

All employees who are members of, or are to be auto enrolled into the Pluss CIC Workplace Pension Scheme will pay contributions via salary exchange unless you complete an opt Out form available from payroll confirming your wish for contributions to be made via a 'relief at source' method (where contributions are deducted from net pay).

### **Enrolment Period**

Pluss CIC will permit enrolment into the salary exchange arrangement on a monthly basis or if you have a 'lifestyle' event such as marriage, divorce, birth of a child.

### **Salary Definitions**

The salary before any reduction is made is termed the Reference Pay. If an exchange is made from the Reference Pay, the new gross salary paid is termed the Actual Pay.

### **Effective date for changes**

Where a salary exchange agreement is changed (either contribution amount or contribution style following a 'lifestyle' event), the effective date will be the 1st of the month following the change request which needs to be submitted to Pluss CIC using the contribution alteration form. Pluss CIC reserves the right to impose a restriction to the frequency of changes should excessive requests be submitted. Should this occur due notice will be issued to you in writing.

If you leave the pension plan, contributions will be pro-rated to the leave date.

## **Variations to the Scheme**

Pluss CIC reserves the right to vary the terms and conditions of the plan and the benefits provided under it from time to time. Pluss CIC also reserves the right to terminate the plan without your consent.

In the event that Pluss CIC varies the choice of benefits available under the plan, it shall be under no obligation to replace these with the same or similar benefits if it is unable to find a suitable substitute or terms acceptable to Pluss CIC other than providing a suitable Qualifying Workplace Pension Scheme in line with Pension Auto Enrolment requirements.

## **Opting out of Salary Exchange**

This is a formal variation of your terms and conditions of employment. However, it may be possible to further amend the terms and conditions to stop the salary exchange arrangement at some point in the future, but as with all variations to the employment contract, this would need both the agreement of yourself and Pluss CIC. If you wish to opt out of Salary Exchange you need to contact payroll to obtain an Opt Out form which would need to be completed and returned.

## **Ceasing contributions to the Pluss CIC Workplace Pension Scheme**

If you want to stop contributions being paid into the pension plan, Pluss CIC will formally amend your terms and conditions of employment so that you cease to participate in the salary exchange scheme and your salary will revert to its pre-exchanged level.

## Salary Exchange and your Terms and Conditions of Employment

You are not required to complete a contract variation letter, to note formally the changes to your terms and conditions of employment with Pluss CIC we will instead issue a deemed consent letter explaining the change in your terms and conditions.

Basic Salary	Your contract of employment with Pluss CIC sets out your Basic Salary. Your Basic Salary will be reduced by an amount equivalent to the pension contribution appropriate to you. This reduction is known as the Pension Salary Exchange adjustment and an equivalent amount will be paid by Pluss CIC as an employer contribution into the Workplace Pension Scheme.
Reference Pay	The higher salary prior to any salary exchange adjustments including pension, is known as your 'Reference Pay.' Pay reviews of your 'Reference Pay' will continue to be undertaken in line with your existing terms and conditions of employment. Should your rate of salary change as a consequence of such a review, you will be advised of this.
Pensionable Pay / Salary	Your Pensionable Pay will be calculated on your 'Reference Pay' and will be calculated in accordance with the rules of the pension scheme.
Pension Salary Exchange Adjustment	Your Pension Salary Exchange adjustment will be based on your Pensionable Pay at the chosen level.
Adjusted Pay/Actual Salary	Your Actual Salary is your salary figure after the reduction for Pension Salary Exchange and any other salary exchange arrangements.
Company Sick Pay	<p>You will continue to participate in Pension Salary Exchange throughout any periods of sick leave, providing the Pension Salary Exchange adjustment will not bring your actual salary below the statutory minimum.</p> <p>During periods when you are in receipt of Statutory Sick Pay only, your participation in salary exchange will cease and pension contributions will be made to the Workplace Pension Scheme outside of the salary exchange arrangement via relief at source.</p> <p>When you return to having sufficient non-statutory pay, you will automatically take part again in salary exchange for pension contributions.</p>
Holiday Pay	Any Holiday Pay on leaving (whether owed by you or Pluss CIC will be based on your 'Reference Pay.'
Other payments and allowances	All other salary related payments and allowances payable by Pluss CIC will be based on your 'Reference Pay.'
The Pension Salary Exchange Arrangement	<p>Pluss CIC reserves the right to amend or discontinue pension salary exchange, should it determine that it is appropriate to do so, taking into account such matters relevant from time to time, including changes to UK tax and Social Security legislation.</p> <p>In the event that you leave the Workplace Pension Scheme or are in receipt of Statutory Sick Pay only, Pluss CIC will automatically opt you out of salary exchange.</p> <p>If you join the Pension Plan or return to normal pay following receipt of Statutory Sick Pay only, you will automatically be opted into salary exchange.</p>

## Additional Policy Changes

Maternity Pay / Adoption Pay / Paternity Pay / Additional Paternity Pay	In accordance with legal requirements Statutory Maternity, Adoption, Paternity and Additional Paternity pay will be based on your Actual Salary. During periods of such leave, you will continue to participate in Pension Salary Exchange unless the Pension Salary Exchange adjustment would bring your pay below the statutory minimum. During periods when you are in receipt of statutory payments only for such leave, Pluss CIC will maintain its total pension contributions to the Pension Plan. In periods of unpaid leave your participation in Pension Salary Exchange will be effectively suspended and no contributions will be made to the plan during this time.
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## Document Control

### Version Control

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