

## Just 48% of companies offsetting National Insurance costs with salary sacrifice

3 months ago



With increases in National Insurance contributions due to take effect from 6 April, businesses and employees are both likely to feel the pinch. [Towergate Employee Benefits'](#) annual research shows that less than half (48%) of UK companies offer salary sacrifice on their pension provision and they and their employees are therefore missing out on offsetting the costs.

Sorangi Shah, Client Director at Towergate Employee Benefits, comments: "Employers not currently utilising salary sacrifice for pensions are potentially missing out on savings for their business and their employees. Utilising it could be a very efficient way for them to make significant savings, particularly following the cost increases that have now come into force with the new National Insurance contribution levels."

Smaller companies and their employees are missing out

The likelihood of companies offering salary sacrifice on their pension provision increases with the size of business. Just 38% of companies with 20 employees or less offer salary sacrifice, this compares to nearly half (49%) of companies with 21-249 employees and over two-thirds (67%) of larger corporates with 250+ employees.

Towergate Employee Benefits is surprised that more businesses are not utilising salary sacrifice. There is plenty of scope for experts to support companies of all sizes with implementing salary sacrifice and to review their existing arrangements to ensure they are maximising the options. Employers should, therefore, open themselves to the possibilities and take advice on their pension provision.

Towergate Employee Benefits has created a salary sacrifice savings calculator to help employers in the

decision-making process. It shows, for example, that for a typical pension member earning £30,000 and paying a 5% contribution, the National Insurance saving per year would be £225 for the employer and £120 for the employee.

What companies do with the savings made from salary sacrifice

Of those companies that do offer salary sacrifice on pensions contributions, there was a varied response as to what they do with the National Insurance savings they make as an employer:

33% give all of the employer NI savings back to their employees

27% share some of the employer NI savings with employees

21% keep the employer NI savings within the business

12% use the employer NI savings to fund other benefits

3% use the employer NI savings to fund their benefits platform

Sorangi Shah says: "The most surprising thing we found is that a third of employers give back *all* of the employer National Insurance savings to the employees, and only a fifth of employees retain the savings. This may well change over time, given the tighter budgets employers are likely to have going forward. We may well see a trend of more employers wishing to retain the NI savings."

Actions for employers with salary sacrifice in place

Even for those employers with salary sacrifice schemes in place for their pensions provision, the increase in National Insurance contributions is an opportunity to review their pension and salary sacrifice arrangements, to ensure that they are compliant and are maximising value and engagement.

Sorangi Shah concludes: "Salary sacrifice is also known as salary exchange, and this is perhaps a better term as neither the employer nor the employee is actually sacrificing anything. In fact, they both gain from reduced National Insurance contributions and the employee will gain from tax efficiencies. With all this in mind, it is certainly something worth considering."