

NATIONAL INSURANCE SAVINGS

Helping minimise costs for employers and employees

National insurance contributions (NICs) are a significant cost to both you as an employer and your employees. However, you can reduce these costs by implementing a simple savings scheme.

Pension salary exchange, also known as salary sacrifice, is a legitimate and simple way to reduce national insurance costs for you and your employees. With pension salary exchange, employers pay their employees' workplace pension contributions directly. These contributions are deducted before tax and NICs are paid. This means that both you and your employees pay out less in NICs. Employers may retain ALL, SOME or NONE of the savings in NICs. You could use these savings to pay additional pension contributions to enhance employees' pensions or fund other employee benefits. The choice is yours.

What does this mean for you as an employer?

Employers pay NICs on employee annual earnings above £9,100 per annum, at a rate of 13.8% (effective 6 November 2022). Without exact payroll figures and pension contribution rates, we can only give a guide as to the potential NIC savings available to you. The following estimates illustrate these savings and the impact on your wage bill:

Figure 1 – examples of potential savings for employers (assuming the employer retains NI saving)

No. of employees	Total annual payroll	Total Employer NICs	Indicative employer NIC savings with pension salary exchange
20	£1 million	£112,880	£6,900
50	£2 million	£213,200	£13,800
100	£4 million	£426,400	£27,600

All figures are approximate and effects are per annum. Based on 3% employer, 5% employee contributions on gross earnings.

What does this mean for you as an employer?

Employees aged 16 upwards, earning £12,570 a year or more, pay national insurance. This qualifies them for certain welfare benefits and the state pension. Currently, this is at a rate of 12% on earnings between the primary threshold (£12,570) and upper earnings limit (£50,270); and 2% on earnings over the upper earnings limit (effective 6 November 2022).

Figure 2 – examples of potential savings for employees (assuming the employee retains NI saving)

Salary	Current NIC	New NIC	Increase	Net take-home pay increase due to pension salary exchange
£30,000	£2,091	£1,911	£180	£207
£50,000	£4,491	£4,191	£300	£345
£80,000	£5,038	£5,038	£80	£552

All figures are approximate and effects are per annum. Based on 3% employer, 5% employee contributions on gross earnings.

Moore Kingston Smith has the expertise to implement your entire pension salary exchange process for you. This includes employee communication and education. It is a valuable savings tool that employers and employees should be taking up.

If you would like to discuss how a pension salary exchange scheme can help you and your employees, please contact Paul Beck on 020 4582 1562 or pbeck@mks.co.uk. Alternatively, please fill in the 'contact us' form and we will be in touch.

Tax and benefit laws can change. The Financial Conduct Authority does not regulate tax and benefit advice.

Help from the pension salary exchange experts

Moore Kingston Smith has the expertise to implement your entire pension salary exchange process for you. This includes employee communication and education. It is a valuable savings tool that most employers and employees should be taking up.

If you would like to find out how to reduce the impact of the NIC rise with pension salary exchange, please contact Employee Benefits Consultant Paul Beck on 020 4582 1562 or pbeck@mks.co.uk.



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