



Salary Sacrifice in Opera 3

What is salary sacrifice?

With the advent of auto enrolment, salary sacrifice is becoming more and more popular with companies deciding to use it with their new pension schemes. Under a salary sacrifice arrangement, an employee gives up some of their cash earnings in return for new or increased entitlements to non-cash benefits provided by their employer. Apart from pension contributions, such non-cash benefits include childcare vouchers, cycle schemes, travel, subsistence allowances and others.



Salary sacrifice can be financially beneficial for both employers and employees as it can reduce the amount of tax and National Insurance (NI) an employer deducts and pays to HMRC against the employee's remuneration package. This happens when part of an employee's remuneration changes from cash, for which tax and NI contributions are due, to non-cash benefits which are wholly or partially exempt from tax and NI contributions.

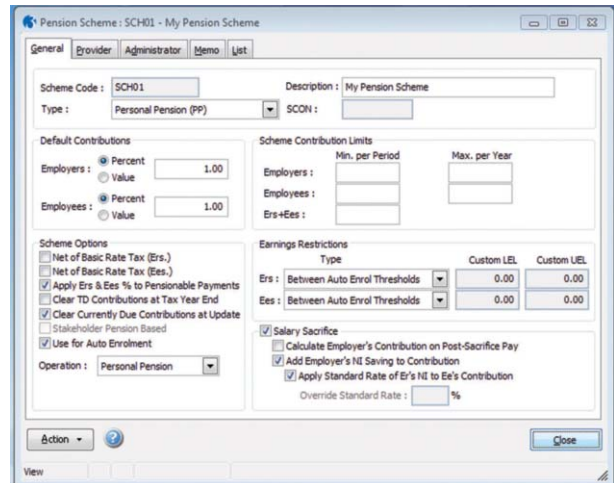
Pensions salary sacrifice and Opera 3 Payroll

Opera 3 Payroll has been enhanced in order to automatically calculate both percentage-based and fixed-value sacrificed pension contributions and include them within the associated pension contribution files and reports. The salary sacrifice feature is available as standard with Opera 3 Payroll.



Key benefits of salary sacrifice in Opera 3 Payroll

- It's very quick and simple to set up
- Salary sacrifice can be used for both pension and non-pension sacrifices
- A pension salary sacrifice can be based either on a defined value or on a percentage
- Salary sacrifice information is printed on the payslip
- Sacrificed values are included in pension contribution reports and pension contribution files
- Pension salary sacrifice values are shown on the Employee History form
- The employer's NI saving can be added to the pension contribution
- It's included as standard with Opera 3 Payroll



Salary sacrifice has been added to pension schemes in Opera 3 Payroll

Implications of salary sacrifice for employees

Salary sacrifice arrangements can be financially beneficial for employees because tax and NI contributions may not be due on non-cash benefits being used as part of salary sacrifice. It's important, however, to weigh these potential financial benefits against other effects that salary sacrifice can have on an employee.

For an employee to be entitled to receive SSP, SMP, Ordinary and Additional SPP and so on, their average weekly earnings must be at or above the Lower Earnings Level (LEL), which is set at £111 per week in the 2014-15 tax year. If a salary sacrifice arrangement reduces an employee's average weekly earnings below the LEL, the employee won't be entitled to receive any of these statutory payments, so it may not be in the best interest of employees on low pay to participate in a salary sacrifice scheme. Employers must therefore be mindful that salary sacrifice could cause some employees to lose their entitlement altogether, or affect the amount of statutory pay they receive.

Implications of salary sacrifice for employers

Auto enrolment of pensions has added to the costs that employers incur on behalf of their workforce because of the pension contributions they now have to make. Introducing salary sacrifice can help you recoup some of those costs: since employer NI contributions are calculated on post-salary sacrifice values, salary sacrifice can result in reducing your NI contributions payable to HMRC.

If you decide to introduce salary sacrifice, Opera 3 Payroll will help you make a smooth transition, and you'll be able to start benefiting from reduced costs simply and quickly.



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