

Pensions Salary Exchange - Additional Q&As

For tax self assessment purposes, which figure do I give as my salary - my new reduced salary or the reference salary?

The salary after Salary Exchange; there is no difference to the current position when you give the net pay after pension contributions.

If I opt in but change my mind in a month or two, can I opt out straight away? If not, then when?

The official opt-out date is 10 June 2009. However, there is a further one month 'opt-out window' for people who have not had time to fully consider the impact on their own personal financial circumstances and possibly need to get independent financial advice. After that, it is possible to opt out on 1 April 2010 or if you experience a 'lifestyle event', e.g. marriage, divorce, have a baby, bereavement, maternity leave.

If I opt in and commence AVCs after June 09 will I get the additional 5%?

Yes. Remember that changes to pension contributions - including starting or stopping AVCs - can only be made on 1 April or if you experience a 'lifestyle event'. Please be aware that it is the responsibility of the employee to inform the employer if they have had a lifestyle event.

Why was an additional 5% decided on?

To use some of the company's savings on National Insurance contributions to encourage employees to provide further for their retirement, if they want to, through the company-sponsored pension arrangement.

How is the additional AVC shown on the payslip?

The AVC Enhancement (5%) is not shown on employee payslips.

Are all AVCs subject to Salary Exchange?

Yes

Which 'salary' will be shown on P60s?

Salary is never shown on a P60. A P60 is a document produced for HM Revenue & Customs to inform them of the amount of taxable pay an employee receives in a tax year. It shows what we have assessed taxable liability on, (which is the total that the employee has been paid, including taxable benefits), less the reductions for Salary Exchange or normal pension contributions. Remember that for most people, normal pension contributions are not taxable, which is why Salary Exchange does not affect the tax liability for an employee, only the NI liability.

Will I receive less Job Seekers Allowance as a result of paying less NICs?

The amount of Job Seekers Allowance you may receive may be affected. You should seek independent financial advice.

Do my lower NICs mean that the level of National Health Service support I get will be reduced?

No

Why do higher earners benefit less from Salary Exchange when the company seems to benefit more?

The National Insurance saving for employees is based on the NI contribution rate (1%) on their highest earnings, so the NI savings for employees are significantly less. However, the National Insurance paid by the company is at the same % rate irrespective of the tax rate or earnings level of the employee.

What is the impact on my state pension?

There is no impact on the Basic State (Old Age) Pension. However, if you are a member of the Defined Contribution scheme (e.g. Retirement Savings Plan), your reduced NICs will result in a lower State Second Pension. However, the savings you make as a result of lower NICs will usually exceed any such reduction. Members of the Defined Benefit scheme (e.g. BOC Pension Scheme) are contracted-out of the State Second Pension and therefore Salary Exchange will have no impact.

Why did the company use the April pay slip as the sample for the personalised pack? Our April pay incorporated our bonus, so was not a true representation of a monthly salary slip.

This was the nearest pay month to the go live date and although bonuses were included the example still demonstrates a net saving to the employee.

How much does BOC stand to gain by this financially?

BOC will save circa £500,000. The GIST & BOC joint saving will be circa 1million.

With reference to the statutory maternity pay point – how could this affect female employees in the future?

Statutory payments cannot be subject to Salary Exchange but any other payments made to an employee on maternity leave would be subject to Salary Exchange.

Has the cap on the amount of AVCs you can make been removed? If so, could I theoretically put all of my salary into AVCs, thereby reducing or removing all my tax and National Insurance liability?

If you make AVCs via Salary Exchange, there is no upper limit to the % of salary that you can put into AVCs. However, you would not be able to put all your salary into AVCs: your actual post exchange salary could not be reduced below the national minimum wage level.