



British Retail Consortium
Group Personal Pension Scheme

SALARY
EXCHANGE

2023/24

Salary Exchange Frequently Asked Questions



Frequently Asked Questions

Once you are enrolled into your workplace pension, you are entitled to make contributions via **Salary Exchange** should you wish to. Salary Exchange is a method of how your pension contributions are deducted from your salary, and differs to the conventional method whereby contributions are taken from your pay after tax. This booklet explains how the arrangement works so that you can decide whether it is right for you.

What does Salary Exchange mean?

Salary Exchange is where employees 'exchange' their salary in return for an employer pension contribution. Your exchanged contribution is deducted from your salary **before tax**, therefore you do not pay income tax or national insurance (NI) on this portion, neither does your employer.

Why might Salary Exchange be beneficial to me?

When making your pension contributions via Salary Exchange, for the majority of employees, your **take-home pay will be higher** than if you make contributions directly from your pay. This is because you will pay less National Insurance (NI), as does your employer. In addition, BRC will pay all of their NI saving into your pension pot too.

What happens to my basic salary?

This will be reduced by an amount equivalent to the your chosen employee pension contributions, but your **full salary will be used for all pay review purposes**, and to calculate other benefits that BRC may provide to you. Your full salary will also be shown on your payslip as normal.

What happens to my pension contributions?

BRC will make all these contributions under Salary Exchange. This will include the amount of salary you exchange as well as the companies normal pension contribution, also their NI savings too!

Can you confirm my benefits will still be based on my Gross salary?

Your gross salary, or salary before anything has been deducted, **will be used** to calculate benefits paid by BRC, pension contributions and sick pay.

Will my gross salary be used in connection with mortgage or loan applications?

Yes - any letters sent by BRC to mortgage lenders or financial institutions will provide details of your earnings **before the salary exchange** deductions. Most, if not all, lenders will be familiar with this arrangement and should accept your gross salary for borrowing or loan purposes.

How will maternity pay be affected by Salary Exchange?

You will have the option to **opt out of Salary Exchange when you go on maternity leave**. If you choose to do this, BRC will enhance your Statutory Maternity Pay (SMP). This means for the first 2 weeks, you'll receive 100% of your average weekly earnings, 90% for the next 4 weeks, 50% for the following 12 weeks and for the remaining 21 weeks you'll receive the current rate of SMP (£172.48 or 90% of your average weekly earnings - whichever is lower 2023/24).

If you remain in Salary Exchange, your maternity pay will be based on your lower (taxable) salary for the first 18 weeks. For the remaining 21 weeks, it will be paid at the current rate of SMP.

**These points assume that you qualify for maternity leave/pay*

How will my State Pension entitlement be affected?

The Government introduced a new, single tier, State Pension from 6th April 2016. Anyone reaching State Pension Age (SPA) from this date will receive the new State Pension. Your right to the State Pension should not be affected as long as your pay after Salary Exchange remains above the threshold for this and other State Benefits.





Frequently Asked Questions

Will Salary Exchange affect Universal Credit/Child Tax Credit Payments?

Salary Exchange reduces your taxable cash earnings. So your entitlement to tax credits could increase as a result of you participating in Salary Exchange.

If you are in doubt, you can call the [HM Revenue & Customs \(HMRC\) tax credit helpline on 0345 300 3900](#).

Will Salary Exchange affect my Student Loan repayments?

Employees with Student Loan repayments could find that a reduction in their taxable basic salary will take them below the earnings threshold, which could potentially delay repayments from starting or being completed.

The thresholds for 2023/24 are:

- £22,015 per annum under loan plan 1 (students who commenced study before September 2012)
- £27,295 per annum under loan plan 2 (students who commence study between September 2023 and July 2023)

**Figures may differ for Scotland & EU*

How do I join the group pension scheme and make contributions via salary exchange?

If you wish to join the scheme and make contributions via Salary Exchange, please return the [contract amendments form](#) and return it to HR. The form can be found at the end of this document.

If I want to pay more than the 4% of my basic salary into my pension account, can this be via Salary Exchange?

You are free to choose the level of contribution you make via Salary Exchange, above the minimum contribution level of 4%. However, do bear in mind that although maximum pension contribution limits are quite generous, you need to ensure that Salary Exchange contributions don't lead to your earnings falling below National Minimum Wage limits.

How Flexible is the arrangement?

If you join Salary Exchange, and remain working for BRC, you will only be able to opt out or cease your membership of this arrangement on 1st April each year, providing you have participated in the Salary Exchange scheme for at least 12 months.

The reduction in your basic salary will continue until your next opportunity to opt out. You may be able to opt out more frequently if you experience a [lifestyle event](#).

Lifestyle events are often described as circumstances which cause a significant change in your financial circumstances, such as:

- Birth of a child/adoption
- Marriage/Civil Partnership
- Divorce
- Death of dependent/partner
- Period of unpaid leave

Discuss with your HR department if you are unsure as to whether you are eligible to opt out of the arrangement.

If British Retail Consortium is making all of the contributions, will this now be treated as a benefit in kind and therefore be taxable?

An employer pension contribution is not treated as a benefit in kind and, therefore, is not taxable.

I am a higher rate taxpayer paying contributions into the scheme - should I still be claiming my 40% tax relief?

As noted, you can choose to sacrifice your personal contribution through Salary Exchange for a higher employer contribution. As a result, you will no longer need to claim higher rate tax relief on the contribution.

As your basic salary is being reduced, you will pay less tax and National Insurance, so effectively are obtaining tax relief directly through payroll.



Frequently Asked Questions

What salary figure will show on my P60?

Your P60 will only show your earnings that are subject to tax, which will decrease with Salary Exchange. Your payslip will show your gross salary.

What if HM Revenue & Customs changes legislation in the future to stop Salary Exchange?

The government announced that the income tax advantages of some employee benefit arrangements offered through Salary Exchange would end for anyone newly joining a scheme in April 2017.

However, Salary Exchange in connection with pension contributions was not included as part of their review and therefore those who currently contribute in this way or wish to start doing so will benefit from the usual tax and NI savings.

If however, future changes are made to Salary Exchange or Pensions legislation we will endeavour to inform you as quickly as possible of any impacts on your own position whilst still a member of the scheme.

Who wouldn't benefit from Salary Exchange?

Those employees who may be significantly better off by not joining the Salary Exchange scheme will be notified separately. People typically on **lower earnings do not benefit** from this arrangement as it may impact them negatively.

For example, for someone on a lower salary who opts in for Salary Exchange, it may take them below the National Minimum Wage of £10.42 per hour (aged 23+). Also, you'll need to ensure that your salary is still above the threshold for certain state benefits. If you are concerned about being eligible for state benefits you can visit the Gov.uk website (<https://www.gov.uk/>).

For those people who work beyond state pension age, Salary Exchange does not offer as many savings as National Insurance payments does not affect such workers.

You may find it useful to speak to a financial planner if you need specific advice about whether Salary Exchange would suit you. To speak with a Chartered Financial Planner, you can contact our Pension Scheme Advisers. Please note they may charge for their services. Contact details here:

Financial Illustrations of Salary Exchange

Example using a Salary of **£30,000** per year

	Before Salary Exchange	After Salary Exchange
Annual Salary	£30,000	£30,000
Salary Sacrificed	£0	-£1,200
Salary Post-Sacrifice	£30,000	£28,800
Employee Pension Contribution (net amount 4%)	-£960	£0
National Insurance Contribution	-£2,091.60	-1,947.60
Tax Due	-£3,486	-£3,246.00
Take Home Pay	£23,462.40	£23,606.40
Annual Increase in Take Home Pay		£144
Annual Employer Pension Contribution (6%)	£1,800	£3,165
Employer's National Insurance Saving	£0	£165
Total Contribution	£3,000	£3,165
Annual Increase in Total Contribution		£165
Total Contribution Rate on Gross Salary	10%	10.55%

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Further Examples

Financial Illustrations of Salary Exchange		
Example using a Salary of £40,000 per year		
	Before Salary Exchange	After Salary Exchange
Annual Salary	£40,000	£40,000
Salary Sacrificed	£0	-£1,600
Salary Post-Sacrifice	£40,000	£38,400
Employee Pension Contribution (net amount 4%)	-£1,280	£0
National Insurance Contribution	-£3,291.60	-£3,099.60
Tax Due	-£5,486	-£5,166
Take Home Pay	£29,942.40	£30,134.40
Annual Increase in Take Home Pay		£192
Annual Employer Pension Contribution (6%)	£2,400	£4,220
Employer's National Insurance Saving	£0	£220
Total Contribution	£4,000	£4,220
Annual Increase in Total Contribution		£220
Total Contribution Rate on Gross Salary	10%	10.55%

Financial Illustrations of Salary Exchange		
Example using a Salary of £50,000 per year		
	Before Salary Exchange	After Salary Exchange
Annual Salary	£50,000	£50,000
Salary Sacrificed	£0	-£2,000
Salary Post-Sacrifice	£50,000	-£48,000
Employee Pension Contribution (net amount 4%)	-£1,600	£0
National Insurance Contribution	-£4,491.60	-£4,251.60
Tax Due	-£7,486	-£7,086
Take Home Pay	£36,422.40	£36,662.40
Annual Increase in Take Home Pay		£240
Annual Employer Pension Contribution (6%)	£3,000	£5,276
Employer's National Insurance Saving	£0	£276
Total Contribution	£5,000	£5,275
Annual Increase in Total Contribution		£275
Total Contribution Rate on Gross Salary	10%	10.55%



BRITISH RETAIL CONSORTIUM

Group Personal Pension Plan

Pension Contributions

Employment Contract Amendment Form

Name..... (please print)

This document is only applicable to the British Retail Consortium Group Personal Pension Plan.

Please read this document carefully. To opt-in to making pension contributions via Salary Exchange, please complete the form and sign and date where applicable.

Further information around Salary Exchange can be found in the enclosed booklet.

- ☐ I authorise my employer to reduce my basic annual salary by the amount indicated below. I authorise my employer to reduce my basic annual salary by an amount equal to this (please tick)

%

The reduction in my basic annual salary should take effect from and I understand that my employer will also pay a pension contribution (+0.55% uplift as a result of the company paying less NI on my reduced Salary) to the scheme provider Royal London, via Salary Exchange.

By opting to contribute to the pension via Salary Exchange, I agree to the variation of my terms and conditions of employment with British Retail Consortium in respect of the reduction in my basic annual salary. I understand that if my salary changes then my contributions will be adjusted accordingly.

I understand that by opting to use Salary Exchange, the National Insurance contributions I make will be reduced and that if, in future, I wish to opt-out of Salary Exchange then I will receive my full basic annual salary and will pay National Insurance contributions on the full amount.

I note that, if I decide to opt-out of Salary Exchange, then I will lose the value of the additional employer pension contribution.

I understand that the changes set out in this document are a legally binding change to my terms and conditions of employment between me and British Retail Consortium with effect from the date stipulated below. My other terms and conditions of employment will remain unchanged.

Please sign to confirm your acceptance of the terms outlined in this contract amendment form.

Signed:

Date: