

The Health and Social Care Levy



Take the sting out of the National Insurance increase by introducing Salary Exchange for your pension scheme.

Last week the UK Government announced that there will be a new Health and Social Care Levy, which will see a 1.25% per annum increase in both employer and employee National Insurance Contributions (NIC) from April 2022. However, this is set to change from April 2023, when the increase will be replaced by the introduction of a new Health and Social Care Levy.

This NIC increase means higher costs for businesses and less take home pay for employees. And in the case of owner managed business where the owner takes a salary rather than dividends from the

business, the cost would be two fold as the owner would pay the National Insurance as both employer and employee.

Salary Exchange, sometimes known as Salary Sacrifice, is widely understood to be the most efficient way for employees to pay into their pension. In light of the National Insurance increase it is an ideal time to think about the benefits Salary Exchange can bring for businesses and their employees, and it is important that organisations consider introducing this option for paying pension contributions. The Salary Exchange method could be extremely beneficial

for many organisations as it means that both the company and your employees will not pay National Insurance contributions on the amount the employee contributes into the pension scheme.

For the 2022/23 financial year this means a saving of up to 13.25% per annum for employees – meaning more take home pay – and a saving of over 15.05% for the same period for the company.





Implementing Salary Exchange can be straight forward, however elements can be complex so it's important that businesses considering this route take expert advice to ensure the scheme is set up correctly, and the exchange is valid to achieve the full savings.

The sooner the scheme is implemented, the sooner you can start to make savings, as you would still benefit from the 12% employee and 13.8% employer National Insurance saving in this tax year, and benefit from the savings in the following tax years.

For more information on how to begin implementing Salary Exchange within your organisation, please contact one of our Employee Benefits specialists.

Get in touch

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