

# MAXIMISING TAX RELIEFS TO MITIGATE COMMERCIAL RISK

EMPLOYMENT TAX CASE STUDY



LOCAL  
KNOWLEDGE,  
GLOBAL  
EXPERTISE



## Summary

Our case study involves a client who found the rising cost of auto-enrolment was having a detrimental impact on the company's overheads and required a more cost-effective arrangement.

PKF Smith Cooper's specialist employment tax team worked alongside the client to devise and implement a solution that would relieve financial pressure whilst assuring compliance.

By implementing a low risk pension salary sacrifice scheme, we were able to secure an optimal outcome for both the employer and employees who are now able to benefit from recurring annual savings.

## Background

Our client requested help in the implementation of a pension salary sacrifice arrangement with the intention of saving NIC for both the employer and employee and giving employees tax relief directly through the payroll.

With the introduction of auto-enrolment, which is increasing year on year, companies are finding their cost per employee rising. Introducing a pension salary sacrifice scheme allows the employee to sacrifice an amount of pay equivalent to their employee pension contribution

and in turn, the employer increases their employer contribution by the amount sacrificed by the employee. This leads to a reduction in the amount of Class 1 NIC payable by the employer and employee.

## How we helped

We carried out a planning and implementation meeting with the client to ensure that the client understood the importance of effective communication when implementing a pension salary sacrifice. We guided the Company through the technical and practical implications of the implementation, making sure that it was commercially robust and compliant with HMRC's requirements.

We drafted comprehensive and bespoke employee communication documents and, at the client's request, undertook employee presentations. Making employees aware of the changes is important as it often leads to a higher take up rate and increased savings for the Company.

## The result

As a result, with effective communication in place, our client was able to get a 100% take up on the pension salary sacrifice arrangement. The employees are now benefiting from paying less NIC, so have higher net pay, and their total pension contributions remain unchanged. The Company are benefiting from a saving of Class 1 Employer NIC. These savings are recurring annual savings that continue to be enjoyed.

Implementing the pension salary sacrifice made commercial sense and is low risk as full HMRC clearance was obtained.

**To speak to one of our experts, please call 03333 446306 or visit our website [www.pkfsmithcooper.com](http://www.pkfsmithcooper.com).**