

Frequently Asked Questions on Salary Sacrifice

What does salary sacrifice mean?

This means that instead of paying for a benefit from your net pay (after tax and National Insurance has been deducted), you agree to exchange your salary or reduce part of your salary for a provision of one or more benefits. This is a formal change to your Terms and Conditions of employment relating to pay and benefits which allows you to take advantage of tax and National Insurance savings, and will apply for the following Scheme Year.

What benefit selections are being operated on a salary sacrifice basis?

The following benefit selections available through the Sodexo Flexible Benefits scheme will all be processed via salary sacrifice:

- Gourmet Card;
- GymFlex;
- Private Dental Insurance;
- Private Medical Insurance;
- Travel Insurance;
- Critical Illness;
- Critical Illness Partner;
- Technology Scheme;
- Tastecard;
- Will Writing;
- Wine

Please note: the above benefit selections are taxable under 'Expenses and Benefits' and as such will be recorded on a Form P11D.

[Additionally, Childcare Vouchers, Cycle to Work and Pension also operate on a salary sacrifice basis where chosen.]

Why salary sacrifice?

Salary sacrifice can provide you with tax and National Insurance savings where you exchange pay that would be subject to tax and National Insurance for a benefit that is not subject to tax and/or National Insurance.

Will my employment contract/terms and conditions change?

In order for the salary sacrifice to work you will need to agree to a reduction in your contractual salary in exchange for a non-cash benefit.

All other terms and conditions of your employment remain unchanged.

Will my future salary increases be affected?

No. Any future pay increases will be calculated using your Reference/Notional Salary and are therefore based on salary before the reduction is applied.

Any benefits where the calculation of the sacrifice is based on a fixed amount each pay period (e.g. monthly) will not change until the next annual enrolment.

Will my overtime rate or other salary related payments be affected?

No. Overtime payments and company sick pay will be based upon your notional salary and therefore not affected. Occupational maternity/adoption/paternity and shared parental leave pay are based upon your average earnings, which includes the sacrifice and therefore are affected.

Will I be able to receive more than one benefit through the Sodexo Flexible Benefit system?

Yes. You will be able to select as many benefits as you wish (e.g. dental, gourmet, gymflex) provided your pay does not reduce below the National Minimum Wage limits for the applicable period.

Where your earnings are identified as going below the NMW based on the selections you have made, HR will be in touch to discuss further.

Will Salary Sacrifice affect my application for loans, mortgages etc?

Although Sodexo has no control over a lender's criteria, it shouldn't have any impact as we will use your Reference/Notional Salary for any mortgage references.

How will Salary Sacrifice affect my state pension entitlement?

The State Pension was reformed in April 2016 with the introduction of a single tier State Pension. This replaces the previous two tier system which consisted of the Basic State Pension + State Second Pension.

As there is a uniform rate of State Pension accrual regardless of the level of earnings, so long as you continue to earn above the National Insurance Lower Earnings Limit (£113 per week for the 2017/18 tax year), you will continue to accrue right to the single tier State Pension.

Will any of my state benefits be affected?

It's possible that in some cases, benefits you receive from the State will be affected by salary sacrifice. This is because you'll be reducing your declared earnings which are used to calculate some state benefits. For example, Statutory Maternity/Paternity Pay, Shared Parental Pay, Statutory Adoption Pay, Statutory Sick Pay and Statutory Redundancy Pay might be reduced.

Most contribution based state benefits, i.e. those based on National Insurance, are worked out on the period for which you pay National Insurance contributions and not specifically the level of earnings or actual National Insurance Contributions paid. So long as you continue to earn above the LEL, you will continue to accrue rights to state benefits.

You should consider if any benefits you may be receiving and whether participating in salary sacrifice would affect them. Sodexo cannot give financial advice. If you are unsure, you may want to consult an Independent Financial Adviser ('IFA') or visit the HMRC website: <https://www.gov.uk/salary-sacrifice-and-the-effects-on-pay>

How does salary sacrifice impact Tax/Universal Credits?

Some employees may be able to claim Working Family Tax Credit (WFTC). If you are currently claiming or about to claim this and have selected to receive Childcare Vouchers you should visit the following website - <https://www.gov.uk/childcare-tax-credits>, or contact the Department for Work and Pensions (DWP). This is because your entitlement to the Child Tax Credit, which forms part of WFTC, is determined in part by the cost incurred by you in paying for childcare. So if part or all of that cost is met directly by you using Childcare Vouchers then technically, as these are provided by SODEXO, they will not be counted as part of your childcare costs and the amount of Child Tax Credit you receive may therefore reduce.

How will salary sacrifice impact on my Student Loans?

The amount you will need to re-pay to your Student Loan will reduce via salary sacrifice as your gross salary would have reduced after selecting benefits. You can arrange to make extra payments to the student loans company to offset the decrease if you want.

How will salary sacrifice affect Attachment of Earnings Orders (AEOs)/ maintenance payments?

Although you may pay less tax and national insurance, the salary sacrifice will reduce your net earnings and therefore this may affect and the amount payable on an attachment of earnings order.

Can the government withdraw any benefits during the scheme year?

The Government may decide to change benefit legislation which may affect the tax and National Insurance treatment of the benefits and how the benefits can be provided. Where this occurs we will notify you.

What if I want to change my benefits during the scheme year due to a change in circumstance?

It is recognised that your personal circumstances may change significantly, causing you to want to change your benefit selections. HMRC will normally agree that we can revise the contractual arrangements in such situations, so you will be able to alter your benefits. Please contact HR to discuss the Lifestyle Events options.

What will happen to my benefits if I am on leave of absence or maternity leave?

There are important considerations around your benefit selections during unpaid leave of absence, which you should discuss with HR prior to taking leave. Whilst on maternity leave, any non-cash benefits selected may remain the same, and there may be changes to other benefits both of which you should discuss with HR

What happens if I leave Sodexo?

The points that you need to consider will vary across each benefit such as when cover will cease and any actions you may need to take. Therefore, please refer to the online text for each benefit when you have access the Sodexo Flexible Benefits Enrolment Summary form on this site. Please note that there may be a requirement to make an adjustment to your final salary payment to account for an amount equivalent to any remaining salary reductions in relation to your benefit elections.

Sodexo is committed to the Sodexo Flexible Benefits Scheme. However, if, for any reason, Sodexo can no longer operate the scheme, the situation will be reviewed and you may no longer be able to participate. Sodexo expressly reserves its right to alter the terms of the Sodexo Flexible Benefits Scheme or withdraw from it altogether at any time and is under no obligation and does not accept any liability to provide any form of compensation for any benefits lost from ceasing to operate the Sodexo Flexible Benefits Scheme.

If the Sodexo Flexible Benefits Scheme stops you will revert to your pre salary sacrifice entitlement.

Do I need to seek independent financial advice?

You may wish to seek independent financial advice on how salary sacrifice could impact your personal circumstances. You may have to pay for the services of an Independent Financial Advisor so ask for a quote first. You can find the name of one in your area at: www.unbiased.co.uk.