A THRIVE GUIDE TO

Salary sacrifice for UK employers

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Salary sacrifice can seem confusing at first.

But done right, it's a simple way to help your team save on tax and grow their pension, while you cut your NI bill and boost your benefits package.

Please note: Thrive is not authorised to provide financial advice or legal/employment guidance. For advice tailored to your individual circumstances, please consult a regulated financial adviser or qualified legal/employment professional.

What is salary sacrifice?

Salary sacrifice (sometimes called salary exchange) is when someone gives up a bit of their salary in exchange for something that benefits them, like a bigger pension contribution, a vehicle, or help with childcare.

Instead of that money going into their take-home pay, it goes towards the benefit.

And because it's taken before tax, they pay less Income Tax and National Insurance (NI), and you pay less employer NI too.

For pensions

This is where salary sacrifice really shines. Your team can put more into their pension without taking home less.

They save on tax. You save on NI. Their pot grows faster. Everyone wins.

And you can choose to reinvest your savings, either back into their pension, or elsewhere in your benefits package.

For other benefits

You can also use salary sacrifice for things like bikes, tech, and childcare. The idea's the same: swap salary for something useful, and save on tax in the process.

Some of these benefits have extra rules, but when they're tax-free, salary sacrifice can make them much more affordable.

How **employees** save with salary sacrifice.

Meet Alice

Alice's gross salary is £30,000. In this scenario, she contributes 5% to her pension and her employer contributes 3%. Here we can see Alice's salary **with and without salary sacrifice.**

	Without salary sacrifice	With salary sacrifice
Take Home Pay	£23,919.60	**£24,039.60**
Personal Allowance	£12,570.00	£12,570.00
Taxable Income	£15,930.00	**£14,430.00**
Income Tax	£3,486.00	**£3,186.00**
Employee NIC Contribution	£1,394.40	**£1,274.40**
Employer NI Contribution	£3,750.00	**£3,525.00**
Employer Pension Contribution	£900.00	£900.00
Pension funded by Employee	£1,500.00	£1,500.00 (via salary sacrifice)
Total Pension Contribution	£2,400.00	£2,400.00
As you can see above, the pension contributions stay the same, but the employee's take-home pay increases because income tax and NI are not paid on the sacrificed portion of salary		**Saving £300 in Income Tax** **And £120 saved in Employee NI**
Additionally, the employer pays less National Insurance and may choose to add this saving to the employee's pension.		**+£225**

All figures are annual and based on tax and NI rates for the 2025/26 tax year. Figures rounded to the nearest pound.

How **employers** save with salary sacrifice.

Here's what you could save in National Insurance each year by using salary sacrifice for pensions.

This example is based on employees earning **£30,000** and **contributing 5% of their salary.**

Team size	Salary sacrificed by employees	Employer NI rate (2025/26)	Yearly NI savings at 15%
10 members	£15,000	15%	**£2,250**
50 members	£75,000	15%	**£11,250**
100 members	£150,000	15%	**£22,500**
200 members	£300,000	15%	**£45,000**

All figures are annual and based on tax and NI rates for the 2025/26 tax year. Figures rounded to the nearest pound.

The benefits of salary sacrifice

For your team

Makes their money go further
Because payments come out before tax, benefits like pensions, bikes or EVs become more affordable.

Supports financial wellbeing
Higher pension contributions, without a big hit to take-home pay, means more peace of mind about the future.

Breaks down big costs
Salary sacrifice turns expensive items into manageable, tax-efficient monthly payments.

Improves all-round wellbeing
It's not just about money. Better childcare support, greener travel, and a growing pension all contribute to a healthier, happier team.

For your business

Cuts costs, not benefits
You'll pay less National Insurance. What you do with the saving is up to you.

Strengthens your benefits offer
Shows you're listening to what your team actually wants.

Helps you hire and retain talent
A smart benefits package helps you stand out and keep great people.

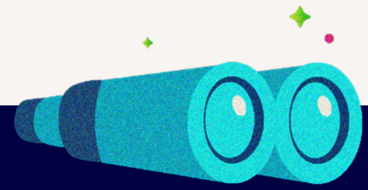
Drives engagement
When your team feels supported, they're more likely to engage and perform at their best.

Salary sacrifice changes in 2029

From **6 April 2029,** National Insurance will apply to pension salary sacrifice contributions above £2,000 per year, for both employers and team members. Income Tax relief stays the same.

If someone salary sacrifices £5,000 into their pension, the first £2,000 keeps the full NI saving. The remaining £3,000 will be subject to NI.

Salary sacrifice itself isn't going away. HMRC has confirmed it will continue to work, including for tax-free childcare and child benefit, with more guidance coming before 2029.



What it means for you

From April 2029, salary sacrifice will continue to work largely as it does today. You'll still be able to offer pension salary sacrifice to your team, and Income Tax relief stays the same. The only change is how National Insurance applies, and only on the portion of salary sacrifice above £2,000 per person, per year.

For most employers, this means:

- No immediate change to how salary sacrifice is set up or offered.
- National Insurance savings still apply, but with a cap from 2029.

There's no action needed right now. HMRC has confirmed further guidance will be published before 2029, giving employers time to plan and adjust if needed.

Why act now

Getting salary sacrifice set up now means:

- Making the most of NI savings while the current rules apply.
- Helping your team build better pension habits sooner.
- Avoiding a rushed setup closer to 2029.

Thrive helps you get salary sacrifice sorted simply, compliantly, and ready for whatever comes next.

Before you get started...

For a full breakdown of every task, take a look at our salary sacrifice checklist, it's got everything you need to get it right.

Download checklist

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Salary sacrifice setup checklist

A simple plan for a smoother switch

STEP 1 START

Payroll's your starting point. Here's how to get it set up right first time.

Outsourcing payroll? A quick chat with your provider can help unlock the right level of support.

- ☐ Check how your payroll system handles salary sacrifice.
- ☐ Review any setup guides or FAQs from your payroll provider.
- ☐ Confirm it can handle employer-only contributions and contribution caps.

STEP 2 CHOOSE

A few decisions to shape how salary sacrifice fits your business.

- ☐ Will salary sacrifice be the default or optional?
- ☐ Are you covering the whole team or certain roles?
- ☐ Will you reinvest your National Insurance savings into the team's pensions?
- ☐ If yes, what percentage will you reinvest?
- ☐ Are you setting a minimum salary threshold?
- ☐ How will your team opt out if they want to?
- ☐ Do you want payslips to show the contribution breakdown?

STEP 3 SHARE

Salary sacrifice affects take-home pay, so clear, confident comms are key.

- ☐ Send letters to participating team members. (We've got templates if you need them!)

Make sure every team member gets a written summary showing:

- ✓ Their salary before and after the exchange.
- ✓ Their new pension contribution.
- ✓ How things like bonuses or parental leave are handled.
- ✓ How to opt out or request changes after life events.

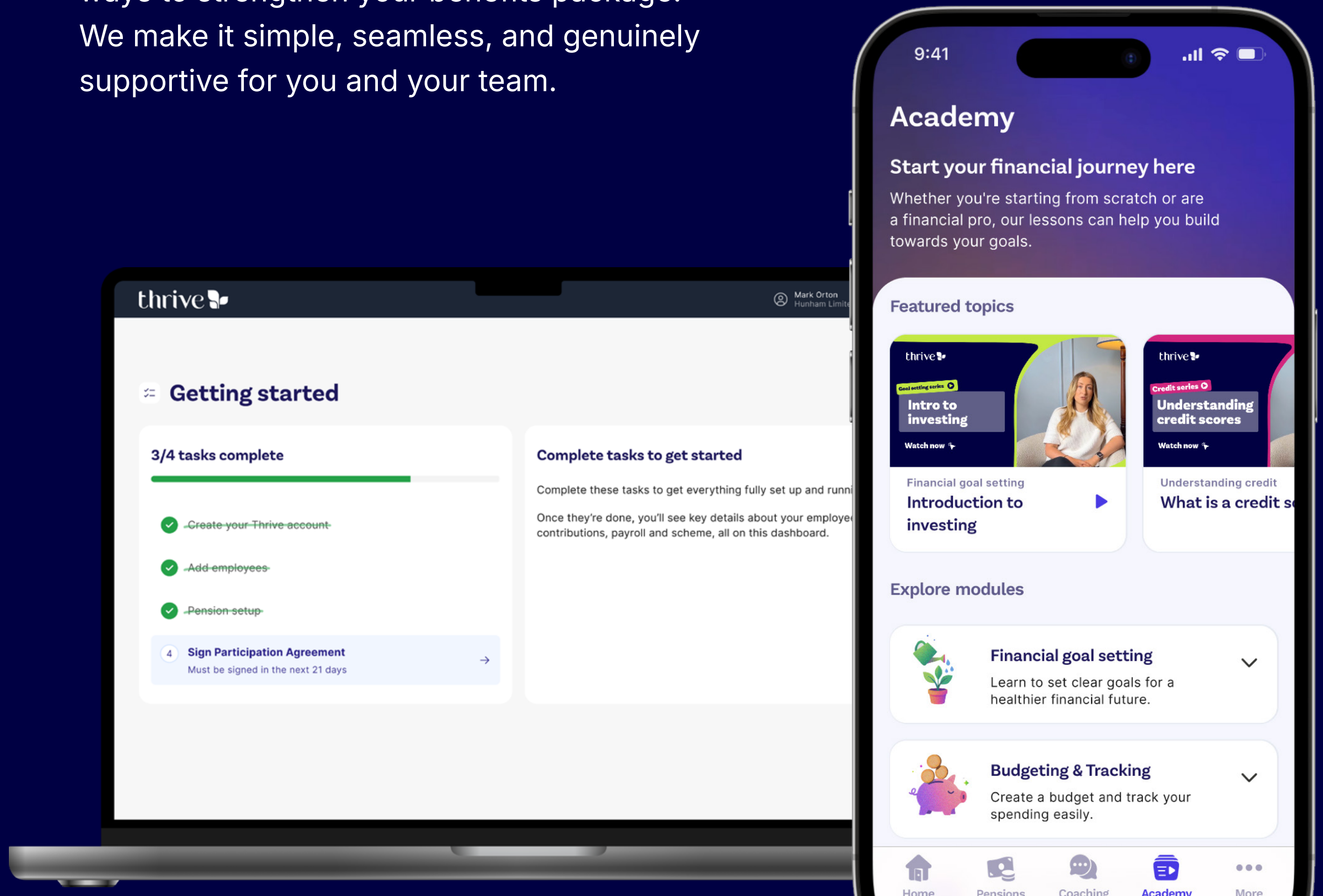
STEP 4 LAUNCH

Once you've got decisions and documents in place, it's time to roll out.

- ☐ If you updated any contracts, check they're signed before launch.
- ☐ If you've made changes for salary sacrifice, make sure everything lines up with HMRC guidance.
- ☐ Double-check your pension calculations or run them past your accountant, just to be sure everything's correct.
- ☐ Update payslips so it's all clear and correct
- ☐ Start enjoying savings!

Why choose Thrive as your salary sacrifice partner?

Salary sacrifice is one of the most effective ways to strengthen your benefits package. We make it simple, seamless, and genuinely supportive for you and your team.



Meet the team: real people real support

Our operations team runs everything behind the scenes, and you'll have a dedicated onboarding lead to guide you through setup, launch, and day-to-day questions.

Your rollout kit

We give you all the resources you need to make implementation smooth and simple. Think employee guides, communication templates and FAQs.

More than just a pension

Thrive brings pensions, investments, benefits and financial education into one platform, offering free financial coaching, bite-sized learning and access to regulated advisers, all designed to help your team feel more confident and in control of their money.

Thrive by Blackfinch Ltd, Meadow Barn, Elkstone
Studios, Cheltenham, GL53 9PQ.
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