

**NATIONAL HEALTH SERVICE SUPERANNUATION SCHEME (Scotland)**  
**Circular No: 2011/05**

**WHO SHOULD READ:** Chief Executives  
NHS HR and Payroll Managers  
GP Practice Managers  
Direction Bodies

**ACTION:** To read and circulate to all relevant parties

**SUBJECT:** 1. Changes to the payment of NHS Injury Benefit  
2. Salary Sacrifice  
3. Pensions Increase

The purpose of this circular is to remind employers about the changes in the way NHS Injury Benefit is to be paid from 6 April 2011 and about pension regulations in respect of salary sacrifice schemes. It also gives notice of the increase to be applied to pensions in payment (for information only).

## 1. Changes to the payment of NHS Injury Benefit

Under instructions from Her Majesty's Revenue and Customs (HMRC), taking effect from the 6th April 2011, NHS Injury Benefit payments will be subject to National Insurance Contributions (NICs). This clarifies that NHS Injury Benefit payments are liable for NICs in line with other Government and Injury Benefit Schemes.

This change to Injury Benefit payments will mean that as from 6th April 2011 NHS employers will be responsible for paying certain Injury Benefit payments after deducting tax and National Insurance. SPPA will continue to administer the Scheme on behalf of NHS Scotland and will advise NHS employers of the gross amounts to be paid to individuals in NHS employment.

Class 1 NICs (employee and employer contribution) will be chargeable on Temporary Injury Benefit (TIB) payments. Class 1A NICs (an employer only contribution) will be charged on Permanent Injury Benefit (PIB) where the individual is in NHS employment and the paying employer is funding the benefit. NHS Injury Benefit payments made to former employees are not affected by this change. These changes will not affect employees over pension age although employers (secondary Class 1) NIC will still be payable in such cases.

Only payments in respect of a loss of earnings after 6th April 2011 will be affected. Any payments regarding a loss of earnings prior to this date will be paid by SPPA and are taxable (only TIB) but not subject to National Insurance deductions; these will be recharged



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to the relevant employer.

- **Temporary Injury Benefit** – if approved paid to employees for a short period to compensate for a temporary loss of earnings due to an injury, disease or condition that was wholly or mainly attributable to the duties of their NHS employment. The employee is still employed by the NHS but the injury or illness has caused their absence from work. Injury benefit brings the individual's income up to 85% of their pre-injury pay and ceases when they return to work.
- **Permanent Injury Benefit** – if approved awarded to compensate for permanent reduction in earning ability due to an injury or illness wholly or mainly attributable to the duties of their NHS employment. If the employee's employment is terminated and approved for PIB this non taxable benefit and will continue to be paid from SPPA and recharged to the employer. If the employee remains working for the employer paying the PIB, this benefit is subject to tax and Class 1A NICs and is payable by the NHS employer.

## 2. Salary Sacrifice

Salary sacrifice occurs when an employee gives up the right to receive part of the salary due under his or her contract of employment and in exchange receives a non-cash benefit. Two examples of non-cash benefits that are currently available to NHS members by some employers under Salary Sacrifice Schemes are childcare vouchers and home computers.

Salary sacrifice does not apply where an employee receives full pay and then buys a service from the employer. **Salary sacrifice is pensionable under the NHS pension scheme** provided that the salary sacrifice scheme meets the criteria laid down by the HM Revenue and Customs and a contractual arrangement varying the employee's terms and conditions relating to pay is entered into. Please note that **superannuation contributions must be deducted from the full salary before the deduction of the salary sacrifice.**

National insurance contributions are payable on the reduced salary. The sacrificed element is not liable to National Insurance contributions. The employee makes a saving although there may be implications for state benefits which are dependent on National Insurance payments.

## 3. Pensions increase

Every year NHS and other public pensions in payment are increased in line with the provisions of the Pensions (Increase) Act 1971. Employers may wish to note that public service pensions which have been in payment for a year will be increased by 3.1 per cent from 11 April 2011. For pensions which began on or after 12 April 2010 the increases are as follows:



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<b>Pensions Beginning</b>	<b>Pensions Increase</b>
12th April 2010 to 26th April 2010	3.10%
27th April 2010 to 26th May 2010	2.84%
27th May 2010 to 26th June 2010	2.58%
27th June 2010 to 26th July 2010	2.33%
27th July 2010 to 26th August 2010	2.07%
27th August 2010 to 26th September 2010	1.81%
27th September 2010 to 26th October 2010	1.55%
27th October 2010 to 26th November 2010	1.29%
27th November 2010 to 26th December 2010	1.03%
27th December 2010 to 26th January 2011	0.78%
27th January 2011 to 26th February 2011	0.52%
27th February 2011 to 26th March 2011	0.26%

Further information can be found on the HM Treasury website on their Public Service Pensions / [Pensions Increases](#) page. No action is required by NHS employers.

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**26 April 2011**

**Contact Information:**

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