

## Superannuation (Health Service) Circular No 5/2005

To:

NHS and other participating employers  
NHS Trade Unions and /Staff Associations

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Your ref:  
Our ref: GEN/02/04/00

8 September 2005

Dear Sir or Madam

### NATIONAL HEALTH SERVICE SUPERANNUATION SCHEME (NHSS) SALARY SACRIFICE

The purpose of this circular is to clarify the position in the NHSS Scotland in relation to salary sacrifice and its effect on contributable salary.

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. It does not apply where an employee receives full pay and then buys a service from the employer.

Salary sacrifice is pensionable under the NHSS 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. Superannuation contributions should therefore be deducted from the full salary before the deduction of the salary sacrifice.

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

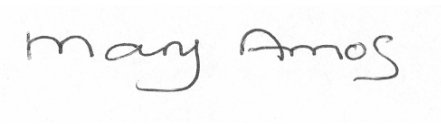
Two examples of non-cash benefits that are currently available to NHS members by some employers under Salary Sacrifice Schemes are childcare vouchers and home computers.

- **Childcare vouchers** – from April 2005, if an employer provides its employees with childcare vouchers, the first £50 per week per employee will be exempt from income tax and national insurance contributions.
- **Home Computer Initiative** – the tax free allowance per employee is £500 per annum. This means that an employee can be loaned a computer equivalent to that value and incur no tax charges on the benefit in kind.

Guidance on Salary Sacrifice Schemes is available from the HM Revenue and Customs website at:  
[www.hmrc.gov.uk/manuals/eimanual/EIM42750.htm](http://www.hmrc.gov.uk/manuals/eimanual/EIM42750.htm).

This approach is consistent with all Scottish public service pension schemes.

Yours faithfully

A handwritten signature in black ink that reads "Mary Amos". The signature is written in a cursive style with a capital 'M' and 'A'.

Mary Amos  
Policy Manager, NHSS