



"Best overall service award 2011"
Annual Charity Finance Survey

not for profit | salary sacrifice for school fees

the team



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Using salary sacrifice to provide school places to your employees' children is a tax-effective measure which has the potential to save your school and employees considerable amounts of money. The following notes provide you with a synopsis of the mechanics involved in setting up a scheme. It is important in any situation where employee benefits are changed that the employees' experience is a positive one.

haysmacintyre would like to work with you to realise the savings from such a scheme and we have the experience to help you avoid the pitfalls and common errors made so that you can be sure your scheme will be successful.

1. Model savings

The initial step of the project involves modelling the savings predicted from using the scheme. To prepare the model we will require the following information for each employee:

- Employee Name or reference number
- Annual Salary
- Current fees payable pre discount
- Discount
- FTE – e.g. if part time working one day per week FTE = 0.2
- Usual hours in working week e.g. 35 hour week
- Whether employee is teaching or other staff

2. Explore different approaches to structure of scheme

Potentially, the savings from the scheme may be used to negotiate the school away from existing fee remissions; for example, if your current fee remission is 50% you may wish to reduce this to say 40%; or, the savings may simply be passed on to the employee, the employer also saving from employer NIC contributions. We will discuss with you how you intend to proceed in this regard.

Consideration should be given also to other matters affected by the sacrifice; for example, are future salary rises to be based on pre or post-sacrifice salary, will overtime payments be calculated on pre or post-sacrifice salary and so on?

Thought should be given to pension scheme interaction. The Teachers' Pension Scheme is largely unaffected apart from considering the loss, of say, death in service benefits but you may have another scheme in place for non teaching staff and the plan rules may need to be amended if you want employees to continue to make contributions based on pre-sacrifice salary.

Once these matters are determined, we can then proceed to design a bespoke scheme for you.

3. HMRC

Approaching HMRC to obtain clearance for salary sacrifice schemes is not mandatory but is, in our opinion, highly advisable. In this way you will have confidence that the scheme is effective. We know that there are many schemes in place where HMRC approval has not been obtained and it has become apparent that a number of these, if subject to HMRC scrutiny, may not be approved. This is evidenced from our own experience and other anecdotal evidence from other professional firms.

It should also be noted that contacting HMRC may result in your organisation being targeted for an employer compliance review. For this reason we strongly recommend that you explore your employer compliance generally to ensure that matters are in order. We can assist by taking you through a questionnaire to efficiently and quickly identify any potential areas of weakness.

4. Salary sacrifice agreement and employment contract

A salary sacrifice agreement must be drawn up in conjunction with your employment lawyers. We will review the agreement to comment on the likely tax effectiveness.

5. Payroll department procedures

Payroll department procedures for administering the scheme are required to ensure that payroll fully understand the changes and how to implement them.

6. Implement test case and obtain HMRC approval

HMRC will only give approval once a scheme is in place so we recommend that you put the scheme in place for one employee, as a test case. Once you have received approval, you can then roll it out to the other employees. We will write to HMRC to obtain approval for the test case and subsequently the others.

7. Design employee communications

The scheme is fundamentally simple but it is important to ensure that the employees are presented with a clear explanation of how it works and how it will affect them. We will work with you to design a communication package to suit your requirements.

8. Launch to employees

The school will then roll out the scheme to employees and process the change for those employees who wish to take it up. Where a large number of employees are involved it may be helpful if we assist you with the launch by coming along to make a presentation to employees for you. We can provide as much or as little help as you require.

9. Annual renewal

We recommend that an annual salary sacrifice agreement is used. Once a year, employees who wish to remain in the scheme will sign a new agreement with the school.

It will be important to ensure that this process is managed correctly. It will simply involve signing a new agreement. If employees do not sign a new agreement it will be important to ensure that they are removed from the scheme.

10. Aftercare

We will provide any assistance you may require post-implementation to ensure your scheme is running properly. We recommend a post-implementation check to ensure that all is properly in place.

about haysmacintyre

haysmacintyre, Chartered Accountants and business advisers, works with over 550 charities and not for profit organisations in the UK and overseas. Our services include the full range of audit, tax, VAT and comprehensive advisory services. Our multi-disciplinary specialist team has extensive sector experience working for a diverse range of charities. We are based in one location which ensures an integrated and comprehensive approach to our clients' requirements.

haysmacintyre is a founding member of MSI Global Alliance (MSI), an international alliance of independent legal and accounting firms, with 250 members in 100 countries.



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