

CHECKLIST · SALARY SACRIFICE

Salary sacrifice compliance checklist

One job: confirm each salary sacrifice scheme is documented, minimum-wage safe, correctly taxed and evidenced.

ACCURATE AS AT 6 JANUARY 2026 2025/26 TAX YEAR VERSION 1.0

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HOW TO USE IT

Work through each item with payroll and your scheme provider. Tick only what you can evidence today, and treat anything unticked as an open action. Re-run it each April, and after any change of provider, payroll system or scheme design.

01 Contractual documentation

- ☐ Variation of contract signed before the sacrifice begins, not after the first affected payslip.
- ☐ Effective date recorded and matched to the payroll period it first applies to.
- ☐ Wording confirms a genuine reduction in gross pay, not a deduction from net pay.
- ☐ Scheme term stated – normally at least 12 months – with the review or renewal point named.
- ☐ Lifestyle-event exit triggers defined: marriage, divorce, birth or adoption, partner redundancy.
- ☐ No right to switch back to full pay at will. Pay reverts only at the end of a fixed term of at least 12 months, or on a defined lifestyle event (HMRC EIM42767).

02 Minimum wage validation

- ☐ Post-sacrifice pay checked against the minimum wage for every participant, every pay reference period, across all sacrifices combined.
- ☐ Documented process for employees near the threshold, applied before enrolment is confirmed.
- ☐ Sacrifice declined or capped where it would take pay below the applicable rate.
- ☐ Re-check run each April and after any change to pay, hours or band.
- ☐ Evidence of each check kept, not only the outcome.

03 Payroll and NI treatment

- ☐ Employer Class 1 NI charged on reduced gross pay.
- ☐ Pension contribution basis confirmed in writing with the provider: pre- or post-sacrifice pay.
- ☐ Effect on statutory pay, overtime, bonus, redundancy pay and life cover multiples recorded.

04 Benefit in kind and reporting

- ☐ Each scheme classed: outside the optional remuneration (OpRA) rules and not reportable (pension, cycle to work, workplace nursery, childcare vouchers if joined by 4 October 2018); cars of 75g/km or less, taxed and reported as a company car; or inside OpRA (tech, phones, gym and others), taxed on the higher of salary given up and benefit value.
- ☐ Class 1A NI identified for every reportable benefit and diarised for payment.
- ☐ Payroll software and provider preparing to payroll benefits in kind from 6 April 2027, when this becomes mandatory for most benefits (loans and living accommodation stay voluntary). P11D or registered payrolling used consistently until then.
- ☐ Zero-emission cars on the 3% benefit-in-kind charge in 2025/26, with Class 1A at 15%; cars over 75g/km on the higher of salary given up and benefit value.
- ☐ Any workplace nursery exemption evidenced against s.318 ITEPA 2003, including the financing and management test for partnership nurseries.

05 Employee disclosure

Given in writing, before enrolment.

- ☐ SMP is based on reduced post-sacrifice average weekly earnings (AWE). SMP and SSP fall away entirely if AWE drop below the lower earnings limit. Your position on reducing or pausing sacrifice before or during the eight-week SMP relevant period is stated (pausing once leave starts does not change SMP), and non-cash benefits continue during maternity leave.
- ☐ Mortgage affordability: lenders may assess post-sacrifice gross pay. A statement of pre- and post-sacrifice salary is offered.
- ☐ Effect of reduced earnings on state benefits explained.
- ☐ How pension contributions and any employer match work after sacrifice.
- ☐ Confirmation captured that the employee read the disclosure before signing the variation.

06 Governance and audit trail

- ☐ Named scheme owner and deputy, with the responsibility written into the role.
- ☐ Minimum wage evidence kept for at least 6 years, and PAYE records for at least 3 years after the tax year ends, reachable by payroll and HR.
- ☐ Signed provider agreements on file for every scheme, including data processing terms.
- ☐ Payroll reconciled to provider records each pay period, with variances investigated and logged.
- ☐ Annual scheme review covering compliance and cost, with the board or a committee sighted on cost, saving and risk.
- ☐ Change log for rate, threshold and policy updates: what changed, when, who approved it.

RATES USED

Employer Class 1 NI	15% above £5,000 a year (secondary threshold)
Class 1A NI	15% (employer only)
Lower earnings limit	£125 a week (£6,500 a year)
Minimum wage from 1 April 2025	£12.21 (21+) · £10.00 (18–20) · £7.55 (under 18; apprentices under 19 or in their first year)
Zero-emission car BIK	3% (2025/26)
Mandatory payrolling	Most benefits from 6 April 2027 (draft legislation, 26 November 2025)
Pension sacrifice NI limit	£2,000 a year per employee from 6 April 2029 (announced, not yet law)

NEXT STEP

See salary sacrifice *run for you*

Book a walkthrough of how Perky sets up and runs salary sacrifice schemes, with payroll integration on every package.

perkybenefits.co.uk/book-a-demo

Sources: GOV.UK Salary sacrifice and the effects on PAYE; ITEPA 2003 ss.120A, 228A and 318; HMRC EIM42767; HMRC NMWM12020; GOV.UK PAYE for employers: keeping records; GOV.UK Rates and thresholds for employers 2025 to 2026. Superseded edition, kept for reference. Do not use for current decisions.



WATCH THIS

April 2029 limit on NI relief for pension salary sacrifice. Announced at Autumn Budget 2025 (26 November 2025); not yet law. From 6 April 2029, pension contributions sacrificed above £2,000 per employee per year are set to attract employer and employee NI on the excess. Pension sacrifice only: income tax relief, EV, cycle and nursery schemes are unaffected. Model the 2029 position now.