Bonus Sacrifice into the SAP Pension Scheme - Scottish Widows

February 2025

As part of SAP's benefits offering, we are again offering you the option to invest all or part of your March 2025 bonus into your SAP Pension Scheme. This will be paid in free of income tax (subject to the Annual Allowance and relevant limits in tax legislation) and National Insurance Contributions (NICs). In addition, SAP will top-up the amount of bonus sacrificed by passing back into your pension some of their NIC saving, thus increasing your sacrificed amount by a further 7%.

The advantages of bonus sacrifice

- You will not pay income tax or NICs on any sacrificed bonus, (up to your Annual Allowance set by tax law).
- SAP will share back their NIC saving, increasing the amount paid to your pension by 7%.
- As the payment for pension purposes is deemed an employer contribution you effectively receive tax relief immediately at the highest rate you pay on income. There is therefore no need to claim any additional tax relief via your self-assessment tax return.

Bonus Sacrifice window opened : 1 February 2025
Bonus Sacrifice window closed: 28 February 2025
SAP bonus paid to salary if no sacrifice selected: 28 March 2025
Bonus Sacrifice paid to SAP Pension with Scottish Widows: 28 March 2025

How to sacrifice your bonus

The agreement for a bonus sacrifice will be made online through here. You will then need to choose one of the following:

1. Select a percentage of your bonus to be paid into the pension
2. Choose a monetary amount to sacrifice
3. Give an instruction that you only wish to sacrifice your bonus if it is above the amount you have indicated.

Your sacrificed bonus will be paid into the SAP Pension Scheme with Scottish Widows at the end of March 2025 and will count towards the 2024/25 Annual Allowance.

For the sacrifice to work, you must give up the potential bonus before it is treated as received by you for PAYE Income Tax and NIC purposes.

Bonus sacrifice is a highly tax-effective, Government-recognised way for you to save into a UK pension plan. If you take your bonus payment as cash you will be liable to pay PAYE Income tax (45% additional rate, 40% higher rate or 20% basic rate) together with your own personal level of NICs, which is currently 8% between £12,570 and £50,270 and 2% over this amount. However, by sacrificing this money into your pension plan there is no tax or NICs liability (subject to contributions being within the Annual Allowance).

SAP will also pass back some of their NIC saving, increasing the amount paid in by 7% of your sacrificed amount.

Pension Tax Allowances

Whilst bonus sacrifice is a highly tax efficient benefit for most members, you should be aware of the relevant pension tax allowances and ensure that any sacrifice you make is beneficial to your individual personal circumstances.

Tax relief is available on the total of all contributions to all pension arrangements, up to the Annual Allowance, which is currently £60,000. If you have taxable income in excess of £200,000 you may have a lower Tapered Annual Allowance. Contributions made in excess of the Annual Allowance (or Tapered Annual Allowance and Money Purchase Annual Allowance) will be subject to a tax charge.

Money Helper guidance on the annual allowances and the lifetime allowance SAP Scottish Widows website: review the "guide to pension tax" found in the Key Documents Library under "Other Information" HMRC online calculator for the tapered annual allowance.

Please note that the Lifetime Allowance was abolished from 6 April 2024.

You may be liable to a tax charge if contributions exceed any of the above Annual Allowances. Please bear this in mind before committing to the bonus sacrifice and consider seeking professional financial advice.

Other Considerations

Everyone's circumstances are different, and you will need to consider your own personal circumstances and seek advice if you are unsure. Below are some typical other considerations.

- Don't forget that pensions are a long-term savings arrangement and once contributions are invested, you won't be able to get a refund or draw on these funds until you reach your minimum pension age at the earliest. The minimum pension age is currently age 55, but this will increase to age 57 from 2028 and will then be likely linked to any increase in State Pension Age (such that the minimum pension age from which you can access funds will be 10 years below your State Pension Age).
- Don't forget that when you access your pension savings up to 25% of your funds are available as a tax-free lump sum. However, the remaining funds when drawn will be subject to income tax at that point (although you may pay a lower rate of income tax in retirement).
- Under bonus sacrifice your total earnings will be reduced, which could affect earnings-related benefits such as Statutory Maternity Pay. However, reducing your taxable earnings below certain thresholds could also avoid the loss of certain benefits, such as Child Tax Benefit or the loss of your Personal Tax Allowance.

Important Notes:

- The Company reserves the right to amend or discontinue the bonus sacrifice arrangement at any time in the future.
- This guide has been prepared in conjunction with our advisors and aims to give you a high level overview of the bonus sacrifice arrangement offered for any bonus payment that may become due in March 2025.
- The information in this document is based on our understanding of the tax and legal position as of February 2025, which may be subject to change.
- This document is for reference purposes only and in no way constitutes financial advice or infers the suitability of bonus sacrifice. We would always strongly recommend you seek professional financial advice before proceeding.