



Mitigate rising NICs with salary exchange

2025 NIC changes

Since 6 April 2025, employers have been navigating significant changes to their National Insurance contributions (NICs). Secondary Class 1 NICs increased to 15%, while the earnings threshold reduced to £5,000¹. These adjustments have led to a substantial rise in employment costs for many businesses.

A powerful cost-saving tool

Salary exchange allows employees to exchange part of their salary for non-cash benefits, creating notable tax advantages:

- **For employers:** lower gross salaries mean reduced NICs, offsetting the rate increase
- **For employees:** higher take-home pay and immediate tax relief on pension contributions at their highest marginal rate

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A well-structured salary exchange scheme could generate considerable savings.

Maximise benefits and savings

Salary exchange can be used for desirable benefits like bike-to-work schemes, childcare vouchers and holiday purchases – enhancing employee wellbeing while strengthening your ability to attract and retain top talent.

Employers can also achieve additional NIC savings when employees direct bonuses into their pension plans.

Cost savings in action



Number of employees

100



Average annual salary

£30,000



Employee contribution

5%

Annual salary exchange total

£150,000

(100 x £30,000 x 5%)

Annual employer NIC savings

£22,500

(£150,000 x 15%)

This example highlights how a well-structured salary exchange scheme could generate considerable savings.

Why partner with us?

With over 15 years of experience implementing successful salary exchange schemes, we will:

- Design a scheme tailored to your specific business needs
- Handle implementation with minimal operational disruption
- Provide clear communication that drives employee participation

With new NIC rates in effect, now is the ideal time to explore how salary exchange could benefit your business.

Get in touch

Email info@mattioliwoods.com today for a complimentary consultation and discover how much you could save.