

Annual Leave Purchase - Frequently Asked Questions

Page 1 of 2

Q. What is the Annual Leave Purchase scheme?

A. The Annual Leave Purchase scheme enables employees to purchase additional annual leave within their holiday year, in addition to their contractual annual leave, and to spread the cost of purchasing the extra annual leave through a reduction in their salary, i.e. salary sacrifice

Q. How does salary sacrifice work?

A. A salary sacrifice is where an employee gives up the right to receive part of their cash pay due under their contract of employment. In the case of the Annual Leave Purchase Scheme the employee agrees to accept a reduction in salary, equivalent to the number of days or hours purchased, spread over a period of 12 months in return for the employer granting additional annual leave.

Q. How do I make savings?

A. As the salary sacrifice reduction is taken from gross salary, you will save Income Tax and National Insurance. The cost of your NHS Pension Scheme contributions (if applicable) will also reduce accordingly. Payslips will show the gross salary reduction amount and savings will depend on your own personal tax and pension situation.

Q. What agreements need to be in place to participate in the scheme?

A. You will enter into a salary sacrifice arrangement with your employer for the provision of additional annual leave.

Q. What can the Annual Leave Purchase scheme be used for?

A. It enables employees to purchase additional annual leave, over and above their contractual annual leave, to use as they wish – for example, for family events, trips away or for charity/voluntary work – and to spread the cost of doing this through manageable payroll deductions whilst saving Income Tax and National Insurance on the gross salary reductions.

Q. When is the Annual Leave Purchase scheme open for applications?

A. Your employer's scheme rules will confirm when the application window is open for you to apply for additional annual leave.

Q. How much additional annual leave can I apply for?

A. The maximum number of additional days or hours permitted under your Annual Leave Purchase Scheme is included in your employer's scheme rules.

Q. If I order additional annual leave but change my mind can I cancel my application?

A. If you change your mind after applying for additional annual leave, you will have 14 days to notify your HR Department or Vivup that you would like to cancel the arrangement. And you can do this by contacting your HR Department directly or by emailing customersupport@vivup.co.uk. Once this 14 day period has expired, you will not be able to cancel or reverse the additional annual leave you have ordered for that holiday year.

Q. When will I receive my additional annual leave?

A. Once your application for additional annual leave has been approved by your HR Department, you can book additional annual leave as per your employer's annual leave rules.

Q. When do the salary reductions start?

A. Salary reductions will ordinarily commence in the first month of the holiday year for which you have

Annual Leave Purchase - Frequently Asked Questions

Page 2 of 2

submitted your order for additional annual leave.

Q. How is the value of my additional annual leave calculated?

A. This is based on 260 working days per year and on the contractual hours you work. Based on the information you enter into the online application form when you request additional annual leave, your employer will review your application in line with your contractual hours and will approve or decline your application accordingly.

Q. Can I carry forward the additional leave purchased to the next holiday year?

A. This is not normally permitted but please refer to your employer's scheme rules.

Q. Who is eligible to join the scheme?

A. All employees on PAYE payroll are eligible to apply, as long as salary reductions do not take them below National Minimum Wage/National Living Wage. Please note that those engaged either on a 'zero hours' contract or on a casual/temporary basis for a period not exceeding three weeks will not be eligible to join.

Q. What happens if I leave my job before my employer has recovered the cost of my additional annual leave through salary sacrifice?

A. Under the terms of the salary sacrifice agreement you will agree to settle all outstanding monies before you leave. The outstanding balance will be deducted from your final net salary payment, after tax and national insurance contributions, subject to your salary remaining above the National Minimum Wage/National Living Wage levels, as confirmed above. If your final net pay is insufficient to cover the settlement of outstanding monies, you will be required to repay the outstanding balance within the time period stipulated by your employer.

Q. What happens if I leave my job and at that point, I have taken less additional annual leave than my equivalent salary reductions?

A. Any salary reductions taken over and above the additional leave you have taken will be refunded by your employer through the payroll and subject to PAYE/NIC deductions.

Q. If I change my contractual working hours, how will this affect any additional annual leave I have already ordered for that holiday year?

A. As your application for additional annual leave is based on your contractual working hours, your reduction in salary may be adjusted by your employer so that the total salary reduction equals the value of the additional annual leave taken. Your employer may also contact you to discuss any potential amendment to the amount of additional annual leave you have purchased.

Q. Will the Annual Leave Purchase arrangement affect my pension accrual?

A. Yes, the purchase of additional annual leave leads to a reduction in gross earnings and therefore will lead to a reduction in the pension contributions you will make during the time to participate in the scheme. This will impact different people in different ways depending on the section of the scheme in which you are accruing benefits. As circumstances vary between different pension schemes and employers, you may wish to consult your pension scheme advisers to confirm your personal position.

Annual Leave Purchase - Frequently Asked Questions

Page 3 of 2

Q. Will the Annual Leave Purchase scheme affect my Tax credits?

A. As everybody's circumstances are different, we recommend you contact HMRC on 0345 300 3900 if you are unsure.