

# Buying and selling leave

## Frequently asked questions for 2022/23

### Summary

This document provides answers to a number of questions you may have about buying or selling your annual leave to help you understand how it works. We have included examples where possible to help explain how this could impact on your pay.

You must read this document in full before completing the application form to buy or sell leave. Please also refer to the [Annual Leave policy](#) on the Bridge.

In all cases you will need to consider your own personal circumstances and whether you want to buy or sell leave.

If you need any further advice about buying or selling leave, please refer to your manager in the first instance or [reward@anchor.org.uk](mailto:reward@anchor.org.uk).

### Can we carry over 10 days of annual leave into 2022/23 like last year?

No, this was a temporary measure introduced in response to the pandemic. We are now reverting back to our usual practice as per the annual leave guidance.

If a colleague has been unable to take their full leave entitlement, their manager may allow them to carry over up to **5 days'** annual leave (pro-rata for part time colleagues). This will only be agreed if the colleague has taken the legal minimum of four weeks leave in the current leave year (pro-rata for part time colleagues)

Any days that are carried over must be used within three months of the start of the holiday year (by 31 July 2022) or they will be lost. This is in line with the standard carry over clause in the Annual Leave policy and guidance.

Line managers must add the additional leave onto the following year's entitlement on myHR MSS, and they must then make further adjustments on the system if the additional leave is not taken within the three-month window.

### If I carry over annual leave from the previous year (2021/22) can I still buy/sell annual leave from my 2022/23 holiday entitlement?

Yes, if your manager allows you to and if you meet all the eligibility criteria of the scheme.

Please remember, if you opt to sell holiday you must have a minimum of 28 days (or pro rata) entitlement, irrespective of any leave you carry over from a previous year.

If you choose to sell any leave when the window opens, you'll be selling it from your upcoming 2022/23 holiday entitlement, not from any remaining annual leave from your previous year's entitlement (from 2021/22) and it will be paid over 11 monthly instalments.

Any holidays you buy or sell will be reflected in your holiday balance for 2022/23 on ESS

### How do I participate in the scheme to buy or sell annual leave?

If you wish to participate in the scheme you must read this document in full, complete the Buy and Sell leave request and return it to your manager who will decide whether to approve it. If you are on a bank contract, you will be unable to buy or sell leave. The buying and selling of annual leave is not a contractual right.

## **When am I able to buy or sell my leave entitlement?**

There is one opportunity to buy or sell your annual leave each year. You will be able to make a request to your line manager to buy or sell your annual leave entitlement between 01 February and 31 March 2022. All requests must be approved by your line manager. Any changes to payroll will take effect from May 2022. If you are a new starter and started after the enrolment period, you will have to wait until the next enrolment period before you can take advantage of this benefit.

## **Do I need to buy or sell full days of leave or can I buy a ½ day?**

Additional leave must be bought in full days (for full time colleagues) or the equivalent number of hours, if you are part time and that is how your leave is currently calculated. If you work full time you can buy or sell in full days only, not half days.

## **Can other people buy my leave entitlement?**

No. Your leave entitlement is for you only. If they meet the qualifying criteria, they can buy additional leave themselves.

## **I am in my probationary period; can I buy or sell additional leave?**

Yes, as long as you are in our employment during the enrolment period (Feb/Mar) and meet the qualifying criteria.

## **Can I buy or sell 5 days leave in my 20<sup>th</sup> year when I get 4 weeks extra leave?**

Yes, you can make an application. It will be your manager's decision to approve or decline the request.

## **I have more than one role, can I buy or sell leave for all of my jobs?**

Yes. You can buy the equivalent of 5 days for each of your roles.

## **Who will approve my request to buy or sell leave?**

Your manager will review and check the forms and make a decision whether to approve or decline your request by the end of March. They will then inform you of their decision. There may be cases where a request to buy or sell leave is declined. This could be due to operational requirements, such as problems associated with cover or service delivery. Approvals will not be made on a first come, first served basis. If your request to buy or sell leave is declined your manager will inform you of the reasons for this. If your manager approves your request, the payments (if you have sold leave) or deductions (if you have bought leave) will start from your May pay.

## **Once the decision to buy or sell leave has been approved, is it permanent or a yearly choice?**

Any approved requests to buy or sell leave are not permanent. Requests will need to be made on an annual basis during the enrolment period. There is no guarantee that if you have received approval to buy or sell leave one year, you will automatically receive it again the next.

## **What is classed as a day's leave?**

A day's leave is your normal working day. If you work 5 hours per day, 5 hours would be classed as a day's leave.

## **How is the value of a day's leave calculated?**

If you work full time and over 5 days per week the value of a day's annual leave entitlement is determined by dividing your gross basic annual salary by 52.147 weeks, then dividing by 5 days for example:

Annual salary £30,000 divided by 52.147 = £575.30 days divided by 5 = £115.06 daily value.

If you work part time or on a 7-day rota the value is worked out on an hourly basis. If your pay rate is

given as an annual salary (and not as an hourly rate), to calculate your hourly rate you need to divide your part-time basic salary by the number of weeks (52.147) in a year and then by the number of hours you are contracted to work in a week, for example if you earn £10,000 and work 20 hours:

Annual salary is £10,000 divided by 52.147 weeks divided by 20 hours per week = £9.59 hourly rate.

To calculate the daily value, you then multiply the hourly rate by the number of hours you normally work a day.

### **I have chosen to participate in this scheme, but now wish to change my mind. Can I do this?**

No. Once you have made the decision to either buy or sell leave, this has been approved and payroll has processed the first adjustment to your pay, you are unable to opt out of the scheme for that annual leave year.

The only exceptions to this will be if you have a 'lifestyle event'. Some examples of this are:

- Long-term absence
- Leaving employment
- Marriage, divorce/separation
- Change to place of work, significant change in role or contractual hours
- Birth or adoption of child
- Death of a dependant
- Significant change in partner's circumstances

If you do need to make changes because of the above, you must do so in writing to your manager giving a minimum of one months' notice. Your manager will then notify Payroll in Bradford.

### **How will managers budget for additional leave?**

There should be no significant impact on financial budgets. Managers need to assess the impact on resources to deliver services before approving any requests.

### **If a location manager buys additional leave, how are additional relief costs paid for?**

The salary that we are not paying to the location manager can be used to pay for cover whilst they are on leave.

### **Will there be a cost implication to residents who have to pay for cover for colleagues that buy additional leave?**

Residents will not need to pay any more money. Colleagues will be taking a reduced salary to buy additional leave. This saving can be used to pay for additional cover if required.

## **Buying leave**

By buying annual leave you will be entering into a salary sacrifice arrangement with Anchor.

### **What is a salary sacrifice?**

A salary sacrifice is where you give up your right to some of your cash pay / salary due under your contract of employment for a non-cash benefit. When you buy additional leave, you are agreeing to a reduction in your gross cash pay. This means that you will pay tax and NI on your pay after the reduction. As a result, you will pay less tax and NI and you will be entitled to reduced pay in exchange for more annual leave. A salary sacrifice arrangement is an amendment to your contract of employment.

A salary sacrifice arrangement could impact on your entitlement to state benefits, e.g. state second pension. We have provided answers to these questions in general in this document but you should seek independent financial advice or advice from your local Job Centre Plus office on what would be appropriate for you.

## **How much additional leave can I buy?**

You can buy up to 5 days' / 1-week additional leave (or pro rata if you are a part time colleague). The leave you can buy is based on your contracted hours and does not include overtime.

## **What are the qualifying criteria for buying additional leave?**

You have to earn more than the Lower Earnings Limit (LEL) to buy extra leave as otherwise it may affect any statutory payments available to you. The LEL each year is available on the HMRC website ([www.hmrc.gov.uk](http://www.hmrc.gov.uk)).

You have to be earning above the National Minimum Wage once any salary sacrifice deductions have been made. You legally cannot reduce your pay below the NMW.

As Anchor now pay all colleagues the Real Living Wage as a minimum, this may increase more colleagues' chances of a successful application.

## **What are the minimum hours to qualify to buy additional leave?**

There are no minimum hours to qualify; part time colleagues are also able to buy additional leave. Eligibility is based on your current leave entitlement and your salary compared to the lower earnings limit and National Minimum Wage. If you are on a bank contract, you will be unable to buy or sell leave.

## **How much will it cost me to buy additional leave and how will it affect my tax and national insurance contributions (NIC)?**

Your annual salary will be used to calculate how much it will cost you to buy leave. It will be based on the equivalent daily rate (for full time colleagues) or hourly rate (for part time colleagues) that you are paid (see question on page 2 for how we will calculate the value of a day's leave). The deduction to your salary is made from your gross pay, not net pay. This means that you will pay tax and NIC on your pay after the value of the leave has been taken out. As a result, you will pay less tax and NIC and you will be entitled to reduced pay in exchange for more annual leave. This is called a salary sacrifice.

## **I have decided to buy additional leave, what changes will I see in my pay?**

If you have chosen to buy additional leave your salary will be reduced by the value of the additional leave you have bought and the value of that leave will be deducted in 11 equal instalments from your pay for the rest of that leave year. See Example 1 for how these instalments are calculated.

## **If I buy additional leave, over what time scale will I pay for it?**

If you choose to buy additional leave your monthly salary will be reduced by the value of the additional leave over 11 instalments through a salary sacrifice arrangement. The deductions will start in May.

## **Is there a time limit for taking any additional leave bought?**

We would expect any additional leave bought must be taken in the same holiday year that you are paying for it. However, this is for your manager to approve.

## **I have bought some additional leave but am now struggling to take it. Can I either be paid for this leave or carry it over into the next annual leave year instead?**

We would expect you to use all of the additional leave you bought through the scheme in that annual leave year. We are not able to pay you for any additional leave you have been unable to take. It can be carried over into the next leave year to a maximum of 5 days (pro rata for part time colleagues) subject to your manager approval.

If you buy additional leave you need to plan carefully at the beginning of the year to make sure it is used.

## Selling leave

### How much annual leave can I sell?

The rules around selling annual leave are linked to the amount of statutory leave to which you are legally entitled. If your annual leave entitlement including bank holidays is more than the statutory leave entitlement of 28 days for the leave year you will be able to sell up to 5 days / 1 week leave (or pro rata if you are a part time colleague).

For example, if your annual leave entitlement is 28 days plus 8 bank holidays you will be able to sell up to 5 days' annual leave as your total leave entitlement is 36 days.

If your annual leave entitlement is 28 days and includes bank holidays you will not be able to sell any leave as we are legally required to give you this much leave as a minimum.

### I'm have a leave entitlement of 30 days; can I still sell 5 days?

You can only sell a maximum of 5 days (or pro rata for part time colleagues) as long as your remaining holiday does not fall below the statutory minimum of 28 days inclusive of bank/public holidays, or part time equivalent. So, in this instance you would be able to sell a maximum of 2 days.

### I have decided to sell annual leave, what changes will I see in my pay?

If you have chosen to sell some of your annual leave, you will receive this payment in 11 equal instalments over the rest of the leave year. This payment will be subject to tax & NI in the normal way. See Example 2, for how these instalments are calculated.

### Can I choose to have the payment for selling my leave in one lump sum, e.g. at Christmas?

No. If you choose to sell your leave you will receive the payment in 11 equal instalments which will start in your May pay.

### How will selling leave affect my tax and national insurance contributions (NIC)?

When you sell annual leave, the payment you will receive will be subject to tax and NIC through payroll in the normal way. As your earnings increase, typically your tax and NI will also increase.

## Additional questions

### What is the impact on Statutory Maternity Pay/Adoption Pay of buying or selling leave? How will my SMP for the first 6 weeks of maternity leave be affected?

Statutory Maternity pay is calculated at 90% average weekly earnings for the first 6 weeks, then 90% average weekly earnings or the weekly SMP rate for the next 33 weeks, whichever is lower. This is based on your gross salary during a qualifying period which needs to be higher than the lower earnings limit. SMP could therefore be impacted by your decision to buy leave as your gross salary will be reduced through a salary sacrifice.

You will continue to receive payment / deduction for any leave you have sold or bought through this period.

### What is the impact on Statutory Paternity Pay of buying and selling leave?

Statutory paternity pay is calculated at 90% average weekly earnings or the weekly SPP rate for 2 weeks, whichever is lower. This is based on your gross salary during a qualifying period which needs to be higher than the lower earnings limit. SPP could therefore be impacted by your decision to buy leave.

You will continue to receive payment / deduction for any leave you have sold or bought through this period.

### **How will any additional leave I have bought be affected if I go on sick leave? Will my SSP be affected?**

If you buy annual leave and then go off sick and are only in receipt of statutory sick pay, your deduction will be suspended, and the outstanding balance recovered from future months' pay.

You will continue to receive payment for any leave you have sold through this period.

### **What happens if I take additional maternity, paternity or adoption leave or go onto unpaid sick leave?**

If you go onto a period of unpaid leave and have bought additional leave your deduction will be suspended, and the outstanding balance recovered from future months' pay.

### **Can I participate in more than one salary sacrifice at the same time (e.g. additional leave and childcare vouchers)?**

Yes. As long as your reduced salary after the salary sacrifices does not fall below the Lower Earnings Limit (LEL) or National Minimum Wage. If this happens, you will need to make a decision as to which salary sacrifice agreement you want to continue with.

### **Will there be an impact of buying or selling leave on student loan deductions?**

Yes. Your student loan deductions are calculated on your gross salary. If you buy leave your gross salary will be reduced. If this reduction takes your gross salary below the earnings threshold for student loans there will be no loan deduction.

Likewise, if through selling leave, your gross earnings increase above the threshold for student loan deductions, you may start paying them.

### **I get child/working tax credits. Will there be any impact on these of buying or selling leave?**

It depends on your personal circumstances. It is your responsibility to contact the tax credit helpline to advise them of any changes which affect your gross pay.

### **How will buying or selling leave affect my life assurance?**

Your life assurance benefit will continue to be calculated on your gross salary before a salary sacrifice has been applied for buying leave. It will not be calculated on any additional payment made to you if you sell leave.

### **Could there be an impact on my pension contributions of buying or selling leave?**

If you are in the pension scheme, employer and employee pension contributions will continue to be calculated on your gross salary before the salary sacrifice has been applied if you buy leave. They will not be calculated on any additional payment made to you if you sell leave.

Your overall pension contributions will continue to be calculated on overall pensionable pay.

### **Will buying additional annual leave affect my basic state pension?**

Under current rules, you will only lose entitlement to basic state pension if you earn less than the Lower Earnings Limit. If this is the case, you will not be able to buy additional leave to ensure that your basic state pension entitlement is unaffected.

### **How will the purchase of additional annual leave affect any Attachment of Earnings Orders (AEOs) that I may have?**

The payments of these arrears are normally calculated either via a fixed monthly amount or from a percentage of net pay available. Where you are in a salary sacrifice your net pay can be affected which may affect the level of the AEO deduction made. No deduction will be made if your net salary drops below the AEO threshold.

### **What happens if my pay is reviewed after I have signed the agreement to buy or sell additional leave?**

The payment or deduction will change and will reflect the rate of pay at the time of deduction or payment.

## **Example 1- Buying leave calculations:**

David is monthly paid and works 37.5 hours per week over 5 days. His annual salary is £18,000 and he is entitled to 28 days holiday including bank/public holidays.

He wants to buy an extra 3 days leave. This will cost him £207.12 ( $£18,000 / 52.147 / 5 = £69.04$  daily rate x 3 days = £207.12).

David will sacrifice £18.83 ( $£207.12 / 11$ ) of his pay for eleven months from May topay for the 3 additional days annual leave.

If it costs David £207.12 through salary sacrifice to buy an additional 3 days leave, the actual cost to him will be less than this due to savings made on tax and NI contributions.

Susan is monthly paid and works 20 hours per week over 4 days. Her annual salary is £9,500 per annum and she is entitled 112 hours annual leave (the equivalent of 28 days including bank/public holidays pro rata).

She wishes to buy an extra 2 days annual leave. This will cost her £91.08 ( $£9,500 / 52.147 / 20 = £9.10$  per hour x 5 hours per day, her normal daily hours = £45.54 daily rate x 2 = £91.08).

Susan's annual salary after the sacrifice is above the Lower Earnings Limit and her hourly rate after the sacrifice is above National Minimum wage so she will be able to buy the additional leave.

Susan will sacrifice £8.28 ( $£91.08 / 11$ ) of her pay for eleven months from May topay for the 2 additional days.

If it costs Susan £91.08 to buy an additional 2 days leave through salary sacrifice, the actual cost to her will be less than this due to savings made on tax and NI contributions.

## Example 2 – Selling leave calculations:

Sophie is monthly paid and works 37.5 hours a week. Her annual salary is £20,000.

She receives 25 days annual leave plus 8 bank holidays per year; a total of 33 days entitlement.

Sophie wants to sell 4 days annual leave which will leave her with 29 days overall entitlement. The value of these 4 days leave to Sophie would be £306.84 ( $\text{£}20,000/52.147/5 = \text{£}76.71$  daily rate  $\times 4$  days =  $\text{£}306.84$ ).

She will be paid this in 11 equal instalments of £27.90 ( $\text{£}306.84/11$ ) per month, starting from May. She will pay tax and NI contributions on this value.

Kevin is monthly paid and works 20 hours per week. His annual salary is £12,000 per year. He is entitled to 26 days annual leave per year plus 8 bank holidays calculated on a pro rata basis which equals 97.5 hours annual leave entitlement plus 32 hours bank holiday allowance which is a total of 129.5 hours.

He wants to sell 2 days (10 hours) annual leave. The value of these 2 days to Kevin would be £115.10. ( $\text{£}12,000/52.147/20 = \text{£}11.51$  per hour  $\times 5$  hours per day, his normal daily hours =  $\text{£}57.55$  daily rate  $\times 2 = \text{£}115.10$ )

He will be paid this in 11 equal instalments of £10.43 per month, starting from May. He will pay tax and NI contributions on this value.