

## SAYE bonus rates mechanism

This document outlines the basis by which the Save As You Earn (SAYE) bonus rates and early leaver rates are calculated. Users of the scheme do not need to carry out this calculation and can use the [Bank of England bank rates for SAYE Share Option Schemes guidance](#) to identify the right rates to use.

### Timing

1. The Bank of England Monetary Policy Committee (MPC) set the Bank of England base rate ('Bank Rate'). The new Bank Rate usually applies from the day following the MPC meeting, when minutes are published. These meetings typically take place eight times a year and the [dates are published on the Bank of England's website](#) in advance.
2. The new SAYE bonus rates and early leaver rate will be calculated in line with the new Bank Rate. The new rates will apply to SAYE agreements made under invitations which are sent on or after the fifteenth day following the date the new Bank Rate applies. HMRC also keep a record of changes in the Bank Rate, the bonus rates and early leavers rates, and the SAYE effective dates in [Bank of England bank rates for SAYE Share Option Schemes guidance](#).

### Calculation of the bonus rate and early leaver rate

3. The SAYE bonus rate and early leaver rate are calculated in four stages:
  - first, a pre-margin rate is calculated with reference to the Bank Rate
  - second, a margin is deducted to calculate the saver interest rate
  - third, the bonus rate is calculated
  - fourth, the early leaver rate is calculated

### Stage one: calculation of the pre-margin rate

4. The Bank Rate is used, with reference to a hurdle and cap, to calculate the pre-margin rate. The hurdle applies where the Bank Rate is at 5% or above and the cap applies where the Bank Rate is at 8% or above.

Bank of England Bank Rate	Calculation of pre-margin rate
Up to 5%	If the Bank Rate is up to 5%, the pre-margin rate is equal to the Bank Rate.
5 – 8% (hurdle)	If the Bank Rate is over 5% you must add half of the percentage over 5% to the pre-margin rate. For example: <ul style="list-style-type: none"><li>• For every percentage point the Bank Rate is above 5%, the pre-margin rate is 0.5% higher than 5%</li><li>• For every half percentage point the Bank Rate is above 5%, the pre-margin rate is 0.25% higher than 5%</li><li>• For every quarter percentage point the Bank Rate is above 5%, the pre-margin rate is 0.13% higher than 5%</li></ul>
Over 8% (cap)	If the Bank Rate is over 8%, the pre-margin rate remains at 6.5%.

### Stage Two: Deduction of the Margin

5. A margin of 3% is then deducted from the pre-margin rate to calculate the 'saver interest rate'. If the result of subtracting the margin is to give a negative figure, then a figure of zero is used instead.

6. For example, if the pre-margin rate is 6%, this would be subject to a deduction of 3%. The saver interest rate would be 3%.

### Stage Three: Calculation of the bonus rate

7. The saver interest rate is applied as compound interest on a monthly basis to calculate the total interest which accrues for three- and five-year contracts.

8. The total amount of interest is then divided by one monthly contribution to calculate the monthly bonus rate. For example, if the monthly contribution for a three-year contract is £200 and the total interest accruing over three years is £342.38, the relevant monthly contribution ratio would be 1.71198. This figure is rounded to the nearest 0.1. In the above example the bonus on a three-year contract would be the equivalent of 1.7 monthly contributions.

### Stage Four: Early leaver rate

9. The early leaver rate is set at two-thirds of the saver interest rate, rounded to the nearest two decimal places.

## **Applying the bonus rate**

10. The resulting bonus rates and early leaver rates are set out in the annex.

11. SAYE users will multiply the resulting bonus rate by one monthly contribution to calculate the monetary value of the bonus to be paid at the end of the contract. This figure is quoted rounded to two decimal places. Following the earlier example, the bonus rate of 1.7 would be multiplied by one contribution (in this case £200) to calculate a bonus of £340.00.

## Annex: Bonus Rate Table

Bank of England Base Rate	Pre-margin Rate	Saver Interest Rate	3 Year Bonus Rate	5 Year Bonus Rate	Early Leaver Rate
0.00%	0.00%	0.00%	0.0	0.0	0.00%
0.25%	0.25%	0.00%	0.0	0.0	0.00%
0.50%	0.50%	0.00%	0.0	0.0	0.00%
0.75%	0.75%	0.00%	0.0	0.0	0.00%
1.00%	1.00%	0.00%	0.0	0.0	0.00%
1.25%	1.25%	0.00%	0.0	0.0	0.00%
1.50%	1.50%	0.00%	0.0	0.0	0.00%
1.75%	1.75%	0.00%	0.0	0.0	0.00%
2.00%	2.00%	0.00%	0.0	0.0	0.00%
2.25%	2.25%	0.00%	0.0	0.0	0.00%
2.50%	2.50%	0.00%	0.0	0.0	0.00%
2.75%	2.75%	0.00%	0.0	0.0	0.00%
3.00%	3.00%	0.00%	0.0	0.0	0.00%
3.25%	3.25%	0.25%	0.1	0.4	0.17%
3.50%	3.50%	0.50%	0.3	0.7	0.33%
3.75%	3.75%	0.75%	0.4	1.1	0.50%
4.00%	4.00%	1.00%	0.5	1.5	0.67%
4.25%	4.25%	1.25%	0.7	1.9	0.83%
4.50%	4.50%	1.50%	0.8	2.3	1.00%
4.75%	4.75%	1.75%	0.9	2.7	1.17%
5.00%	5.00%	2.00%	1.1	3.0	1.33%
5.25%	5.13%	2.13%	1.1	3.2	1.42%
5.50%	5.25%	2.25%	1.2	3.4	1.50%
5.75%	5.38%	2.38%	1.3	3.6	1.58%
6.00%	5.50%	2.50%	1.3	3.8	1.67%
6.25%	5.63%	2.63%	1.4	4.0	1.75%
6.50%	5.75%	2.75%	1.5	4.2	1.83%
6.75%	5.88%	2.88%	1.6	4.4	1.92%
7.00%	6.00%	3.00%	1.6	4.6	2.00%
7.25%	6.13%	3.13%	1.7	4.9	2.08%
7.50%	6.25%	3.25%	1.8	5.1	2.17%
7.75%	6.38%	3.38%	1.8	5.3	2.25%
8.00%	6.50%	3.50%	1.9	5.5	2.33%