



Leasing made easy

# ELECTRIC CAR SALARY SACRIFICE SCHEME

Employer Factsheet



# Salary sacrifice

## What is it?

Salary sacrifice is an attractive, yet tried and tested method of delivering a tax efficient benefit to employees, at little or no cost to employers.

It enables your employees to drive a brand new, cost effective electric car for a great deal less than if they had leased it privately.

You lease a tax efficient zero emission electric car, which you then provide to your employee as a company car in return for the salary sacrifice. As the cost of the car is deducted from your employee's gross salary, payroll deductions are based on their lower, revised salary, thus reducing the income tax, National Insurance Contributions ("NIC"), and Health and Social Care Levy ("HSCL") they pay each month.

As sizeable VAT savings may also be available, your employee can access green, zero emission cars at a fraction of their normal cost.

And you also benefit from monthly NIC and HSCL savings, which could be substantial.

If you who operate a grey fleet, because increasing company car tax on traditional petrol and diesel cars has encouraged drivers to take the cash alternative, a salary sacrifice scheme is the ideal way to reduce your Duty of Care risk and your carbon footprint.

## Why CVSL broker

We work closely with employers, leveraging our experience with scheme modelling, structure, and policy, combined with our multi-bid funding solution, to deliver cost-effective salary sacrifice solutions that are attractive and easy to manage for both employers and employees. We also provide comprehensive employee and employer salary sacrifice quotations, and generate an array of scheme documents to help you set up and run your scheme, including the salary sacrifice agreement, FAQs and payroll guide.

## Employee benefits

- Cost effective access to a brand new zero emission electric car
- Income tax, NIC, and HSCL savings
- Typically, between 30% to 45% tax savings
- Additional VAT savings potentially available
- No deposit or credit check
- Flexible mileage and term
- Maintenance, breakdown cover and tyre replacement
- Comprehensive motor insurance and accident management

## Employer benefits

- Monthly NIC and HSCL savings
- Typically 13% to 14% saved on each car
- An attractive employee benefit without increasing your costs
- Simple scheme set up
- Comprehensive scheme management and support
- Reduces fuel costs by encouraging grey fleet drivers into more cost effective electric cars
- Reliable and fully maintained cars reduces your grey fleet risk
- Reduces your fleet's carbon footprint by encouraging the uptake of electric vehicles.
- Complements existing employee benefits
- Increases employee engagement which enhances motivation and retention

## Salary sacrifice and electric cars

Electric cars are exempt from the Optional Remuneration Arrangements ("OpRA") legislation, which restricts the savings available via salary sacrifice. Therefore, salary sacrifice is particularly effective for employees who choose a fully electric, zero emission car because they attract very low rates of company car tax.

You save much more NIC and HSCL on the salary sacrificed compared to the minimal amount of you pay on your employee's new company car.

Sample quotes for two popular electric cars are presented at the end of this factsheet.

## What are the risks?

Despite the many benefits, there may be some costs, for example when employees leave your employment. However, if it's not possible to reallocate a leaver's car to another employee our modelling confirms that most employers should be able to offset these costs, and parental leave costs, using some of their NIC and HSCL savings. And, if necessary a small premium could be included within each employee's monthly salary sacrifice.

## Is salary sacrifice right for you?

Salary sacrifice is not intended to replace your company car scheme, but to enhance the benefits offered to all staff, including employees who've opted for a cash allowance, and is therefore an attractive solution that would complement any existing company car scheme.

## Want to find out more?

Speak to us about salary sacrifice and receive simple, unbiased advice about the savings available to you and your employer.

## CVSL

To speak to one of our specialist advisers:-

Telephone:- **0800 085 4256**

E-mail:- [sales@cvsl.co.uk](mailto:sales@cvsl.co.uk)

## Examples of the savings available with Salary Sacrifice.

### Volkswagen ID.3

150KW Life Pro 58kWh 5dr Auto



### Tesla Model 3

RWD 4dr Auto



Gross Salary sacrifice	<b>£685.25</b>
Income tax saved on salary sacrifice	<b>(£137.05)</b>
NIC saved on salary sacrifice	<b>(£90.80)</b>
BiK tax paid on company car	<b>£10.73</b>
<b>Monthly net salary sacrifice</b>	<b>£468.13</b>

Reduction in the employee's take home pay, that is after tax and NIC have been applied.

#### Employee Savings

Salary sacrifice		PCH
Monthly gross sacrifice	Monthly net sacrifice	Monthly cost
<b>£685</b>	<b>£468</b>	<b>£742</b>
Amount sacrificed from gross salary	Reduction in take home pay	Cost to lease the car personally

#### Employee saving of **£9,864** over the term

Salary sacrifice quotation based on a 3 year, 1/0/35, 10,000 miles per annum maintained contract starting on 6 April 2022 for a 40 year old UK basic rate taxpayer residing in Knutsford, on a car with P11D value of £32,185. Assumes the employer is able to recover all VAT incurred, subject to the 50% block on the recovery of VAT incurred on the finance element of the contract hire rental. Income tax, National Insurance Contribution ("NIC") and Value Added Tax ("VAT") rates, and BIK percentages, used per latest UK and Scottish government legislation and announcements; for the purposes of this quotation the Health and Social Care Levy has been included within NIC.

Personal Contract Hire ("PCH") quotation based on a 3 year, 1/0/35, 10,000 miles per annum maintained contract starting on 6 April 2022 for a 40 year old residing in Knutsford. The insurance premium included within the monthly PCH cost is the same as that used for the salary sacrifice quotation.

Calculations prepared in March 2022.

Gross Salary sacrifice	<b>£870.89</b>
Income tax saved on salary sacrifice	<b>(£348.36)</b>
NIC saved on salary sacrifice	<b>(£28.30)</b>
BiK tax paid on company car	<b>£27.96</b>
<b>Monthly net salary sacrifice</b>	<b>£522.19</b>

Reduction in the employee's take home pay, that is after tax and NIC have been applied.

#### Employee Savings

Salary sacrifice		PCH
Monthly gross sacrifice	Monthly net sacrifice	Monthly cost
<b>£871</b>	<b>£522</b>	<b>£940</b>
Amount sacrificed from gross salary	Reduction in take home pay	Cost to lease the car personally

#### Employee saving of **£15,084** over the term

Salary sacrifice quotation based on a 3 year, 1/0/35, 10,000 miles per annum maintained contract starting on 6 April 2022 for a 40 year old UK higher rate taxpayer residing in Knutsford, on a car with P11D value of £41,935. Assumes the employer is able to recover all VAT incurred, subject to the 50% block on the recovery of VAT incurred on the finance element of the contract hire rental. Income tax, National Insurance Contribution ("NIC") and Value Added Tax ("VAT") rates, and BIK percentages, used per latest UK and Scottish government legislation and announcements; for the purposes of this quotation the Health and Social Care Levy has been included within NIC.

Personal Contract Hire ("PCH") quotation based on a 3 year, 1/0/35, 10,000 miles per annum maintained contract starting on 6 April 2022 for a 40 year old residing in Knutsford. The insurance premium included within the monthly PCH cost is the same as that used for the salary sacrifice quotation.

Calculations prepared in March 2022.