

# Salary sacrifice

Employer Guide

To help employers understand the key benefits of the e-car lease salary sacrifice scheme, we are pleased to provide the information needed for making the most out of the impending electric journey for your employees.

e&car



# Employer Guide

## Introduction

Before introducing any employees to our e-car lease team for a dedicated quotation, we do ask that you review this guide to ensure our scheme is suitable for the company. Once you confirm that you have selected the e-car lease team as your preferred supplier for EVs, we will be able to proceed.

Please note that we do have an employee guide to salary sacrifice which is available upon request or which can be easily downloaded from our website. Our e-car lease team will also need information relating to your employee's tax position as part of providing an accurate quotation on any EV(s) they are looking to procure.

## What is a salary sacrifice?

Salary sacrifice (or "Sal Sac") is an arrangement between you and your employees whereby an employee will reduce their gross salary in exchange for a non-cash benefit. In this instance, your employee is agreeing to give-up (or sacrifice) part of their salary in return for a new, pure electric car.

To be clear, an employee will sacrifice gross salary, that is salary before Income Tax, National Insurance Contributions ("NIC") and the Health and Social Care Levy ("HSCV"). Whilst salary sacrifice has been available for cars for many years, the prevailing, exceptionally low Benefit-in-Kind ("BiK") tax percentages for zero-emission vehicles mean it's currently an exceptionally tax efficient proposition for both your company and the employee.

## Can you only salary sacrifice an electric car?

In short, yes. Because the e-car lease team only offer pure electric vehicles (also known as Battery Electric Vehicles or zero-emission vehicles) we are only able to offer a scheme which utilises this type of fuel. HMRC has confirmed that the particularly attractive **2% BiK tax rate** will apply to EVs until at least 2024/25. As more zero emission cars are launched every month there's little reason to offer any other cars because the tax-savings you enjoy with an EV cannot be replicated with other fuel choices. For this reason, if your company does need a petrol or diesel vehicle, including any Hybrid or Plug-In Hybrid derivatives, you will have to speak with another Sal Sac provider.

The good news is that the e-car lease team offer every make and model of EV available in the UK.

**As at 2022, there are an abundance of great EVs to choose from – hatchbacks, SUVs, estates and sports cars are all available.**

## How does a salary sacrifice car scheme work?

Setting up a salary sacrifice scheme is a formal process which your company must undertake with the e-car lease team. As a specialist EV contract hire credit broker and fleet management business, you will use our services to lease an EV from one of our preferred finance companies, then enter into a formal agreement with your employees to confirm the sacrifice of the gross salary.

All of this must be clearly documented between all parties, and, for clarity, the lease agreement will be in the company name (not the employee). After receiving confirmation and authority from you, the e-car lease team can work with your employees on the quotations and delivery of their EV.

## Is a salary sacrifice a company car scheme?

No. Salary sacrifice and company car schemes are two distinct ways in which you can offer employee benefits. With a company car scheme, you will typically arrange a contract hire vehicle including all servicing, maintenance, fuel and insurance at no cost to the employee apart from any BiK or fuel benefit charges which may apply.

In contrast, a salary sacrifice will involve a gross salary reduction. This is implemented to enhance benefits for those who do not qualify for your company car scheme or who take a cash allowance and opted out of the company car scheme.

### Employee benefits summary

Cost effective route for an employee to access a brand new electric car

Savings around 30 – 60% on a new EV in comparison to a like-for-like PCH agreement

Congestion and Clean Air Zone savings

## What is the benefit of a salary sacrifice scheme for an employer?

For your company, this represents a considerable employee benefit which can help you gain and retain the best talent at little cost. With social and political movements towards electrification of the UK's automotive fleet, being an employer at the forefront will only increase employee engagement and satisfaction.

A salary sacrifice scheme will generate monthly NIC savings for both the employee and the employer. For those employers who do not have the requisite insurance, the NIC savings which can be used to offset any costs associated with Early Termination.

And in assisting employees to utilise new and safe electric cars, your company can address the duty of care responsibility for your grey fleet drivers while reducing your company's carbon footprint.

## What is the benefit of a salary sacrifice scheme for your employees?

A salary sacrifice scheme is a cost effective route for an employee to access a brand new electric car which they would otherwise buy or lease on a personal basis. The extent of the saving will depend on an employee's individual tax position, but expect savings around 30 – 60% on a new EV in comparison to a like-for-like PCH agreement. It is also worth noting that EVs often allow for **Whole of Life** cost savings as they are generally cheaper to fuel, maintain and operate compared to a combustion vehicle. EVs are also great to drive and deliver a comfortable experience.

With more Congestion Zones and Clean Air Zones being established throughout towns and cities in the UK, there are further savings potentially available when comparing electric v combustion.

The e-car lease scheme does **NOT** allow an employee to purchase the EV at the contract end, as we offer a usership product. Our team cannot provide a Lease Purchase, Hire Purchase or Finance Lease arrangement for salary sacrifice arrangements.

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# Savings examples

**What does an employer and employee save on an electric car salary sacrifice scheme?**

To help you, and your employees, understand the amazing savings under the e-car lease salary sacrifice scheme, we have provided examples of some of our most-popular EVs to lease over the next pages.

[View examples](#)



## Example savings with a salary sacrifice scheme



### Mini Cooper S

135kW Level 1 33kWh 3 door Auto



#### Monthly cost to employer

Rental (inc VAT)	£434.40
VAT recovered on rental	(£36.20)
Maintenance (inc VAT)	£15.60
VAT recovered on maintenance	(£2.60)
Insurance	£78.97

**Employer cost = Gross salary sacrifice £490.17**

The amount deducted from the employee's gross salary, that is pay before tax and NIC is applied

#### Salary Sacrifice

NIC saved on salary sacrifice	NIC paid on company car
<b>£74</b>	<b>£7</b>

Employer saving  
**£67**

**Employer saving of £2,412 over the term**

#### Monthly cost to employee

Gross salary sacrifice	£490.17
Income tax saved on salary sacrifice	(£98.03)
NIC saved on salary sacrifice	(£64.95)
BiK tax paid on company car	£9.48

**Monthly net salary sacrifice £336.67**

The reduction in the employee's take-home pay, that is after tax and NIC have been applied

#### Salary Sacrifice

Monthly gross sacrifice	Monthly net sacrifice
<b>£490</b>	<b>£337</b>
Amount sacrificed from gross salary	Reduction in take-home pay

#### PCH

Monthly cost
<b>£529</b>
Cost to lease the car personally

**Employee saving of £6,912 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 PIID value of £28,445. 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 January 2022.

# Example savings with a salary sacrifice scheme



**Porsche Taycan**  
300kWh 79kWh RWD Auto



## Monthly cost to employer

Rental (inc VAT)	£1,106.40
VAT recovered on rental	(£92.20)
Maintenance (inc VAT)	£33.60
VAT recovered on maintenance	(£5.60)
Insurance	£142.11

**Employer cost = Gross salary sacrifice £1,184.31**

The amount deducted from the employee's gross salary, that is pay before tax and NIC is applied

### Salary Sacrifice

NIC saved on salary sacrifice	NIC paid on company car
<b>£178</b>	<b>£17</b>

Employer saving  
**£161**

**Employer saving of £5,796 over the term**

## Monthly cost to employee

Gross salary sacrifice	£1,184.31
Income tax saved on salary sacrifice	(£532.94)
NIC saved on salary sacrifice	(£38.49)
BiK tax paid on company car	£53.02

**Monthly net salary sacrifice £665.90**

The reduction in the employee's take-home pay, that is after tax and NIC have been applied

### Salary Sacrifice

Monthly gross sacrifice	Monthly net sacrifice
<b>£1,184</b>	<b>£666</b>
Amount sacrificed from gross salary	Reduction in take-home pay

### PCH

Monthly cost
<b>£1,282</b>
Cost to lease the car personally

**Employee saving of £22,176 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 additional rate taxpayer residing in Knutsford, on a car with PIID value of £70,690. 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 January 2022.



# Example savings with a salary sacrifice scheme



## Tesla Model 3

Standard Plus RWD 4 door Auto



### Monthly cost to employer

Rental (inc VAT)	£664.80
VAT recovered on rental	(£55.40)
Maintenance (inc VAT)	£31.20
VAT recovered on maintenance	(£5.20)
Insurance	£142.11

**Employer cost = Gross salary sacrifice £777.51**

The amount deducted from the employee's gross salary, that is pay before tax and NIC is applied

#### Salary Sacrifice

NIC saved on salary sacrifice

**£117**

NIC paid on company car

**£10**

Employer saving

**£107**

**Employer saving of £3,852 over the term**

### Monthly cost to employee

Gross salary sacrifice	£777.51
Income tax saved on salary sacrifice	(£311.00)
NIC saved on salary sacrifice	(£25.27)
BiK tax paid on company car	£27.96

**Monthly net salary sacrifice £469.19**

The reduction in the employee's take-home pay, that is after tax and NIC have been applied

#### Salary Sacrifice

Monthly gross sacrifice

**£778**

Amount sacrificed from gross salary

Monthly net sacrifice

**£469**

Reduction in take-home pay

#### PCH

Monthly cost

**£838**

Cost to lease the car personally

**Employee saving of £13,284 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 PIID 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 January 2022.

# Example savings with a salary sacrifice scheme



**Tesla Model Y**  
Long Range AWD 4 door Auto



## Monthly cost to employer

Rental (inc VAT)	£723.60
VAT recovered on rental	(£60.30)
Maintenance (inc VAT)	£44.40
VAT recovered on maintenance	(£7.40)
Insurance	£142.11

**Employer cost = Gross salary sacrifice    £842.41**

The amount deducted from the employee's gross salary, that is pay before tax and NIC is applied

## Monthly cost to employee

Gross salary sacrifice	£842.41
Income tax saved on salary sacrifice	(£336.96)
NIC saved on salary sacrifice	(£27.38)
BiK tax paid on company car	£36.62
<b>Monthly net salary sacrifice</b>	<b>£514.69</b>

The reduction in the employee's take-home pay, that is after tax and NIC have been applied

### Salary Sacrifice

NIC saved on salary sacrifice	NIC paid on company car
<b>£127</b>	<b>£14</b>

Employer saving  
**£113**

**Employer saving of £4,068 over the term**

### Salary Sacrifice

Monthly gross sacrifice	Monthly net sacrifice
<b>£842</b>	<b>£515</b>
Amount sacrificed from gross salary	Reduction in take-home pay

**Employee saving of £14,220 over the term**

### PCH

Monthly cost  
**£910**  
Cost to lease the car personally

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 £54,935. 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.

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# Example savings with a salary sacrifice scheme



## Volkswagen ID.3

110KW Life Pure Performance 45kWh 5door



### Monthly cost to employer

Rental (inc VAT)	£426.00
VAT recovered on rental	(£35.50)
Maintenance (inc VAT)	£18.00
VAT recovered on maintenance	(£3.00)
Insurance	£65.53

**Employer cost = Gross salary sacrifice £471.03**

The amount deducted from the employee's gross salary, that is pay before tax and NIC is applied

### Salary Sacrifice

NIC saved on salary sacrifice	NIC paid on company car
<b>£71</b>	<b>£8</b>

Employer saving  
**£63**

**Employer saving of £2,268 over the term**

### Monthly cost to employee

Gross salary sacrifice	£471.03
Income tax saved on salary sacrifice	(£94.21)
NIC saved on salary sacrifice	(£62.41)
BiK tax paid on company car	£9.86

**Monthly net salary sacrifice £324.27**

The reduction in the employee's take-home pay, that is after tax and NIC have been applied

### Salary Sacrifice

Monthly gross sacrifice	Monthly net sacrifice
<b>£471</b>	<b>£324</b>
Amount sacrificed from gross salary	Reduction in take-home pay

### PCH

Monthly cost  
**£510**  
Cost to lease the car personally

**Employee saving of £6,696 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 £29,580. 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 January 2022.

## What does the e-car lease salary sacrifice scheme include?

As part of our salary sacrifice scheme, the employee will receive a brand-new EV including the cost of all road fund licence (VED), servicing and maintenance, tyre provisions and roadside assistance. The scheme **does not** include motor insurance, early termination insurance, charge points or an integrated energy solution.

Our e-car lease team can assist by introducing you to a select number of companies who can provide cost effective solutions in conjunction with the e-car lease services, but with regard to insurance where possible we would recommend adding the participants to your existing fleet insurance policy, as these tend to offer more cost effective premiums than schemes offering integrated insurance. And by including motor insurance it offers the opportunity to boost the tax savings for the employee.

### Want to know more about salary sacrifice?

For further help and advice, please contact our expert e-car lease team:

01942 910 001

[enquiries@electriccarlease.co.uk](mailto:enquiries@electriccarlease.co.uk)

[www.electriccarlease.co.uk](http://www.electriccarlease.co.uk)



## How does e-car lease assist you and your employees?

As a credit broker, our e-car lease team have three fundamental responsibilities to both you and your employees including:

Electric Vehicle Education

Contract Hire Quotations

Scheme Setup and Operation

- 1. Electric Vehicle Education** – our expert team are able to provide your business with a comprehensive understanding of vehicle electrification via our industry-leading website. This will include (but is not limited to) range, charging capabilities, charge times, charge point locations as well as key Whole of Life costs relating to charge costs, cost per mile, company car tax and charge point installation;
- 2. Contract Hire Quotations** – e-car lease are a contract hire and leasing broker (not a lender). The prices we send to employees are based on a leasing product which is not suitable if you wish to purchase the EV. As a broker, we work alongside a select number of finance companies who will offer a competitive deal on a new EV. All our quotes are based on a “no initial rental” (or no deposit) basis and will include all servicing, maintenance and tyres (known as a “funder-maintained” contract). As part of the process our team will identify the respective costs to both the employer and employee, so your HR / Payroll team have the requisite information; and
- 3. Scheme Setup and Operation** – e-car lease works alongside BCF Wessex, an industry-leading consultancy for company cars and salary sacrifice. The team at BCF Wessex work with us to support your business to set-up a compliant scheme and support our preparation of salary sacrifice quotations and legal and tax compliant salary sacrifice agreements.