

Salary sacrifice

Employee Guide

Give-up part of your salary in return for a new tax efficient pure electric car which your employer leases for you.

e&car



Employee Guide

Introduction

To help employees understand the key benefits of the e-car lease salary sacrifice scheme we are happy to provide the information you need for making the most out of your electric journey. Please feel free to share this guide with your colleagues.

Before speaking to our e-car lease team about a dedicated quotation for your new EV, we do ask that you speak to your employer first. In order to proceed with a salary sacrifice arrangement, you do need permission from the company. We have a dedicated employer guide which you can send to your employer / management team for review.

As part of providing an accurate quotation, our e-car lease team will need information relating to your tax position and the EV(s) you are looking to procure.

What is a salary sacrifice?

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

To be clear, you sacrifice gross salary, that is salary before Income Tax and National Insurance Contributions ("NIC"). 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 you and the employer.

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 you 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 employer must undertake with the e-car lease team. As a specialist EV contract hire credit broker and fleet management business, your employer will use our services to lease an EV from one of our preferred finance companies, then enter into a formal agreement with you 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 not be in your name. After receiving confirmation and authority from your employer, the e-car lease team can work with you on the quotations.

Is a salary sacrifice a company car scheme?

No. Salary sacrifice and company car schemes are two distinct ways in which your employer can offer benefits. With a company car scheme, your employer will typically arrange a contract hire vehicle including all servicing, maintenance, fuel and insurance at no cost to you 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 the company car scheme or who take a cash allowance and opted out of the company car scheme.

Savings examples

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

To help you, and your employer, understand the amazing savings under the e-car lease salary sacrifice, 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

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

NIC saved on salary sacrifice	NIC paid on company car
£74	£7

Employer saving
£67

Employer saving of £2,412 over the term

Salary Sacrifice

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

PCH

Monthly cost
£529
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.

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
£178	£17

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
£1,184	£666
Amount sacrificed from gross salary	Reduction in take-home pay

PCH

Monthly cost
£1,282
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.

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	NIC paid on company car
£117	£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	Monthly net sacrifice
£778	£469
Amount sacrificed from gross salary	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 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.

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

Salary Sacrifice

NIC saved on salary sacrifice	NIC paid on company car
£127	£14

Employer saving
£113

Employer saving of £4,068 over the term

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

Monthly net salary sacrifice £514.69

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
£842	£515
Amount sacrificed from gross salary	Reduction in take-home pay

PCH

Monthly cost
£910
Cost to lease the car personally

Employee saving of £14,220 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 £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.

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
£71	£8

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
£471	£324
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 PIID 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.

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.

Is salary sacrifice on an electric car really worth it?

If you would otherwise lease an EV personally, a salary sacrifice scheme can offer considerable savings. The extent of the saving will depend on your individual tax position, but you can expect to save 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 you 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.

Want to know more about salary sacrifice?

For further help and advice, please contact our expert e-car lease team or ask your employer to do so on your behalf.

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How does e-car lease assist you and your employer?

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

Electric Vehicle Education

Contract Hire Quotations

Scheme Setup and Operation

- 1. Electric Vehicle Education** – our expert team are able to provide you 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 you 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 you and the employer so that the 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 employer to set-up a compliant scheme and support our preparation of salary sacrifice quotations and legal and tax compliant salary sacrifice agreements.