



# Salary Sacrifice

Salary Sacrifice is an attractive and motivating employee benefit, that will save both your drivers and your business money.

## What is it?

**Salary Sacrifice is an attractive method of providing employees with a low-cost motivational benefit at no-cost to the employer.**

The employee forgoes the cost of vehicle provision from their gross pre-tax salary and as a result pays less tax and National Insurance. Employers also make savings on National Insurance contributions and corporation tax.

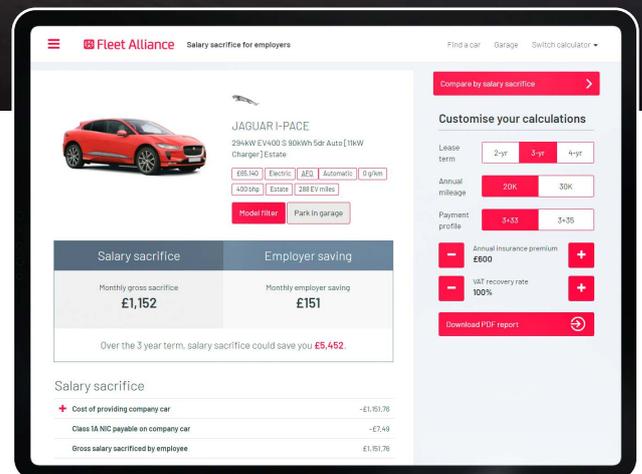
Employees get access to a brand new vehicle at preferential rates unavailable to them through a private arrangement. A single, fixed monthly payment covers all motoring cost such as servicing and maintenance, road tax and insurance.

For employers who operate a grey fleet, Salary Sacrifice is an ideal way to reduce Duty of Care risk and improve Corporate Social Responsibility by ensuring grey fleet drivers are operating safe, reliable and environmentally efficient vehicles.

## Why Fleet Alliance?

We work closely with employers on modelling, structure, and policy, delivering salary sacrifice solutions that are robust and operationally fit-for-purpose while delivering value to both employee and employer alike.

We also provide exclusive access to our easy to use online calculators. Our tools have been designed to highlight the potential savings for both employees and employers.



Easy to use online salary sacrifice calculator

Employees are able to see the potential tax and National Insurance savings of a salary sacrifice car compared to the net cost versus a comparable Personal Contract Hire deal.

## Key Benefits

### Employer

- No-cost employee benefit
- Increased employee engagement and retention
- National Insurance Contribution and Corporation Tax savings
- Fully maintained and insured vehicles with all in-life services managed and no daily involvement needed from the employer.
- Fully HMRC and VAT compliant
- Reduced fuel costs by encouraging grey fleet drivers into new efficient vehicles
- Complements existing employee benefits
- Encourage the uptake of low CO2 and electric vehicles thereby addressing aspects of your Corporate Social Responsibility

## Employee

- Access to a brand new car, at low monthly Contract Hire rates
- Tax and National Insurance savings
- No initial upfront costs
- Flexible mileage and terms
- Fixed cost motoring: servicing, maintenance, road tax and insurance is all included.
- A cost-effective way to drive an electric vehicle

## Potential risks

Despite the many benefits, there are some inherent risks with Salary Sacrifice associated with redundancy, voluntary leavers, terminal illness, etc.

For example, in the case of parental leave, where an employer pays the statutory minimum, employers are required to offer the same benefits, despite not being able to make the same level of deductions from the employee.

We would recommend that employers make a monthly accrual or add a premium to the monthly vehicle cost to offset any Early Termination charges or other costs relating to parental leave or redundancy, etc.

The policy can also be set up to include an early termination fee to be paid by the exiting employee.

Consideration should also be given to employees nearing retirement to ensure deductions do not adversely affect pension contributions or provisions based on their salary when they retire.

## Salary Sacrifice vs. Electric Company Car

Ultra-low emission vehicles (ULEV) emitting up to 75g/are particularly well suited to salary sacrifice as they are exempt from recent changes that saw salary sacrifice schemes subject to the same tax treatment as cash income.

Employees pays 0% Benefit in-Kind tax on zero-emission vehicles in tax year 2020/21 increasing by 1% per year until 2022/23

Tax Year	Benefit in Kind
2020/21	0%
2021/22	1%
2022/23	2%
2023/24	2%
2024/25	2%

In addition, zero-emission vehicles with a list price less than £50,000 are also be eligible for the Government's plug-in car grant.



The following page shows the impact of salary sacrifice on employees and employers based on an analysis of two electric vehicles.

## Is Salary Sacrifice right for you?

An ever-increasing number of fleets have decided to opt for salary sacrifice schemes as a direct replacement to the more traditional company car.

However, salary sacrifice is not designed to be a direct replacement for the company car scheme. Our insight and analysis would point to the fact that these schemes actually work better when running alongside one another.

We have the expertise to help our clients and fleet managers to fully appraise their fleet make-up; looking at eligible employees, staff turnover, and a range of other key factors.

In reality, salary sacrifice schemes do not always mean additional benefits for businesses or their drivers, and may not provide better cost benefits, in comparison to a company car scheme.

Fleet Alliance offer a free of charge company audit prior to any final recommendations as to which route a driver should take. Our cost-benefit analysis tool offers an unbiased recommendation as to whether the driver/company should opt for a salary sacrifice or a traditional company car.



## Want to find out more?

Speak to us about Salary Sacrifice and receive simple, unbiased advice on whether Salary Sacrifice can work for you and your employees.

[info@fleetalliance.co.uk](mailto:info@fleetalliance.co.uk)

0345 601 8407

[fleetalliance.co.uk/salary-sacrifice](https://fleetalliance.co.uk/salary-sacrifice)

## Impact of salary sacrifice on employees and employers



### Kia e-Niro 150kW 4+ 64kWh 5dr Auto Estate

Lease term: 3 years  
Annual Mileage: 20,000  
Payment profile: 3+33

#### Employee

Monthly gross sacrifice	£636.82	Monthly net sacrifice	£382.29
Rental	£564.12	Gross sacrifice	£636.82
VAT Recovery	-£47.01	Income tax saved	-£254.73
Tax on lease rental restriction	£0.00	NIC saved	-£12.74
Maintenance	£83.65	BiK tax	£13.03
VAT recovery	-£13.94		
Insurance	£50.00		

<b>Reduction in employee take home pay</b>	<b>£382</b>
<b>Monthly cost to lease car personally</b>	<b>£698</b>
<b>Employee saving over 3 year term</b>	<b>£11,354</b>

#### Employer

<b>Cost of providing company car</b>	<b>-£636.82</b>
Rental	-£564.12
VAT recovery	£47.01
Tax on lease rental restriction	£0.00
Maintenance	-£83.65
VAT recovery	-£13.94
Insurance	-£50.00
<b>Class 1A NIC payable of company car</b>	<b>-4.50</b>
<b>Gross salary sacrificed by employee</b>	<b>£636.82</b>
<b>Class 1 NIC saved on salary sacrifice</b>	<b>£87.88</b>
<b>Monthly employer saving</b>	<b>£83.39</b>

<b>Employer saving over 3 year term</b>	<b>£3,002</b>
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### Tesla Model 3 Long Range AWD 4dr Auto Saloon

Lease term: 3 years  
Annual Mileage: 20,000  
Payment profile: 3+33

#### Employee

Monthly gross sacrifice	£820.47	Monthly net sacrifice	£492.53
Rental	£749.82	Gross sacrifice	£820.47
VAT Recovery	-£62.49	Income tax saved	-£328.19
Tax on lease rental restriction	£0.00	NIC saved	-£16.41
Maintenance	£99.76	BiK tax	£16.66
VAT recovery	-£16.63		
Insurance	£50.00		

<b>Reduction in employee take home pay</b>	<b>£493</b>
<b>Monthly cost to lease car personally</b>	<b>£900</b>
<b>Employee saving over 3 year term</b>	<b>£14,654</b>

#### Employer

<b>Cost of providing company car</b>	<b>-£820.47</b>
Rental	-£749.82
VAT recovery	£62.49
Tax on lease rental restriction	£0.00
Maintenance	-£99.76
VAT recovery	-£16.63
Insurance	-£50.00
<b>Class 1A NIC payable of company car</b>	<b>-5.75</b>
<b>Gross salary sacrificed by employee</b>	<b>£820.47</b>
<b>Class 1 NIC saved on salary sacrifice</b>	<b>£113.22</b>
<b>Monthly employer saving</b>	<b>£107.48</b>

<b>Employer saving over 3 year term</b>	<b>£3,869</b>
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VAT recovery rate: 100%, Annual insurance premium: £600, Income tax band: 40%. This comparison is based upon UK and Scottish legislation and announcements made up to 22 July 2020, the date of Royal Assent of Finance Act 2020. Information presented above is for illustrative purposes only and does not constitute a quotation and is not intended to constitute advice.