



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 their employer.

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

The employer leases a tax efficient zero emission electric car, which it provides to the employee as a company car in return for the salary sacrifice. As the cost of the car is deducted from the employee's gross salary, income tax and National Insurance Contributions ("NIC") are based on the lower, revised salary, thus reducing the income tax and NIC the employee pays each month.

As sizeable VAT savings may also be available, the employee can access green, zero emission cars at a fraction of their normal cost, and employers also benefit from potentially significant monthly NIC savings.

And for employers 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 an ideal way to reduce Duty of Care risk and reduce the company's carbon footprint.

Why Fleet Alliance?

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 exclusive access to our easy to use online calculator that helps demonstrate the potentially significant savings available to employees and employers.

Sample quotes for two of the most popular electric vehicles is presented at the end of this document.

Employee benefits

- Cost effective access to a brand new electric car
- Income tax, NIC and VAT savings available
- No upfront costs or credit check required
- Flexible mileage and terms
- Maintenance and breakdown cover included
- Fully comprehensive, fixed-term, car insurance provided for up to 3 drivers

Employer benefits

- Provides an attractive employee benefit without increasing costs
- Generates monthly NIC savings
- Reduces fuel costs by encouraging grey fleet drivers into more cost effective electric cars
- Reliable and fully maintained cars helps address duty of care responsibility to grey fleet drivers
- Helps reduce fleet 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 ordinarily restricts the tax and NIC savings available via salary sacrifice. Therefore, salary sacrifice can be particularly effective if an employee chooses a fully electric car as the BIK tax rate for these cars is just 1% in 2021/22 and is capped at only 2% until the end of the 2024/25 tax year.

Tax Year	2021/22	2022/23 - 2024/25
Benefit in Kind	1%	2%

What are the risks?

Despite the many benefits, there may be some unforeseen costs when employees leave employment or take long-term leave. However, employers can utilise some of their regular NIC savings, or if necessary add a small premium to the employee’s monthly salary sacrifice, to offset these costs.

Is salary sacrifice right for you?

Except in very limited circumstances, salary sacrifice is not intended to be a direct replacement for the company car scheme. But, for employers wishing to enhance the benefits offered to all staff, or attract employees who’ve opted for a cash allowance back to the company car to tackle the duty of care risks inherent in their grey fleet, salary sacrifice is an attractive solution that complements an existing company car scheme.

We have the expertise to help employers fully appraise their fleet; looking at eligible employees, staff turnover, and other key factors. We offer a free consultation, using our market-leading cost-benefit analysis software, to provide an unbiased recommendation regarding the decision an employee or employer should make.

Want to find out more?

Speak to us about salary sacrifice and receive simple, unbiased advice and help on setting up a scheme where it’s shown to be effective.

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Examples of the savings available with salary sacrifice



Volkswagen ID.3
107KW Life Pro 62kWh 5door

Gross salary sacrifice*	£523.28
Income tax saved on salary sacrificed	(£104.65)
NIC saved on salary sacrificed	(£62.79)
BIK tax paid on company car	£8.97
Monthly net salary sacrifice**	£364.81

* The amount deducted from the employee's gross salary (pay before tax and NIC is applied) ** The reduction in the employee's take-home pay (pay after tax and NIC have been applied)

Employee savings

Salary sacrifice		PCH
Monthly gross sacrifice	Monthly net sacrifice	Monthly cost
£523	£365	£566
Amount deducted from the employee's gross salary	Reduction in the employee's take-home pay	Cost to lease the car personally

Employee saving of **£7,236** over the term

Employer savings

Salary sacrifice		
NIC saved on salary sacrifice	NIC paid on company car	Employer saving
£72	£6	£66

Employer saving of **£2,376** over the term

Based on a 3 year, 1/0/35, 10,000 miles per annum maintained contract for a 40 year old UK basic rate taxpayer residing in Chelmsford, starting on 6 April 2021, on a car with PIID value of £32,276. 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.



Tesla Model 3
Long Range AWD 4 door

Gross salary sacrifice*	£899.74
Income tax saved on salary sacrificed	(£359.90)
NIC saved on salary sacrificed	(£17.99)
BIK tax paid on company car	£28.40
Monthly net salary sacrifice**	£550.25

* The amount deducted from the employee's gross salary (pay before tax and NIC is applied) ** The reduction in the employee's take-home pay (pay after tax and NIC have been applied)

Employee savings

Salary sacrifice		PCH
Monthly gross sacrifice	Monthly net sacrifice	Monthly cost
£900	£550	£973
Amount deducted from the employee's gross salary	Reduction in the employee's take-home pay	Cost to lease the car personally

Employee saving of **£15,228** over the term

Employer savings

Salary sacrifice		
NIC saved on salary sacrifice	NIC paid on company car	Employer saving
£124	£10	£114

Employer saving of **£4,104** over the term

Based on a 3 year, 1/0/35, 10,000 miles per annum maintained contract for a 40 year old UK higher rate taxpayer residing in Chelmsford, starting on 6 April 2021 on a car with PIID value of £51,122. 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.