

Everything you need
to know about
Salary Sacrifice

Tomorrow. Together

What is Salary Sacrifice?

Put simply, a Salary Sacrifice scheme enables you to exchange part of your pre-tax salary in exchange for a brand new car.

The 'sacrifice' is achieved by varying your terms and conditions of employment in relation to pay. It's worth noting that Salary Sacrifice actually relates to employment law rather than tax law.

This is because when you agree to a Salary Sacrifice in return for a non-cash benefit, you give up your contractual right to the cash remuneration until the vehicle is returned.

What does Salary Sacrifice scheme mean for me?

Our scheme enables you to sacrifice a small portion of your salary and receive a new zero or low emission vehicle of your choice, which is fully maintained and insured by us.

You will pay for the vehicle through a GROSS (before tax & NI) Salary Sacrifice each month (where applicable) which in turn reduces your PAYE tax and National Insurance contributions. However, you may still be liable for Benefit-In-Kind taxation.

What is Benefit in Kind (BIK)?

HMRC determine that organisations can make 'in kind' payments to employees which are not taxed at source but are considered a payment for tax purposes. Company cars are a prime example of this.

A vehicle taken through the Salary Sacrifice Scheme is considered a company vehicle for tax purposes, even though you are paying for it. It therefore attracts a percentage of tax determined by the P11D price of the vehicle. This tax charge, which is based on the low CO₂ emissions of vehicles included in the scheme, is extremely favourable in comparison to higher emission cars.

How does it work?



GROSS monthly cost
£424

You agree to exchange part of your salary for a brand new car



Tax & NI reduction
-£178

Your Income Tax and National insurance contributions are therefore reduced*



Benefit in Kind
£11

In return you pay Benefit in Kind tax (Company Car Tax)



NET monthly rental
£257

Picking the right car will deliver savings as the NET cost to you is less than the Gross amount sacrificed

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Do I qualify for the Salary Sacrifice scheme?

All employees are eligible to enter into the scheme provided they satisfy the following criteria in regard to their contract and salary:

- ✓ Employees must be in a substantive post with a regular pattern of work and remain so over the period of the contract
- ✓ Employees must not sacrifice their taxable pay to a rate below the prescribed National Living Wage. Therefore, once joining the scheme, the new rate of taxable pay must equate to more than the hourly legal living wage.

Is this scheme only for employees who undertake business mileage?

Whether or not you do any business miles as part of your job, you can still apply for a salary sacrifice car, which can be provided for you and/or your family.

Are part-time employees eligible for the Salary Sacrifice scheme?

Yes they are. In fact, the scheme is open to all employees of the company.

I've already got a car, so what options have I got?

There are several choices you can make:

1. Keep the vehicle and opt for a second car via the Salary Sacrifice scheme
2. Sell the vehicle privately yourself and enter the scheme
3. Enter the scheme when your existing vehicle is due for replacement



Is it just a vehicle or is anything else included?

Our Salary Sacrifice scheme is an all-inclusive motoring package, which includes:

- ✓ Finance of the vehicle itself
- ✓ Maintenance of the vehicle, including all servicing requirements, batteries, and exhausts, under normal wear and tear conditions. Some exclusions do apply and these include glass (other than light bulbs) and driver damage
- ✓ Tyre maintenance
- ✓ Fully comprehensive insurance, including business travel, a partner/spouse at the same address. Additional drivers allow on request.
- ✓ Annual Road Fund Licence This will be organised and sent to you at each renewal period
- ✓ UK roadside assistance

What savings can I expect to see compared to leasing a car privately?

Cost savings are driven by our scheme's tax efficiency and our partnership with vehicle manufacturers, which is used to obtain discounts rarely available elsewhere. Savings vary from vehicle to vehicle but can be as high as 42% compared to dealerships. When comparing the scheme costs versus a private vehicle, be sure to remember that the scheme includes the cost of:

- ✓ The vehicle itself
- ✓ Full service and maintenance package
- ✓ Fully comprehensive insurance
- ✓ UK & European breakdown cover
- ✓ Windscreen and tyre management

There are also no additional fees or hidden costs, such as an upfront deposit of 3 monthly payments or more.

Which vehicles attract the best savings?

Due to current Benefit In Kind (BIK) legislation, the most cost-effective vehicles on the scheme are those that have a CO₂ rating of less than 50g/km. You can also take advantage of certain manufacturer incentives as shown in the offers section of our Salary Sacrifice portal.

Do I have to provide proof of my no claims bonus for the motor insurance policy?

No. The policy is NET rated, which means that everybody who meets our criteria is given the discount equivalent to maximum bonus. If you already have maximum bonus, then you can keep it to use on another car. When you come to the end of your selected term, we will be happy to confirm your no claims bonus for the period you have been with us. You are then free to add that to your existing bonus or keep it separate to use on another car.

Are additional drivers covered if they have a provisional licence?

Provisional drivers can still access the scheme, although they will need to be referred directly to the insurance company for a quotation. We currently do not accept provisional additional drivers on the scheme.

What do the financial terms actually mean?

Finance Rental - This is a term for the finance cost of the vehicle split down into monthly rental amounts.

Service Rental - This is the maintenance cost, which accounts for vehicle servicing, road fund tax, breakdown, and insurance.

Gross Sacrifice - The figure that is deducted from your pay before tax.

Net Cost - This is probably the most important figure as this is the difference you will see in your take home pay.

What happens when my vehicle needs servicing or maintenance?

You can simply call our driver helpline to book your vehicle's service, or use our online booking portal. And remember, the cost of routine servicing and maintenance is all included in your monthly payments.

Who's responsibility is it to ensure that servicing takes place regularly?

You are personally responsible for making sure that the manufacturer's recommended servicing schedule is adhered to. It is likely that for vehicle warranty cover to remain valid, and to avoid incurring any additional charges, servicing of the vehicle must not be exceeded by more than 1,000 miles or 14 days.



What happens if I leave the company?

If you decide to leave the company, you will be charged a termination fee for ending the vehicle contract early. Please refer to your policy for termination cost guidance.

What happens if I experience a lifestyle change and can no longer afford the monthly lease (such as maternity or parental leave, unpaid leave, or long term sickness)?

By signing the Salary Sacrifice agreement, you are liable for the lease payments for the full length of your contract. In the event you are not able to continue making payments then you must agree a payment plan with your employer. Alternatively, you can pay an early termination fee and return the vehicle. The action required will depend on the circumstances relating to why a payment has not been made.

Do I need to report my vehicle to the HMRC for tax purposes?

Yes. Following the delivery of your new vehicle, it is your personal responsibility to notify the tax office (HMRC) that you now have the vehicle. When you contact the tax office you will need to quote:

- ✓ Your company's PAYE Ref number
- ✓ Your National Insurance number
- ✓ Vehicle details
- ✓ P11D (list price)
- ✓ CO₂
- ✓ Date registered
- ✓ Engine CC

Our Customer Experience team will email you on the day after the vehicle is delivered to remind you of the above and to provide all the supporting information required.



How do HMRC's view Salary Sacrifice?

Because you are free to agree a change in your remuneration with your employer, HMRC view this arrangement as matter of employment law rather than a tax issue.

Entering into this arrangement is in essence the same as agreeing to giving up some of your salary. To fall within the tax break, HMRC will want to establish that a change in salary is "permanent" and that you cannot change your mind and revert to the original salary. In addition, you must also agree to sacrifice your salary before you take delivery of your car.

Salary Sacrifice operates as a company vehicle scheme and so you will be liable for Benefit in Kind Tax (BIK). However, choosing lower CO₂ vehicles will normally outweigh this and make the tax savings under the scheme particularly beneficial. Our online system will help you identify vehicles with the biggest tax savings.

