

Vehicle Salary Sacrifice Schemes

What are Vehicle Salary Sacrifice Schemes and how can they benefit my organisation?

Employees drive away in a brand new, low cost car. It is cost neutral for the employer and the service provider will manage all of the administration. Salary sacrifice schemes can be set up to support an organisation's green agenda and help cut organisational costs.

Employer:

- A salary sacrifice scheme produces savings for employers through reduced NI contributions and corporation tax. Although the employer still has to pay NI contributions on the provision of the car, this will normally be much less than the employer NI contributions that would have been due on the portion of salary sacrificed.
- Schemes can be set up to be low-cost, cost-neutral or cost-beneficial to the employer
- They are a hassle-free benefit that are proven to boost employee satisfaction and loyalty.
- All employees are eligible, so long as the payments don't take the employees' salary below the minimum wage.



Employee:

The result is a brand new car of their choice, all for a single deduction from their salary taken before tax and NI. In fact, all your employees need to do is add fuel.

- Employees give up part of their gross salary and get a brand new car. Insurance, maintenance, servicing, tyres, breakdown and glass cover is all included.
- As the car is a benefit for your employees, they'll have to pay Benefit-in-Kind (BIK) tax. There are no deposits or credit checks.
- Low-emission cars are popular in salary sacrifice schemes because of the associated lower BIK charges
- Employers can put buffers in place to protect themselves from early termination fees and long-term absence of scheme members.



Battery electric cars have lower tax with BIK-rated at 16% for FY 2019/20, reducing to 0% during 2020/21, and then increasing to 1% and 2% for years 2021/22 and 2022/23 respectively.

From April 2020, new BIK bands come into force for plug-in models with CO2 emissions of 1-50 g/km, with the new BIK levels dependent on the official electric-only range in miles. Those with a range in excess of 130 miles are classed as pure-electric models for the purposes of BIK ratings (at 0%), while those plug-in models with a range of less than 30 miles will be rated at 14%.

Find more information on the RM6096 agreement, including appointed suppliers, using this [link](#)

