



# harmoto

## 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 Harmoto?

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.

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## 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 with minimal administration without increasing costs.
- Generates monthly NIC savings. Choose to keep these or pass them back into your scheme.
- 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 including car allowances.
- Increases employee engagement helping attract and retain the best talent.

## 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 2% until the end of the 2024/25 tax year.

## What happens if an employee leaves?

With our tailored scheme, Employers can choose to add optional Early Termination Insurance to their scheme.

## 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 colleagues, 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.

[salariesacrifice@harmoto.co.uk](mailto:salariesacrifice@harmoto.co.uk) | 01298 383030

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## Example savings available with salary sacrifice



**MG4**  
125kW SE EV 51kWh 5dr Auto

Monthly gross salary sacrifice*	£520
Income tax saving	(£104)
NIC* saving	(£62)
BIK tax	£9
<b>Monthly net salary sacrifice</b>	<b>£363</b>
<b>Monthly tax saving*</b>	<b>£157</b>

\* NIC: National Insurance Contributions. "Monthly gross salary sacrifice" refers to the amount deducted from the employee's gross salary (pay before tax and NIC is applied). "Monthly tax saving" refers to the reduction in the employee's take home pay (pay after tax and NIC have been applied).



**Volvo XC40**  
175kW Recharge Core 69kWh 5dr Auto

Monthly gross salary sacrifice*	£743
Income tax saving	(£297)
NIC* saving	(£15)
BIK tax	£31
<b>Monthly net salary sacrifice</b>	<b>£462</b>
<b>Monthly tax saving*</b>	<b>£281</b>

\* NIC: National Insurance Contributions. "Monthly gross salary sacrifice" refers to the amount deducted from the employee's gross salary (pay before tax and NIC is applied). "Monthly tax saving" refers to the reduction in the employee's take home pay (pay after tax and NIC have been applied).

### Employee savings

Monthly gross sacrifice	Monthly net sacrifice
<b>£520</b>	<b>£363</b>
Amount deducted from gross salary	Reduction in take home pay

**Employee saving of £7,536 over the term**

### Employee savings

Monthly gross sacrifice	Monthly net sacrifice
<b>£743</b>	<b>£462</b>
Amount deducted from gross salary	Reduction in take home pay

**Employee saving of £13,488 over the term**

### Employer savings

NIC saved on salary sacrifice	NIC paid on company car	Employer saving
<b>£71</b>	<b>£9</b>	<b>£62</b>

**Employer saving of £2,976 over the term**

### Employer savings

NIC saved on salary sacrifice	NIC paid on company car	Employer saving
<b>£99</b>	<b>£13</b>	<b>£86</b>

**Employer saving of £4,128 over the term**

Based on a car with P11D value of £36,190. 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.

Based on a car with P11D value of £46,450. 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.

The quotes featured above are the lease cost of the car after a higher rate (40%) income tax and National Insurance saving (minus the Benefit in Kind tax payable). Quotes are for illustrative purposes only and are based on a 40 year old higher rate taxpayer living in Chelmsford driving 5,000 miles per annum over 4 years. Excess mileage charges will apply if mileage is exceeded and customers will also be expected to comply with the BVRLA's Fair Wear & Tear Guide, or additional fees may also be applied. Vehicle images for illustration purposes only. Specifications may vary from the illustrative images shown. Harmoto Vehicle Leasing Limited trading as Harmoto. Registered in England, company registration number 13867227. Registered office and trading address: Unit 20 Tongue Lane Industrial Estate, Buxton, Derbyshire, England, SK17 7LF. VAT number 416129710. Authorised and regulated by the Financial Conduct Authority. Firm reference number 1013025. Data Protection registration number ZB95574. Harmoto Vehicle Leasing Limited is a credit broker and not a lender. **We will receive commission for introducing you to a funder. Please see our [Terms of Business](#) for full details.**