

Frequently Asked Questions

Is this the same as other salary sacrifice arrangements?

In principle, yes. The employee agrees to give up part of their taxable pay in return for something else, in this case the use of a company car. The one main difference is that, with most salary sacrifice schemes, the "something else" is usually non taxable so that the employee saves tax and NI on the salary element used to get this tax-free benefit. However, a company car is always taxable so in this case, taxable pay is replaced with a taxable benefit.

Who else uses a scheme like this?

Tusker are the leading provider of salary sacrifice car schemes in the UK and have over 107 schemes in place across both public and private sectors. These customers include: Aston University, North Yorkshire County Council, National Grid, The Royal Wolverhampton NHS Trust, Newcastle upon Tyne Hospitals NHS Foundation Trust, Southend-on-Sea Borough Council, Northumbrian Water, Warrington and Halton Hospitals NHS Foundation Trust, Cornwall Partnership NHS Foundation Trust, Subsea7, Redcar and Cleveland Borough Council, Salisbury NHS Trust and Queen Elizabeth Hospital King's Lynn NHS Foundation Trust.

Is this like an "employee car ownership scheme" where the employee owns the car to avoid tax charges?

No. These arrangements involve the provision of company cars which are reported on P11Ds as such and the employee pays tax on the benefit value. At no point does the employee own the car. Salary sacrifice car schemes are tax efficient and not tax avoiding. All schemes are approved by HMRC.

What extra work is involved for the employer?

There are some minimal admin requirements mostly around approving car orders, making payroll adjustments and P11D reporting, Tusker will set up the scheme and communicate the benefits of the scheme to your staff. Car order approval can be electronic and each month, Tusker can provide a payroll report to you to ensure the correct reductions are made.

Do we have to get approval from HMRC?

No, but it is recommended. Company cars are high value benefits in kind and so any mistakes on the tax side could be significant. Tusker will work with you to ensure you have all the necessary information to send to the HMRC for them to approve the scheme.

What is the HMRC's view on Salary Sacrifice Car Schemes?

HMRC view this arrangement as employment law rather than a tax law matter, as an employee is free to agree a change in their remuneration with their employer. Entering into this arrangement is in essence the same as agreeing to a reduction in their salary. To fall within the tax break HMRC will want to establish that a change in salary is "permanent" meaning that any change must be for a minimum 12 month period. In addition an employee must also agree to sacrifice salary before they take delivery of a car. They will be liable for Benefit In Kind Tax (BIK) as the car is being provided as a benefit in kind, however choosing lower CO2 vehicles will outweigh this tax and make the income tax and National insurance savings under the scheme particularly beneficial.

When reviewing the vehicles available to you through our online system employees can easily identify the vehicles with the most effective tax savings and lowest BIK.

Who else uses the scheme?

Tusker are award winning market leaders in providing salary sacrifice car schemes. We have over 100 schemes in operation across both public and private sector including: North Yorkshire County Council, Hartlepool Borough Council, Aston University, Queen Elizabeth Hospital Kings Lynn NHS Trust, Caerphilly Council, Gloucestershire Primary Care Trust, Cornwall Partnership NHS Foundation Trust, Northampton General Hospital NHS Trust, National Grid, Airbus, Northumbrian Water.

Why are there tax and National Insurance savings for the employee?

Because you are sacrificing gross salary you can save between 32% and 62% in Income Tax and National Insurance (dependent on your tax rate and whether you are contracted out of the State Earnings Related Pension Scheme [SERPS]).

What is Benefit in Kind Tax (BIK) tax and how is it paid?

Benefit in Kind Tax is payable on a company car if it is available for private use by an employee. The tax charge is lower for cars with lower CO2 emissions such as the wide range of cars on the salary sacrifice car scheme. The Benefit in Kind tax is deducted from salary by payroll or a change in your tax code.

Is there a maximum level of salary an employee can sacrifice?

Yes, an employee can't sacrifice an amount which would result in their salary being lower than the National Minimum Wage and the following state benefits also need to be considered:

- any pension scheme being contributed to (in particular this may be important if nearing retirement and a final salary pension scheme)
- entitlement to contribution based benefits like a State Pension

- entitlement to earnings related benefits like Maternity Allowance
- entitlement to work related payments like Statutory Sick Pay

Who is the vehicle leasing contract between?

The Salary Sacrifice scheme agreement is between the Employer and the Employee and the vehicle contract is between the Employer and Tusker, the leasing company.

What are the options at the end of the agreement?

An agreement is typically between 24 and 36 months long and Tusker will contact the employee 6 months before the vehicle is due to be returned and will discuss the available options. Employees can choose to return the vehicle to Tusker and take another car on the scheme or if they wished, they can choose to purchase the vehicle and Tusker will be able to provide a purchase price two months before the end of the agreement. Alternatively they can hand the car back and not take another car on the scheme.

What happens if an employee leaves or is made redundant?

As part of the scheme, Tusker includes an Early Termination Protection (ETP) which gives an employer protection against certain unexpected lifestyle events which would result in an employee having to end a salary sacrifice car agreement early such as resignation or redundancy. Once an employee has had a vehicle on the salary sacrifice car scheme for over the exclusion period (usually the first 6 months), the ETP will help to protect an Employer and pay for any termination charges (up to an agreed limit).

How can we limit the level of CO2 emissions on a scheme?

Tusker are committed to helping customers promote carbon considerate cars and are themselves a carbon neutral company in accordance with PAS 2060. As part of the implementation process, Tusker will work with you to decide on any CO2 limits you would like to place on the scheme. This will then be set up on the system so that your employees only access the vehicles within the CO2 bands you have specified.

Tusker are also able to offer the ability for employees to offset their tailpipe emissions to a choice of verified carbon standard projects for any car taken on the scheme which is a completely unique feature to Tusker.

What does it cost to run the scheme?

There is usually no financial cost to running or implementing a scheme. There will be a small amount of administration needed from an employer to approve orders and deliveries and also reconcile payroll reporting, all of which will be covered at implementation stage.

What savings does the employer make?

Although the employers National Insurance Contributions (NIC) is still payable on the provision of a car to the employee, this is typically substantially less than the employer NIC that would have been paid on the salary being sacrificed, resulting in a financial saving of several hundred pounds over the term of a vehicle contract for the employer. Pension savings may also be available for both employer and employee dependent upon the Pension Fund rules.

Can I ring fence the savings made in the scheme for sustainable travel projects

It is up to each institution to decide how they account for their savings, however we encourage all institutions to ring fence the savings made in the scheme to create a fund to invest into sustainable travel projects. The EAUC can provide further help and guidance on this if required.