

# Salary Sacrifice Electric Car Scheme - How It Works for Employees & HR

## What is salary sacrifice, and how does it work?



- You agree to a lower salary
- Your employer provides a benefit instead
- Both sides save on tax and National Insurance

### What is salary sacrifice for electric cars, and how does it work?

Salary sacrifice for electric cars is a government-approved scheme where employees give up part of their gross salary in exchange for driving a new EV.

Because the cost comes out before tax and National Insurance, employees save money every month. Employers also reduce their National Insurance bill.

For HR, this is a benefit that boosts recruitment, retention, and sustainability — all at once.

## **How an electric car salary sacrifice scheme works**

The process is simple:

- The employee chooses an electric car from the scheme.
- The cost is taken from their gross pay.
- Lower pay means less income tax and National Insurance.
- Employers save on National Insurance contributions too.

The arrangement must be agreed before payroll runs, making it straightforward to manage.

## **Why salary sacrifice is cost-effective for electric cars**

Electric cars are the best option under salary sacrifice because of their low Benefit-in-Kind (BiK) tax rate.

- BiK for EVs is just 2% until April 2025.
- Petrol and diesel cars often carry BiK rates between 25%-37%.

Example:

- A £40,000 electric car could cost £600-£700 a month on a personal lease.
- Through salary sacrifice, the same EV may cost £350-£450, depending on the employee's tax band.

This is why electric car salary sacrifice is quickly becoming one of the most popular employee benefits in the UK.

## **Electric car company car tax benefits**

EVs attract far lower company car tax than petrol or diesel models. Employees pay tax on the value of the car, but the 2% BiK rate makes it extremely affordable.

This creates a double advantage:

- Employees enjoy access to a brand-new EV at a reduced cost.
- Employers can show progress on their carbon reduction and ESG reporting.

## **Benefits of salary sacrifice electric car schemes for employers**

HR and business leaders see several gains:

- Reduced National Insurance contributions.
- An attractive benefits package that helps retain staff.
- Positive impact on recruitment — EV schemes appeal to new talent.
- Stronger sustainability credentials for annual reporting.

One HR director recently shared that their EV scheme became the most requested perk within months of launch, outpacing gym memberships and private healthcare.

## **Workplace EV charging and salary sacrifice**

An electric car scheme works best with charging support. Without it, employees may hesitate to switch.

HR teams can strengthen their package by:

- Installing workplace EV chargers.
- Partnering with a trusted charging provider.
- Offering salary sacrifice for home chargers alongside cars.

Workplace charging not only supports employees but also demonstrates a real commitment to sustainability.

### **Questions every HR leader should ask**

- Does your current benefits package compete with rival employers?
- Could a salary sacrifice car scheme improve staff retention?
- Are you prepared for rising employee demand for EV benefits?
- Do you have the workplace charging infrastructure in place to support adoption?

### **Key takeaways on EV salary sacrifice**

- Salary sacrifice makes electric cars far more affordable for employees.
- Employers save money while strengthening sustainability commitments.
- Low BiK rates make EVs the best choice for company car schemes.
- Workplace charging completes the package and increases uptake.
- A well-designed salary sacrifice car scheme helps HR attract and retain top talent.