

SALARY SACRIFICE FOR CARS SCHEME

FREQUENTLY ASKED QUESTIONS (FAQ)

The Car Leasing Scheme

Q: What is the new car lease scheme?

A: The car lease scheme gives employees the opportunity to choose a new car through NHS Fleet Solutions, subject to the car being affordable and being within their salary range. The package includes maintenance and insured by the provider (NHS Fleet Solutions). Providing employees with a convenient and comprehensive solution.

The cost of the car is paid through a salary sacrifice arrangement, with monthly deductions taken from the employee's gross salary. This arrangement provides savings on tax, National Insurance Contributions (NICs), and pension contributions for employee's participating in the scheme.

Q: What is Salary Sacrifice?

A: Salary Sacrifice is an arrangement where an employee agrees to give up part of their gross salary in exchange for a non- cash benefit, such as a leased car. As the salary sacrificed is deducted from the gross pay before tax and National Insurance Contributions (NICs) are calculated, it can reduce the amount of tax and NIC an employee pays.

Q: Is this scheme only available for staff who undertake business mileage on behalf of their job?

A: No. The salary sacrifice car scheme is available to eligible employees regardless of whether they undertake business mileage as part of their role. The car is for the employee and their family to use for personal and, where applicable, business purposes. Employees can therefore apply for a salary sacrificed lease car even if they do not undertake any business mileage.

Q: Will I be eligible for the car lease scheme?

A: To be eligible for this scheme, you must either have a permanent contract with West Lothian Council or a fixed term contract that covers the term of the lease agreement. You must also have a sufficient salary to participate in the scheme without reducing your taxable salary below the National Minimum wage.

Q: Who would not be eligible for the car lease scheme?

A: Employees who would not be eligible for the car lease scheme are detailed below:

- Employees currently on a Fixed Term Contract that is less than the car lease agreement.
- Elected Members will not be entitled to entered into a salary sacrifice arrangement.

Q: Do employees have to be in full-time employment to be eligible for salary sacrifice?

A: No, Employees do not need to be in full-time employment to be eligible for the scheme. However, they will be unable to participate if the salary sacrifice arrangement would reduce their salary below the National Minimum Wage. For example, an entry level car for a full-time employee, the salary threshold is approximately £29,000 (Grade 4), all full-time teaching grades meet the threshold.

Q: What do West Lothian Council get out of this?

A: The council benefits from savings in National Insurance (NI) and employers pension contributions arising from employee's salary sacrifice arrangements. These savings will be used to help cover the costs associated with operating and administering the scheme.

Q: What is HMRC's view on Salary Sacrifice for Cars?

A: HMRC treats this arrangement as an employment law rather than a tax law matter, as you are free to agree a change in your remuneration with your employer. However, cars provided through a salary sacrifice scheme are treated as a taxable Benefit in Kind (BIK). Under the scheme, an employee gives up part of their gross salary in exchange for the use of a car. The amount of BIK tax payable depends on the car selected, including factors such as its CO₂ emissions and electric range.

Salary Sacrifice cars are subject to a specific HMRC rule known as the Optional Remuneration Arrangement (OpRA) rules. However, cars with low CO₂ emissions are excluded from the OPRA comparison rules.

Q: What is a Benefit in Kind?

A: A Benefit in Kind (BIK) is a benefit provided by an employer to an employee that is not part of their normal salary but is subject to Income Tax. A company car is a common example of a BIK. A car provided through a salary sacrifice scheme is treated as a company car for tax purposes and is therefore subject to BIK tax. The amount of tax payable is dependent on the car selected and calculated based on factors including the car P11D value and CO₂ emissions.

For 2026/2027 tax year, the BIK rate varies depending on the type of car and its CO₂ emissions. Fully electric cars have a Benefit in Kind rate of 4%, while hybrid cars are subject

to rates based on their CO₂ emissions and electric range. Generally, car with a lower CO₂ emissions attract lower Benefit in Kind rates.

Please note that there are planned yearly increases in BIK rates up to 2029/30; check [HMRC's website](#) for further information.

Q: Is there a maximum level of my salary I can sacrifice?

A: No, however consideration to the following employment and state benefit needs to be considered as there may be other financial implications:

- Universal Credit (UC) or other means-tested benefits where entitlement depends on income and household circumstances.
- Entitlement to earnings related benefits like Maternity Allowance (MA)
- Entitlement to work related payments such as Statutory Sick Pay (SSP)

Q: How does the process work?

A: You will need to create an account by visiting NHS Fleet Solutions and using the VPD number for West Lothian Council. From there, select the make and model of car that best suits your requirements, such as the size of the car, boot capacity, and other features. You can then choose your preferred colour and available trim options.

You will also need to enter your anticipated annual mileage. It is important to consider this carefully, as changes to your mileage during the lease may incur additional costs, and excess mileage charges may apply if you exceed your agreed mileage allowance when the car is returned.

Before confirming your order, please ensure that all the information you have provided is accurate, as incorrect information may result in delays to your order.

Once you are satisfied with your selection, your order will be submitted to West Lothian Council for approval.

Q: What happens at the end of the lease agreement?

A: At the end of the lease agreement, the car will be returned to the leasing company. The return process will be arranged directly by NHS Fleet Solutions.

Prior to collection, you must ensure that the car is clean and ready for inspection on the agreed collection date. Provided there is no damage beyond fair wear and tear, and the agreed mileage allowance has not been exceeded, no additional charges will apply. Please note that no refund will be provided if the car has covered fewer miles than the agreed mileage allowance.

If, at the end of the lease period, the car has exceeded the agreed mileage allowance, an excess mileage charge will apply. Any such charge will be recoverable from your net pay.

Standard lease agreements are available for either two or three years. If you choose to return the car before the end of the agreed lease term, an early termination charge may apply.

Pension

Q: Will taking a salary sacrifice car affect my Local Government Pension Scheme (LGPS)?

A: Yes, a salary sacrifice for a car is non pensionable under LGPS pension regulations. This means the amount you sacrifice from your salary for the car is not included in your pensionable pay. For Teachers SPPA pension purposes where the pensionable pay reduces, this is referred to as an unapproved salary sacrifice scheme.

Employees considering the scheme may wish to seek guidance from our pension administrators (Lothian Pension Fund/SSPPA) or obtain independent financial advice regarding their individual circumstances before entering into the scheme.

Q: I know a salary sacrifice car can save me tax and National Insurance, but does it have an impact on my pension?

A: Yes. The salary sacrifice arrangement does not make the car itself pensionable under LGPS, however the LGPS rules specify that the monetary value of a motor is excluded from your pensionable pay. Any pension impact should be considered alongside the tax and National Insurance saving provided by the scheme.

Q: Could taking a car through salary sacrifice affect my future LGPS pension?

A: It can, because LGPS pension accrual is based on pensionable pay, and the car salary sacrificed amount is not pensionable this could impact on future pension awards as the reduced salary value will be used. Any pension impact should be considered alongside the tax and National Insurance saving provided by the scheme.

Q: Does this mean I could build up less pension each year?

A: Potentially, yes. Your monthly employee pension contribution rate is based on tiered salary bands therefore a reduction in your pensionable pay may drop you into a lower percentage band, meaning you pay less for your standard pension but build up less total value during the lease period.

Q: If I take a salary sacrificed car, will my LGPS pension contributions change?

A: Yes. as your LGPS contributions are based on your pensionable pay. Because the amount sacrificed for a car is not pensionable, the salary sacrificed amount is not including when calculating your pensionable pay and therefore does not attract LGPS contributions.

Members have the option to take up an Additional Pension Contributions (APCs) to make up for any lost pension during this time, this would be covered by the member and will not

include any employer contributions. If you wish to explore this contact Lothian Pension Fund directly or for Teachers, contact SPPA.

Q: When entering into a salary sacrifice arrangement, the salary sacrificed for the car is non pensionable. Can you confirm how this reduction in pensionable pay is reflected in LGPS members calculations?

A: LGPS will calculate members pensions based on their actual salary and final pay figures after deductions are made from the car leasing scheme. These deductions will affect both CARE pension scheme after the scheme takes affect and final salary pension values earned prior to 2015. The exact impact will vary depending on your circumstances and the level of salary sacrifice. In addition, it will also reduce benefits and any potential ill health enhancements during the period of the scheme, as that is based on current assumed pensionable pay. Any pension impact should be considered alongside the tax and National Insurance saving provided by the scheme.

Q: Could taking a salary sacrifice car reduce my death in service benefit?

A: Potentially, Assumed Pensionable Pay (APP) is used when calculating benefits following a death in service, APP is granted three times the members APP. As the salary sacrificed car is non pensionable, if it reduces the pensionable pay used in the APP calculations, this may result in a lower death in service lump sum.

Savings

Q: What savings could I expect to see when comparing to a personal lease car?

A: A salary sacrificed car can cost less each month than a comparable personal lease because your monthly car payment is deducted from your gross salary before income tax and National Insurance is calculated. The amount you save will depend on your individual circumstances, such as:

- Your annual salary.
- Your income tax position.
- Your National Insurance contributions.
- The vehicle selected.
- The vehicles Benefit in Kind (BIK) rate.
- The monthly salary sacrificed cost for the car.

As a guide, employees may see a saving of around 20% to 40% (dependent on salary level) compared with arranging a personal lease themselves, although individual savings will vary.

In addition, there are other financial factors to consider, such as no upfront payments or personal credit checks are required, unlike many other personal lease arrangements as well as your total monthly costs also includes servicing, maintenance, and insurance.

Please note, that as a company car benefit, a BIK tax charge will apply, and your tax code will be adjusted accordingly.

Q: Does everyone save the same amount?

A: No. the savings are different for each employee. This is based on your basic annual salary (this does not include any enhancements etc) and National Insurance is calculated using different thresholds and rates. Please note, National Insurance is calculated at different rates on different proportions of your earnings.

Q: What am I paying for if I take a salary sacrificed car?

A: The salary sacrifice scheme, is an all-inclusive motoring offering including:

- Leasing of the car of your choice.
- Full maintenance of the car, including all servicing, batteries, exhausts and tyres under normal wear and tear conditions. Exclusions include accident damage and negligence.
- Full comprehensive insurance including business travel for employees plus 4 named drivers, the named driver's must be over 21 years old. Details of the excess can be found in the car leasing scheme brochure.
- Windscreen cover.
- Annual Road Fund.
- Breakdown cover.

Q: What cars provide the best savings?

A: Due to the current Benefit in Kind legislation, the most cost-effective car on the scheme is those with a CO2 rating of less than 120g/km. West Lothian Council has capped car selections for those with CO2 rating of less than 75g/km, referred to as ULEV. NHS may also list certain manufacturers incentives on cars listed as special offers on their website.

Mileage rates

Q: What mileage rate will I receive if I do any official miles in the salary sacrificed cars?

A: As you will be receiving a tax benefit through the provision of the cars, the mileage rate payable for any claimed business-related journey's will be in accordance with the HMRC fuel rates for company cars. This will be the default mileage for anyone leasing a salary sacrificed car.

If you charge a company car at both locations i.e., public and home locations, you can apportion the mileage based on how much charging has happened at each location.

Below is an example of the September 2026 advisory electric rates for fully electric cars.

- 7p per mile for home charging

- 15p per mile for public charging

Charging Location	Electrical efficiency miles per Kilowatt-hour	Electricity cost per kilowatt - hour	Rate per mile	Advisory electric rate
Home Charger	3.59	24.47 pence	6.81 pence	7 pence
Public Charger	3.59	54.00 pence	15.02 pence	15 pence

For hybrid cars, they are treated as either petrol or diesel cars for advisory fuel rates. As of September 2026, the rates are as follows.

Type	Engine Size	Rate per mile
Petrol	1400cc or less	14 pence
Petrol	1401cc to 2000cc	17 pence
Petrol	Over 2000cc	27 pence
Diesel	1600cc or less	15 pence
Diesel	1601cc to 2000cc	16 pence
Diesel	Over 2000cc	22 pence

HMRC review and update their fuel rates four times per year. These include 1st March, 1st June, 1st September and 1st December. To review fuel rates for company cars, please [here](#)

Q: What happens If I do more than the contracted mileage?

A: Once the car is ordered, you will choose an annual mileage based on your expected usage. Therefore, it is important to select a mileage that accurately reflects how much you expect to drive during your lease period. The following factors you could consider are as follows.

- How often do I need to commute into the office for work?
- Do I use my car frequently out with work, i.e. shopping, travel, school pick up etc?
- Do you reside in an urban or rural location where public transport is limited?

By thinking about these factors, you can go away and make an informed decision based on the amount of mileage per year for your car, ensuring it meets the following, your needs and being financially affordable.

Q: What if my base location is changed and I'm eligible for excess travel?

A: When an employee's base location changes and they receive an excess travel payment for additional home to work travel, the payment will normally be taxable because travel between home and a permanent workplace is treated as ordinary commuting by HMRC. An excess travel payment relating to additional home to permanent workplace mileage is subject to tax.

Situations where an employee has a company car, the tax treatment is different from simply taxing the mileage payment. For hybrid cars, if petrol or diesel is provided or reimbursed, a car fuel benefit charge may apply. This is calculated based on HMRC's statutory calculations.

For fully electric cars, HMRC confirms that electricity is not treated as fuel for the purpose of the car fuel benefit charge. Therefore, no car fuel benefit charge arises simply because electricity is provided or reimbursed for the car.

Car

Q: I have an existing car, what options do I have?

A: There are a several of options available, these include.

1. Keep your existing car and take a salary sacrifice car as well.
2. Sell your existing car and replace it with a salary sacrifice car.
3. If your existing car is on Private Car Purchase (PCP) or Hire Purchase, settle it and then sell it. If your current car is financed, you would firstly need to understand the settlement figure.

Q: Who is responsible for arranging servicing of the car?

A: Servicing is included within the salary sacrifice scheme with NHS Fleet Solutions. However, you are responsible to ensure the car is serviced at the required schedule in line with the manufacturers recommended servicing schedule. You will need to arrange the service when it is due and ensure that any servicing requirements are followed up.

By keeping the car properly serviced is important to maintain the manufacturer's warranty and to avoid any potential charges.

Q: What happens when the car needs a service?

A: The cost of maintenance and tyres is included in your monthly price. Contact your local main dealership to book in your service and advise the dealership who the leasing company is. If you are unsure, please call NHS Fleet Solutions directly on **0344 811 8228**.

Q: What happens if the car breaks down?

A: The cost of UK and Europe roadside assistance is included in the monthly price, so whether you breakdown at home, at the office or anywhere in Europe you are covered directly.

Q: Can I get an automatic car?

A: Yes, most of the cars provided will be automatic.

Employment

Q: Who is responsible for the payment of any fines incurred on the car or any car provided whilst the primary car is off the road?

A: Any parking, congestion charges or fines incurred by you whilst you are using the car will be your full responsibility.

Q: What affect will the scheme have on my Universal Tax Credits?

A: A salary sacrificed car can increase your Universal Credit due to the amount of salary your give up is not counted as earnings for Universal Credit. If your earnings are reported through PAYE are lower, your universal credit will usually increase. The exact effect will depend on individual circumstances.

Insurance

Q: What does the insurance cover?

A: The car will have fully comprehensive insurance for business purposes of West Lothian Council and private use under the terms of insurance held by the council. Your car will be added to the motor insurance database and will remain fully covered during the duration of the lease agreement; the cover cannot be cancelled whilst the lease agreement is still live.

NHS Fleet solutions do not take into account any no claims discount you may have previously built up based on your own personal motor insurance. In addition, you will also not accrue any no claims discount whilst driving under a staff car lease scheme. However, should you need to make a claim, you will need to notify NHS Fleet solutions directly on **0344 576 1526** and speak to them directly.

NHS Fleet can provide a letter to confirm that you made no claims made during the lease period however, this does not guarantee the new insurance provider will accept this when considering no-claims discounts.

Q: Can I take my car abroad?

A: You are allowed to take your lease car abroad for a period of up to 4 weeks at any one time, you will also require an insurance certificate, contact NHS Fleet Solutions to be provided with the certificate. In addition, you will also need to contact you leasing company to request foreign travel documentation. This information can be located within the leasing company contact number.

Should you have any further questions that have not been addressed in the FAQ, please do not hesitate to contact us at employee.benefits@westlothian.gov.uk.