

# FleetEvolution GUIDE

AFTER HOUSING COSTS, MOTORING COSTS ARE NORMALLY THE SECOND HIGHEST ITEM OF EXPENDITURE FOR MANY EMPLOYEES. IF YOU COULD HELP EMPLOYEES AFFORD NEW CARS, AT NO COST TO YOU AND WITH NO LEAVER RISK, WHY WOULDN'T YOU?

WHAT DO I NEED TO KNOW ABOUT INTRODUCING AN EMPLOYEE CAR SCHEME?



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# WHY SHOULD I LOOK AT INTRODUCING AN EMPLOYEE CAR SCHEME?

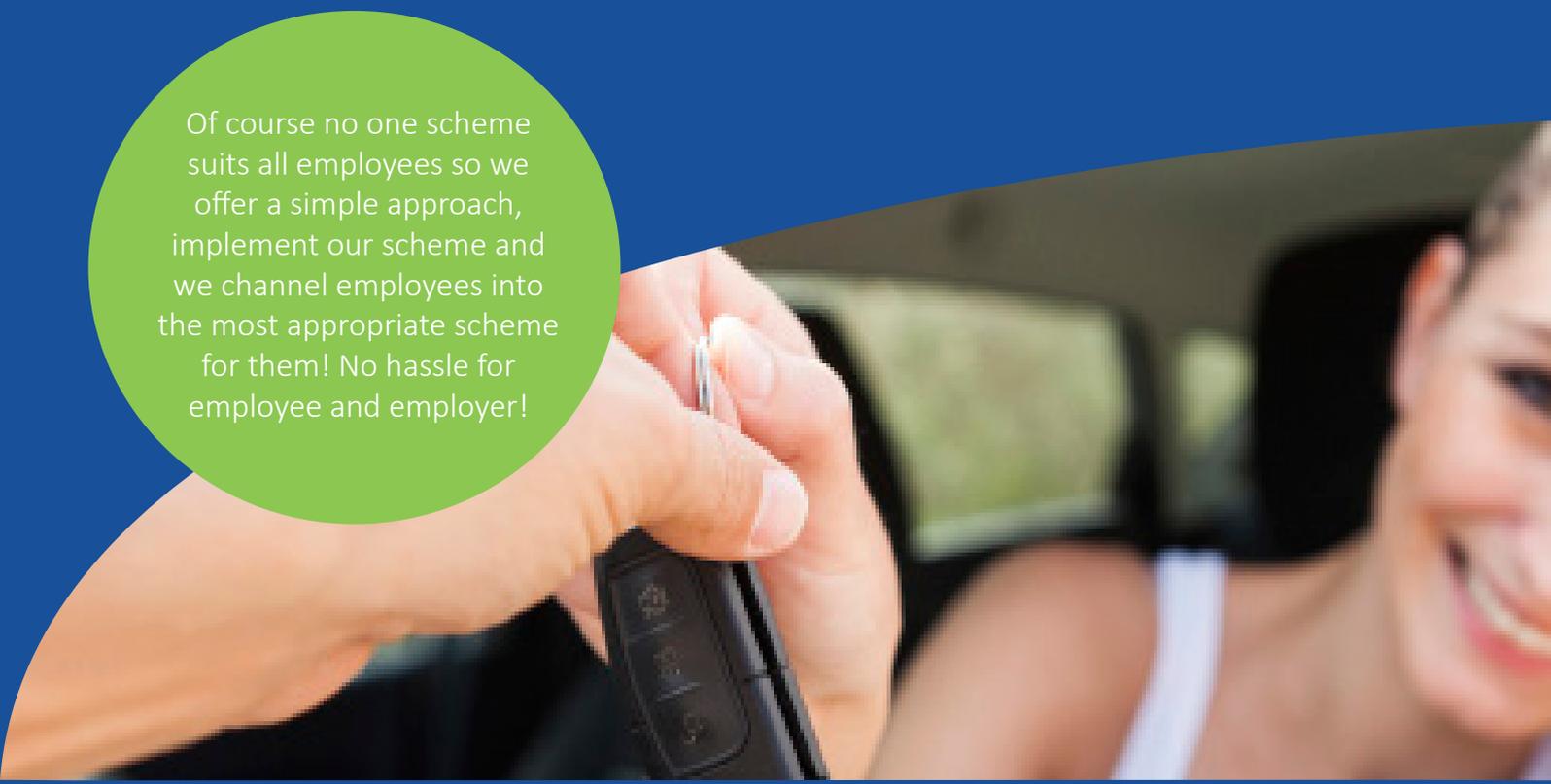
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For many employees motoring is their second highest cost, second only to a mortgage or rent. Their life revolves around their car and any issue can lead to financial stress, disruption to their personal lives and sometimes disruption to work. As any company car driver will tell you, they seldom have such worries as everything tends to be managed for them by the employer or it's suppliers. So with this in mind, it's no wonder that company cars are one of the top five benefits that employees desire. Did you know you can offer all your employees the same type of experience but at no cost to you?

Across all benefit areas employers have been adding real value to their reward proposition by using their corporate buying power, coupled with attractive tax regimes, to save employees money on items they buy every day. In most cases there is no negative impact on the employer, this is just a way of helping employees and any impact is positive, with sizeable improvements in both productivity and recruitment/retention.

Employee car schemes are a way of giving all of your employees access to cars at a lower cost than retail, normally with everything included but fuel and sometimes with further advantages from tax savings. They are one of the fastest growing benefits over the last 5 years and in this guide we'd like to walk through their suitability for you and your employees.

Of course no one scheme suits all employees so we offer a simple approach, implement our scheme and we channel employees into the most appropriate scheme for them! No hassle for employee and employer!



# WHAT TYPE OF CAR SCHEMES ARE AVAILABLE?

There are over 8,000 different car models in the UK market today and many options to fund them. Whilst most employees are after a car for purely personal use, some may have business mileage or may be part time or on flexible contracts. In most cases one product does not suit all. We offer a number of solutions but we make the proposition simple, your team contact us for the best deal for them and we do the rest!



**Driverline**

Our specialist team will take calls and advise employees on which scheme and cars are most suited to individual needs.



## SO, WHAT ARE THE SCHEMES?

### SALARY SACRIFICE

This scheme is great for maximising savings, as long as you earn above living wage following payment deductions, have been driving for more than a year, and have been working for your company for more than a year, you qualify. That could mean savings of up to 45% on motoring costs.

### CARFFINITY

This scheme is perfect for more junior staff, contractors, part time staff or anyone who would rather go down a personal leasing route. The savings aren't quite as good as for salary sacrifice but are still far greater than list prices directly from dealers, thanks to our great volume discounts.

### ECOS

This scheme is specially designed for those who do lots of business miles. It is in essence a personal car, benefitting from corporate discounts and service, but without the benefit in kind.



**CONTINUED SUPPORT, ADVICE AND NO-HASSLE VEHICLE MANAGEMENT THROUGHOUT YOUR CONTRACT.**

# SALARY SACRIFICE

Salary sacrifice is a benefit on the rise, in essence salary sacrifice allows employees to flex their package, to substitute salary for another benefit. In the case of cars employees give up salary in exchange for a fully funded car with everything covered but fuel within the monthly payment. By coupling salary sacrifice with 'Ultra Low Emission Cars' employees can save up to 45% compared to retail but even traditional cars can work out 20% cheaper too.

## SAVINGS COME FROM:

- OUR VOLUME DISCOUNTS
- VAT SAVINGS
- LOW INTEREST RATES (NO EMPLOYEE CREDIT CHECK NEEDED)
- TAX SAVINGS
- NI SAVINGS

However, salary sacrifice cars have always been a taxable benefit and the benefit charge reduces savings. For sub 75CO<sub>2</sub> cars savings can be 45%, up to 120CO<sub>2</sub> the saving may be reduced to 20% by the benefit in kind charge and above 130CO<sub>2</sub> the savings may be completely eroded. Luckily there are over 3,000 car models below 120CO<sub>2</sub> with more released each week!

The main advantages salary sacrifice gives your employees are time and money, time as we manage everything for them, money as we make new cars cheaper and more accessible. Both reduce employee stress, increase productivity and just generally make employees happy at no cost nor risk to employers within our scheme rules! However the scheme doesn't work for entry level staff, contractors, or part timers due to living wage restrictions.



# EMPLOYEE CAR OWNERSHIP SCHEME

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Employee Car Ownership Schemes (ECOS) are an innovative way of giving essential users the company car experience but without the benefit in kind. Initially introduced in 2001 this type of long established scheme had until recently been the preserve of huge corporates. However just as we did with salary sacrifice in 2010 we have simplified the scheme to a point where any company can take advantage of such an arrangement where it suits their employees.

ECOS is best suited to employees who receive enhanced mileage reimbursement and/or cash allowance for essential business journeys, typically where they do more than 500 business miles a month, just about the point where salary sacrifice starts to become less effective. ECOS allows the employee to take a personal car with everything but fuel included but with the company making the car payments and no benefit in kind. To facilitate this we move any mileage reimbursement to the maximum allowed under HMRC rules and reduce the cash allowance to ensure the employer isn't out of pocket. The benefit being that the mileage reimbursement has no tax or NI implications for employee or employer whereas a cash allowance would penalise both. At the end of 3 years the employee pays a final payment direct to us and the car transfers to them but at no point does the employer have any financial risk.

Key to ECOS are strong manufacturer support and robust HMRC compliance which we deliver simply and efficiently.



## CAR AFFINITY

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Although Salary Sacrifice schemes are the most effective way to get employees into new cars, some employees will not qualify for such arrangements, perhaps due to living wage rules post sacrifice or due to part time hours or contract arrangements. This is where affinity can be an essential part of your strategy.

Affinity schemes simply allow an employer or a company such as us to go to manufacturers with a large base of potential customers. Manufacturers see this as an opportunity to move large amounts of certain product, in this case cars, which have not been pre sold through distribution channels, in some cases the savings can be very sizeable.

For cars this means personal leases paid direct by the employee but at negotiated rates, on certain special offers heavily discounted with again full management if needed and complete transparency.

# HOW WERE CAR SCHEMES AFFECTED BY THE SALARY SACRIFICE REVIEW?

## WHAT WERE THE CHANGES?

As you may have heard, in November 2016 the Chancellor announced changes to various salary sacrifice schemes. The areas mainly affected were technology and white goods, cars were mostly unchanged. As has always been true for our scheme, the lower the cars emissions, generally, the more you can save, and this won't change. In fact, the "cleanest" cars (plug-in hybrids and electric cars) could even become better value when the changes happened, meaning you save even more on motoring costs with our scheme!



## WHEN DID THESE CHANGES HAPPEN?

The changes were introduced in April 2017, in reality for employees nothing much has changed, the benefit has always been a taxable one with the bulk of the savings from volume discounts and VAT savings. However for employers the scheme has changed with the employers NI saving removed for all but the cleanest cars. Of course there are still lots of compelling reasons to introduce the scheme, it has a marked improvement on recruitment, retention and productivity and more ULEV's are being released all the time which do give employers NI savings.

### Savings post-April:

<u>Bracket (CO<sub>2</sub>)</u>	<u>Example Models</u>
<b>Sub 50 CO<sub>2</sub> can mean savings of 45%</b>	<b>Electric cars, Plug-in Hybrids</b>
<b>51-75 CO<sub>2</sub> can mean savings of 33%</b>	<b>Full Hybrids, Some Plug-In Hybrids</b>
<b>75-120 CO<sub>2</sub> can mean savings of 20%</b>	<b>Audi 'Ultra', Mercedes 'Blue Efficiency' Types</b>
<b>120-130 CO<sub>2</sub> can mean savings of 17%</b>	<b>Some SUV's/4x4's</b>

But remember, it's not just the tax saving that you benefit from when you sign up to our scheme... After the changes, most of the savings you make with our car schemes still stand. You'll normally make savings from VAT (typically 13-15%), NI savings (typically 12%) and our volume discounts. In fact, of the over 3,000 models on our quote engine, only around 4% increased in cost, all that has changed is Tax savings that will be wiped out by Benefit in Kind tax, leaving all of the other great savings as they were. That's on top of other great benefits like no credit check and no deposit!

\*Excludes ULEV's

Before April*	After April*
Up to 30% volume discount	Up to 30% volume discount
20% tax saving (eroded by BIK)	20% tax savings (eroded by BIK on car value or finance cost )
12% employee NI saving	12% employee NI saving
13% VAT saving	13% VAT saving
5% cost of finance	5% cost of finance
+ convenience	+ convenience
+ time savings	+ time savings
employers NI savings (all cars)	employers NI savings (ULEV's only)



The Mitsubishi Outlander, our best-selling hybrid is typically £400/m which remains the case after the tax changes.



The Audi A3 has been affected by the tax changes, but has only increased in cost by around £10/m to £330/m on a typical scheme.

All of our car schemes are compliant with all rules set out by HMRC, the FCA and employment law. We handle all of these implications for you and adapt schemes to pre-empt change.

Certain schemes such as gym membership and cars already have a benefit in kind charge, and have always leveraged savings via other areas such as corporate discounts and VAT savings. Whilst this has affected arrangements such as tech, the impact on cars will be minimal for the employee, although the employer NI saving is being removed which is important if you are looking to fund portals or other benefits via this reserve.

The cleanest hybrids and electric cars have been 'whitelisted' in a similar way to cycle to work scheme, these will be protected and will actually get cheaper in future years. When it comes to cars, a clean car such as a Renault Zoe will actually be much cheaper in the future, a moderately polluting car such as a Nissan Juke will remain the same cost to the employee but no employer's NI saving will be made for the employer.

The landscape appears set until 2021 at the earliest but of course policy can change at any point. A good partner anticipates such change and ensures that schemes remain competitive for employees and rewarding for employers.

# WHAT ARE THE EMPLOYEE BENEFITS?

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For most of your employees a car can be a number of things, a big expense, yes, but also an essential part of both their work and leisure. To some it is a status symbol, to others the integral part of their family life. To all it's something which is essential and can cause a major headache if it goes wrong, a headache for the employee, their family and their employer.

All of our car schemes promise;

**SAVINGS ON MOTORING COMPARED TO RETAIL, GIVING THE EMPLOYEE MONEY**

**A FULLY MANAGED SERVICE, GIVING THE EMPLOYEE TIME**

**A VEHICLE SOURCING SERVICE, GIVING IMPARTIAL ADVICE**

For many employees, employee car schemes are one of the top 5 benefits they look for from an employer. It's one of the real benefits you can offer showing how highly you value your team.

# WHAT DO OUR CUSTOMERS THINK?

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"I have worked closely with staff from Fleet Evolution and always found them to be professional, patient and considerate whilst dealing with customer queries." - **Neil Prest, HR Manager, Unipres**

"Can't rate the people at Fleet Evolution highly enough, great service from start to finish and sorted a precontract car" - **Simon Wise, Data8**

"It is simply one of the best things that I have ever done. I would never have considered a brand new car as an option until I was introduced to this scheme by my employer." - **Brian Warner, PolicyFast**

"As a busy teacher and mom of 3 I've found my Leaf through Fleet Evolution perfect. No hassle and no fuel bills plus a low payroll deduction. It's perfect for my budget and lifestyle." - **Marie, AET Academies**



# WHAT ARE THE EMPLOYER BENEFITS?

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For the employer, an employee car scheme is a fantastic way to help your employees, however it's not just a nice thing to do, it actually makes a lot of sense too!

For most employees their car is their lifeline, take it away and they struggle, struggle to get to work on time, struggle to focus due to stress of planning logistics or raising cash for expensive repairs. Our car schemes normally include everything but fuel for one simple deduction, it's not the fantastic financial benefits that people first consider when they reorder, it's much more valuable than that, it's the time we give them! Something that it's tough to put a value on.

In addition to giving your employees more time and money our schemes have some other pretty big benefits too:

**AN AID TO  
RECRUITMENT,  
MAKING YOU AN  
EMPLOYER OF CHOICE**

**IMPROVED EMPLOYEE  
RETENTION, A CAR IS AN  
EMOTIVE PURCHASE, ONE  
PROVIDED BY THE EMPLOYER IS  
AN EMOTIVE LINK TO YOUR  
COMPANY.**

**ABSOLUTELY NO  
COST TO YOU!**

**RISK MANAGEMENT:  
IMPROVES EMPLOYEE  
SAFETY AND YOUR  
OCCUPATIONAL ROAD  
RISK IS MANAGED BY US.**

**LOW ADMIN:  
TYPICALLY ONLY 30  
MINUTES PER MONTH IN  
TOTAL FOR LARGER SCHEMES,  
THAT'S HR,  
FINANCE AND PAYROLL**

**NO LEAVER RISK:  
NONE OF OUR SCHEMES  
HAVE ANY LEAVER RISK TO  
YOU**

**WE'RE VERY PROUD OF OUR EMPLOYEE CAR SCHEMES, WE'RE PROUD THAT FOR 95% OF EMPLOYEES IN OUR CARS, WE PROVIDED THE FIRST BRAND NEW CAR THEY'VE EVER HAD!  
WE'D BE PROUD TO WORK WITH YOU!**

# WHAT IS THE IMPLEMENTATION PROCESS?

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There are rumours that have pervaded employee car schemes for so long that they are almost perceived fact, that they take months to set up. Or that you need 1,000 plus employees to be suitable. These are limitations of suppliers, not the schemes. Our smallest customer has 4 employees and our fastest implementation was 2 hours from sign off, with the car delivered in under 3 weeks!

The typical implementation process follows a similar path to below;

- 1** We review your requirements and recommend the best set up for you
- 2** We take 30 minutes of your time to agree the process and scheme rules
- 3** We produce all your employee guidance and set up your online systems
- 4** We ask you to review all the employee facing literature
- 5** We carry out launch sessions at your offices, engagement is our forte
- 6** We handle all the HMRC reporting around the scheme

Employee car schemes can be simple, if you come at it from a benefits background rather than a fleet one. We believe we have the simplest, lowest risk products on the market place, we also believe that if you have childcare vouchers or cycle to work scheme, our schemes will work for you!





**IF YOU HAVE ANY  
QUESTIONS OR WOULD LIKE TO  
DISCUSS IMPLEMENTING A SCHEME,  
CONTACT OUR DRIVERLINE TEAM**

**TEL: 0300 302 0626**



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