



# COLLEAGUE CARS FAQ'S

A brief insight into Colleague Cars Salary Sacrifice Scheme in conjunction with:



**What are the  
benefits of  
Colleague Cars?**

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**What is included in  
the package?**

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**How much can I  
save?**

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**Can I arrange to  
test drive a car?**

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**What makes and  
models are  
available?**

## **COLLEAGUE CARS**

Cuthbert House, 9 Brookdale  
Court, Chapeltown, Sheffield,  
S35 2PT.

[www.colleaguecars.co.uk](http://www.colleaguecars.co.uk)

[info@colleaguecars.co.uk](mailto:info@colleaguecars.co.uk)

# Employee Frequently Asked Questions

## General

### 1 What is Colleague Cars?

Colleague Cars is a unique scheme open to all employees whereby you exchange some of your normal salary in return for a company car. This is commonly known as a salary sacrifice.

### 2 Who is Colleague Cars?

Colleague Cars is a product of TCH Leasing, which is one of the leading car leasing companies in the UK.

### 3 What are the benefits of Colleague Cars?

Colleague Cars gives you the chance to acquire a new car at a cost much lower than on the high street and enjoy the benefits of a company car such as inclusive maintenance and a new car every two or three years.

As the cost of the car is taken from gross salary, the cost to you is the net amount. You will become liable for company car tax but for low emission cars this is likely to be much lower than the tax saving you make on your salary.

You can also take advantage of bulk purchase discounts negotiated by TCH Leasing and the fact that VAT benefits can be passed on to you.

### 4 What is included in the package?

The Colleague Cars package incorporates a car, motor insurance, road tax for the term (at the prevailing rate), breakdown recovery, servicing and maintenance.

### 5 What exactly is a salary sacrifice?

A salary sacrifice is when an employee gives up the right to receive some of their normal salary payable under their contract of employment. Usually the sacrifice is made in return for some form of non-cash benefit, which in this case is a car. In the UK, many tax efficient benefits are provided via salary sacrifice such as childcare, pensions etc.

The sacrifice is achieved by varying your terms and conditions of employment for the term which you choose to receive the benefit.

## 6 How much can I save?

The amount you will save depends upon your own tax and National Insurance position and the vehicle chosen. Vehicles with low CO<sub>2</sub> emissions are most attractive as demonstrated:

Example of financial benefit to an employee paying 20% tax and 12% National Insurance:

	Per month
Citroen C1 VT 3 Dr	£*
Cost of car (including insurance and maintenance)	193
Tax and NIC impact of salary sacrifice	(74)
Company car tax payable	14
Net cost to employee	<hr/> £133 <hr/>

\*Figures based upon 2013/14 tax rates

The net cost of £133 represents a 31% saving over the normal cost of the car including VAT, and that assumes that you would be able to get the same bulk discounts on the vehicle. Typical high street prices for this vehicle and insurance without a deposit would be over £200 per month.

## 7 Can any employee obtain a car under the scheme?

You can order a car if you are on a permanent contract of employment but you must be employed by the organisation for at least 6 months before you can apply for a car.

For insurance purposes you must have held a full UK licence for over one year, be aged 18 or above and have completed six month's service. If you are under the age of 18 or have a poor driving history, you may be refused insurance cover and cannot therefore participate.

You also cannot participate if the amount of the salary sacrifice is considered to be unaffordable as outlined below.

## **8 Affordability**

You must ensure that you can afford the vehicle you have chosen and commit for the term of the agreement. You will not be able to exit the scheme if you cannot afford the reduced salary.

Each individual's circumstances are different and therefore we are not in a position to decide whether you can afford a particular vehicle or not. However, under no circumstances must your gross pay fall below the National Minimum Wage.

## **Ordering a car via Colleague Cars**

### **9 Can I arrange to test drive vehicles?**

This facility is not available through TCH Leasing. However, test drives can often be arranged direct with the vehicle manufacturer via their website or through a local franchised dealer. You must arrange your own insurance for test drives unless this is provided by the dealer.

### **10 How do I get quotes and place an order for a car?**

You need to log onto [www.colleaguecars.co.uk](http://www.colleaguecars.co.uk) using the username: \*\*\*\* and password: \*\*\*\*. Once you have logged on for the first time you will need to set up your own username and password.

On the website you can obtain a quotation for the car and insurance package. There is also a wide range of special offers. The price quoted on the website is the amount of salary sacrifice that you will be required to make. When you are happy with the package and the cost, you can order this online and then you will be contacted to progress your order.

Please note that vehicle prices change on a regular basis and each quotation will be subject to ratification against current prices at the time you place an order.

### **11 What makes and models are available?**

You can obtain quotes on any make or model of vehicle but it should be noted that vehicles with a CO<sub>2</sub> emissions of 135 g/km and above will be less attractive. You should also consider the location of the nearest service agents for your vehicle. All vehicle warranty conditions must be adhered to and this includes servicing and maintenance in accordance with manufacturer guidelines. Manufacturers require that servicing and maintenance is undertaken by an authorised service agent.

To ensure that warranty conditions are met, all service agents must be authorised by TCH Leasing. In general, most franchised dealers are authorised by TCH Leasing and if they are not they generally can be.

## **12 How does mileage affect the cost?**

When requesting a quote you will be required to enter your anticipated annual mileage. The higher the mileage, the higher the cost will be to take into account additional depreciation etc. Via the online system you will be able to choose from 6,000 miles per annum increasing in blocks of 2,000 miles up to 30,000 miles per annum. If you require other mileage parameters, please email [colleaguecars@tchleasing.co.uk](mailto:colleaguecars@tchleasing.co.uk).

You should set your mileage level to cover the amount you expect to drive. If at the end of the contract you have exceeded the agreed mileage level, you will be required to pay an excess mileage charge which will usually range between 5p and 10p per mile depending upon the car you choose.

## **13 What about accessories?**

You can add any factory fitted options you wish to the vehicle. If these are not available via the online quotation system, please e-mail [colleaguecars@tchleasing.co.uk](mailto:colleaguecars@tchleasing.co.uk).

## **14 What paperwork is required?**

To complete the order for your vehicle you will need to:

- sign a salary sacrifice agreement, agreeing for your salary to be reduced
- agree to the terms of the agreement between your employer and yourself for proper use and care of the vehicle
- complete the order form for the vehicle

The above documents will be emailed to you once you have completed an online order.

## **15 What other costs will I be liable for?**

You will need to pay any costs arising due to:

- damage or misuse of the vehicle, including any damage on the vehicle at the end of the contract and any insurance excesses
- motoring fines, including any administration charge levied by TCH Leasing
- excess mileage charges
- increases in road tax as this is only included at the prevailing rate when you order your vehicle

## **16 Is there any deposit payable?**

No, you will not be required to pay any deposit towards your vehicle.

## **17 Where do the cars come from?**

Cars are normally factory ordered via TCH Leasing's preferred supplier network. These are generally manufacturer franchised dealers. None of the cars are used or are grey imports. Factory order will generally take between 8 and 12 weeks but is dependent upon the type of vehicle being ordered. If you have any questions with regard to lead times for a particular vehicle, please e-mail [colleaguecars@tchleasing.co.uk](mailto:colleaguecars@tchleasing.co.uk)

## **18 What about servicing, repairs and breakdown?**

All vehicles will come with a maintenance package which includes:

- all routine servicing and mechanical repairs
- replacement tyres due to normal wear and tear
- puncture repair
- 'roadside' and 'at home' breakdown cover, including 48 hour emergency replacement vehicle and European cover
- a service booking facility

## **19 What about road tax?**

Road tax is included within the scheme for the full term at the prevailing rate at the time of delivery.

On annual renewal, licences will automatically be sent to your home address. If Road tax rates have increased since you ordered your vehicle, you will be charged the difference between the new rate and the rate applicable at the time of order.

## **20 What if the car is damaged?**

As with a private vehicle, if the car is damaged by you and no claim is made under the motor insurance policy, you must repair the vehicle at your own cost.

Any repairs not undertaken will be charged to you at the end of the term. All charges are made in accordance with BVRLA (British Vehicle Rental & Leasing Association) guidelines. A copy of the guide can be viewed here - [www.tchleasing.co.uk/websitefiles/BVRLA\\_FWT\\_TCH.pdf](http://www.tchleasing.co.uk/websitefiles/BVRLA_FWT_TCH.pdf)

## **21 What about company car tax?**

You will be liable for company car tax but providing the car you choose has relatively low CO<sub>2</sub> emissions, the amount of tax payable should be far less than the tax and National Insurance saving you will make on the salary sacrifice.

The amount of company car tax payable is calculated by reference to the list price of the vehicle and its CO<sub>2</sub> emissions. Details are shown in Appendix I.

The company car tax will be collected via your tax code. Your employer will advise the tax office that you have a company car. To ensure that your tax code is changed promptly, we recommend that you telephone the tax office to have your tax code amended.

Your local tax office contact details are as follows:

HM Revenue & Customs

xxxxx

Tel. xxx xxx xxxx

You will need your National Insurance number ready to ensure HMRC can locate your tax record.

The Colleague Cars website will estimate how much company car tax you will have to pay for the current tax year. However, you must undertake your own investigations as to the tax impact of the scheme and consider any future increases in company car tax. The Government generally sets company car tax rates three years in advance.

## **22 What happens at the end of the term?**

At the end of the term you will be required to return the vehicle to TCH Leasing. If you are ordering a replacement on the same scheme then we will try to ensure that this coincides with the delivery of your new car.

To ensure that your new car arrives on time, you should look into ordering your new car at least three months in advance. Once your old vehicle has been returned, any damages or excess mileage charges will be due from you.

## **Insurance arrangements**

### **23 Who provides the insurance?**

Insurance is provided via Lloyd Latchford, a motor insurance broker which specialises in policies suited to salary sacrifice schemes. The policy is underwritten by Aviva.

## 24 What is included in the insurance policy?

The motor insurance policy is fully comprehensive including:

- fixed premiums for up to three years\*
- guaranteed courtesy car
- unlimited cover for business use
- legal expenses and uninsured loss cover
- cover for European travel
- free windscreen repair

If there is any fault claim you will be required to pay an excess of up to £250 (£450 if under 25 years of age). There is also a £75 excess on glass replacement.

\* Premium fixed subject to any additional driver requirements in the term

## 25 Are the insurance premiums competitive?

As with any insurance policy, competitiveness can depend upon a number of factors including the car, the postcode where it is kept, the age of the driver etc. Overall, the insurance premiums should be in line with the market. However, as the cost of the insurance is included within the salary sacrifice, the net cost to you after tax and National Insurance should be very competitive.

## 26 What conditions must be met for the insurance?

You will be able to obtain a quote for insurance if you have been in your current employment for at least 6 months and all drivers:

- are aged between 18 and 68 years old (a maximum age of 71 at end of contract)
- all drivers must be a UK resident
- all drivers must hold a full licence from one of the following countries; UK/EU, South Africa, USA, New Zealand, Canada or Australia (any other licences are not acceptable)
- have been a permanent employee for at least 6 months
- had no more than 1 fault claim in the last 3 years
- had no more than 2 'Category A' convictions in the last 3 years. Category A convictions start with codes SP, CU, LC, MS, MW & PC and will be shown on your licence

If you do not meet the above criteria, unfortunately you will not be eligible to participate in the scheme.

For drivers aged 18 to 24, cover is only available on cars up to insurance group 21. For drivers aged 25 and 26, cover is only be available on cars up to insurance group 29.

## 27 Can the vehicle be used for tuition?

No, the insurance policy does not cover any driver who does not have a full licence.



## 28 How do I obtain a quotation for insurance?

Quotations for insurance are available via the Colleague Cars website. You will need to enter the following information:

- Your total annual mileage
- Your number of years no claims bonus
- Whether a tracker is fitted (most new cars do not have this unless specified as an option)
- Who will be driving and their dates of birth
- Whether you have had any claims or convictions in the last three years

Please note that the insurance premium will not be affected by variables such as factory accessories or the contract mileage on your car. This means that even if you need to contact TCH Leasing for a specific car quotation, you can still obtain a valid insurance quote from the Colleague Cars website. You will need to ensure that when ordering the vehicle, the correct vehicle quotation is noted on your order.

## 29 What if I have any questions about insurance?

A dedicated helpline is available on 01844 276197 if you wish to speak to Lloyd Latchford about the insurance policy. You can also email them at [colleaguecars@lloydlatchford.co.uk](mailto:colleaguecars@lloydlatchford.co.uk). Unfortunately they will not be able to provide you with a quotation if you fall outside of the eligibility criteria outlined above.

Please note that Lloyd Latchford will not be able to assist with vehicle related queries.

## 30 How is the insurance policy activated?

The premium quoted when you order is guaranteed until the time your vehicle is delivered. As soon as you know the delivery date, you must contact the insurance company to activate the policy. Please ensure that the policy is activated to start on the delivery date of your vehicle, otherwise there may be a period at the end of a three year term where the insurance expires and you will not be insured.

Full instructions on how to activate the policy will be sent to you. If you do not activate the policy you will not be insured.

## 31 What documentation will I receive?

You will receive a certificate of insurance and policy booklet. This pack will contain details of your responsibilities and how to make a claim etc.

### **32 Are there any events that could change the insurance premium during the term?**

No, unless you require additional drivers. If you do require additional drivers you should contact Lloyd Latchford who will provide a quotation. As the salary sacrifice is fixed, you will be required to pay the additional in premium via debit or credit card.

### **33 What if the car is involved in an accident?**

If the car is involved in an accident with a third party or you need to claim for any other reason, you must notify the insurance company. If the car needs to be recovered or a courtesy car is required then the insurance company will take care of this.

### **34 What if I need to make a claim under the insurance policy?**

You will be provided with all of the necessary information on how to make a claim when the policy is activated. The process is similar to any other personal motor policy.

You will need to fully cooperate with the insurance company with regard to any claims made by you or against you.

### **35 What if the car is written off?**

If the car is written off then the arrangement will cease and the insurance company will deal with the claim. You will need to order a new car under the scheme.

### **36 Are there any tax implications with regard to insurance?**

No, company car tax legislation incorporates the provision of ancillary services such as maintenance and insurance.

### **37 What happens to my no claims bonus?**

As with any other insurance policy, you will be required to provide proof of your no claims bonus and your new policy will also be eligible for accumulating further no claims bonus. You can request proof of your accumulated bonus if you leave the scheme.

## Changes in circumstances

### 38 Can I hand the car back at any time?

No, unless exceptional circumstances exist or if you leave employment. You will be liable for termination fees if you voluntarily leave your employer.

### 39 What if I leave employment?

If you leave employment for any reason, other than a transfer under TUPE regulations, you must return your car to TCH Leasing.

If you leave voluntarily, you will be required to pay a fee for early termination from your final salary. The amount of the fee will depend upon how much your vehicle costs to lease and the remaining term on your contract. If the fee exceeds your final salary payment, you may be required to reimburse your employer for any excess.

If you are made redundant, your employer may cover any early termination costs arising dependant on the severance package agreed.

If after the return of the vehicle there are any damage or excess mileage charges due, these will be charged to you.

### 40 What happens if I go on long term sick or maternity/paternity leave?

You can continue to have use of your vehicle. The finance element of your vehicle rental will be covered by your employer for a period of 9 months, during this period the maintenance and insurance element will continue to be deducted from your salary. After this period your full salary sacrifice will continue whilst there is sufficient pay to keep your income above statutory minimum amounts. Your pay cannot fall below statutory amounts. Any further financial assistance after this 9 month period would be at the discretion of your employer and may be subject to repayment after you return to normal employment.

### 41 What if tax rates change?

Company car tax rates are announced well in advance to ensure that those who choose a company car know what their benefit in kind will be in advance. For example, Budget 2012 announced company car tax rates for 2016/17. You should not therefore be caught out from a company car tax perspective.

Income tax and National Insurance rates do change from time to time. As an example, if the basic rate of tax were to increase by 2%, the savings under the scheme would increase by £2 per month on an average car.

Changes in the main rate of VAT may affect your payments if the increased VAT cannot be reclaimed by your employer. At present, 50% of the VAT on the finance element of the lease rental can be reclaimed.

## Salary sacrifice

### 42 Is there any impact on other pay and conditions?

From a pension perspective, your pensionable salary will reduce and therefore your own and any contributions by your employer will reduce accordingly. If you are close to retirement, participation in the scheme may affect your salary for pension calculation purposes and you should therefore consider avoiding any salary sacrifice in the calculation period. Please seek advice from your pension administrator.

Other payments or benefits that you receive from employment are unlikely to be impacted by the salary sacrifice. If you are unsure, please check with the relevant department.

### 43 Does salary sacrifice impact on state benefits?

As a salary sacrifice reduces the amount of gross pay you receive, it may have an effect on earnings related state benefits such as the earnings related element of the state pension and statutory maternity pay.

Salary sacrifice also impacts on tax credits. A reduction in salary may increase the amount of tax credits to which you are entitled.

### 44 What is the impact on statutory maternity pay?

Statutory maternity pay is based upon your average earnings in the period prior to qualifying. Earnings for this purpose will be the salary after the sacrifice and therefore maternity pay may be lower than under the pre-sacrifice salary.

In many circumstances the financial benefit of being with the scheme will outweigh any reduction in maternity pay.

### 45 What is the effect on state pension?

There are two elements to the state pension, the basic element and the second element. The basic is not affected by salary sacrifice as earnings will not be reduced low enough.

The second element is an adjusted amount depending on what you earn above the minimum wage, known as the Additional State Pension or the State Second Pension. A salary sacrifice may reduce contributions for this element for the duration of the time that you participate in the salary sacrifice, although the impact on your final state pension is likely to be negligible. You should seek advice if you are unsure of the impact on your pension benefits.

## **46 Will it affect my ability to get finance?**

As your taxable gross salary will be reduced, payslips and end of year P60 forms will show a lower amount. This may affect your ability to get credit, for example it may affect a mortgage application if the lender uses income multiples. Your employer may be willing to provide confirmation of your pre-sacrifice salary for borrowing purposes.

## Appendix I

### Company car taxation

You will be liable for company car benefit in kind taxation on your salary sacrifice vehicle. The amount of tax you will pay will depend upon the CO<sub>2</sub> emission of the vehicle you choose. The benefit in kind amount is calculated as follows:

Manufacturer's list price (at the time of delivery) x CO<sub>2</sub> scale percentage = BIK charge

The CO<sub>2</sub> scale percentage is determined by the table below (see notes below for diesels and hybrid vehicles). The amount of tax you pay will be the BIK charge multiplied by your tax rate.

CO <sub>2</sub> g/km	2013/14 <sup>1</sup>	2014/15 <sup>1</sup>	2015/16 <sup>1</sup>
0	0%	0%	13%
1-75	5%	5%	13%
76-94	10%	11%	13%
95-99	11%	12%	14%
100-104	12%	13%	15%
105-109	13%	14%	16%
110-114	14%	15%	17%
115-120	15%	16%	18%
121-124	16%	17%	19%
125-129	17%	18%	20%
130-134	18%	19%	21%
135-139	19%	20%	22%
140-144	20%	21%	23%
145-149	21%	22%	24%
150-154	22%	23%	25%
155-159	23%	24%	26%
160-164	24%	25%	27%
165-169	25%	26%	28%
170-174	26%	27%	29%
175-179	27%	28%	30%
180-184	28%	29%	31%
185-189	29%	30%	32%
190-194	30%	31%	33%
195-199	31%	32%	34%
200-204	32%	33%	35%
205-209	33%	34%	36%
210-214	34%	35%	37%
215-219	35%	35%	37%
220 or over	35%	35%	37%

<sup>1</sup>For diesel cars, add 3%