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INTRODUCTION

This document has been produced to provide basic information about the lease car scheme. We have tried to simplify the explanation and therefore the answers provided should not be interpreted as conditions of the scheme. If you wish to proceed with the scheme please ensure that you read and understand the terms & conditions of use. If, after reading this document, you would like further information or clarification, please do not hesitate to telephone this office.

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WHAT IS THE LEASE CAR SCHEME?

If you need to use a car for official business and you meet the criteria set out below, your Employer will provide you with a lease car. You will then have the option to make a payment to your Employer to use the car for your own private use. If you choose the private use option you can select any car you wish, provided that it is suitable for the work that you do and does not conflict with your Employer's policy.

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WHO CAN JOIN THE SCHEME?

The purpose of the scheme is to provide transport to employees who are required to be mobile and where it is in the interest of the Employer to do so. In this respect a car will be offered to all new and existing employees who are required to travel on Employer business. **If the offer of a car is refused in circumstances whereby the Employer considers it economically viable to provide a car, then all official Employer journeys will be reimbursed at the Public Transport Mileage Rate published in NHS Terms and Conditions of Service.**

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HOW MUCH WILL IT COST?

You will pay for the private use of the car and the Employer will pay for the business use. The Employer will pay an allowance based on your annual business mileage. We will calculate the cost of the car that you choose including insurance and maintenance etc. We will then deduct the Employers allowance from the total and you will pay the difference. Therefore if you choose a small economic car you will pay less. Depending upon your choice of car it is possible that you will pay very little for the car.

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IS IT CHEAPER THAN OWNING MY OWN CAR?

Yes. The NHS has negotiated high discounts with motor manufacturers and very competitive prices with the leading leasing companies. There are currently nine leasing companies who supply the NHS with lease cars. When we produce your quote we will obtain prices from each company and use the best price for your quote.

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CAN I CHOOSE ANY MAKE OF CAR?

Yes. One of the key benefits of the scheme is that you have a free choice of a car provided that it is suitable for the work that you do and does not conflict with your Employers policy. For example, if you carry a lot of equipment you may need a hatchback car or if you transport clients you may need five doors for easy access but generally there are few restrictions.

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WHO IS INSURED TO DRIVE THE CAR?

The car is fully covered by insurance and arranged on a fleet basis. Initially, the driver and their partner will be included in the insurance. Additional drivers may be added at your Employers discretion but you will need to provide their full details when applying for your car. There may be an additional charge and a higher excess may apply to young or inexperienced drivers.

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WHAT IS INCLUDED IN THE CONTRACT?

You can have the free choice of car (subject to your Employers approval), which will be fully insured, fully maintained and serviced. We will provide you with replacement road fund licence plus accident and breakdown recovery services. All replacement parts such as tyres, batteries and exhausts are included in the rental (subject to being a result of 'fair wear and tear').

In addition, we will provide a full supporting service. For example if you have a problem with the car we will provide assistance via our help desk. If you have an accident we will deal with all the paper work and progress the repairs we will also provide a courtesy car (subject to availability) while the accident repairs are completed. We will provide a mileage management service and advise you if your mileage needs revision and we will also advise you of your tax liability and report changes to the Inland Revenue.

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WHAT IS NOT COVERED?

If you have an accident you will pay the policy excess as you would for your own car. If young or inexperienced drivers have an accident the excess will be higher. If you are not to blame and we can claim the excess from the third party, this will be refunded.

Any damage that is not covered by the maintenance agreement can be recharged this would normally be caused by misuse or neglect, for example damage to a wing mirror or not having the car serviced at the correct intervals.

You may also be recharged for increases in road fund licence and increases in insurance premiums. However, if these items reduce you will also receive an appropriate refund.

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DOES THE LIST PRICE DETERMINE THE LEASE RENTAL?

No. Leasing companies very rarely pay the retail price for the car, they will always attract further discount. When you lease a car you are paying for five basic elements

1. The purchase of the vehicle (including discounts and cash-back offers)
2. The sale value of the vehicle at the end of the contract
3. The cost of maintenance, servicing, breakdown service, and road fund licence etc.
4. The interest on the finance element
5. The leasing companies overhead cost and profit

When calculating the rental the leasing company will deduct the estimated future value (residual value) from the purchase price and add interest, maintenance and overheads. This cost is then divided by the period of the contract.

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HOW LONG IS THE LEASE CONTRACT?

The standard contract is for three years; however you can choose to have a car over two or four years. If you return the car early there may be a termination penalty.

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HOW MANY QUOTES CAN I HAVE?

We do not restrict the number of quotes because it is important that you select the right car for you. We would ask you not to request too many quotes initially, particularly if they are for a similar vehicle. It is much better to select a small range of cars so that you can, by a process of elimination find the group of car that suits your requirement and budget. You can then request more detailed quotes for specific cars. You will find that this method will be quicker and far less confusing.

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CAN YOU RECOMMEND A CAR IF I TELL YOU HOW MUCH I CAN SPEND?

Yes. If you give us a range say £70-£90 per month we will provide a selection of cars in this price range.

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WHAT ARE THE BEST DEALS AT THE MOMENT?

At different times some cars are better value than others but generally any car that is popular and holds its second hand value will offer the best price. Some examples are detailed below for guidance only and other cars may be cheaper on application.

<u>Super Mini</u>	<u>Small Hatch</u>	<u>Medium Hatch</u>	<u>MPV</u>
Toyota Aygo	Toyota Yaris	Toyota Auris	Honda CRV
Ford KA	Ford Fiesta	Ford Focus	Citroen Xsara Picasso
Peugeot 107	Peugeot 207	Peugeot 308	Fiat Doblo
Citroen C1	Honda Jazz	Seat Leon	Ford S Max
Fiat Panda	Volkswagen Polo	Fiat Bravo	Vauxhall Zafira

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HOW LONG DOES IT TAKE TO GET A CAR?

A lot depends on how quickly you decide which car you want and how quickly the forms can be returned. From our part we will take approximately five days to provide you with quotes, documentation and the order of the car. If the car is a factory order it can take between 10 and 12 weeks depending upon the model. (Please note this is approximate and certain vehicles may take longer)

If you currently have a car we will start the process up to 4-5 months before your current car is due to be returned.

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WHAT IS BUSINESS MILEAGE?

Business mileage can be defined as any journey that you have to undertake as part of your work. This does not include normal home to work travel this is private mileage. Sometimes you may travel directly to a client or a meeting without going to your work address. Part of this journey may be classed as business mileage if it is further than you're normal home to office journey.

When you calculate your business mileage, discuss this with your manager. If you are new to the post your manager may know the mileage travelled by the previous post holder.

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WHAT IS PRIVATE MILEAGE?

Private mileage includes all journeys that you undertake for your own personal use. This includes travelling from your home to your normal place of work. Sometimes you may travel directly to a client or an appointment without going to work first. In this case part of the journey will be private and part will be business.

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WILL A REPLACEMENT VEHICLE BE PROVIDED?

You are not automatically entitled to a replacement car unless you have requested a relief car as part of your contract. However, we have in place a number of arrangements, where you may be provided with a courtesy car subject to availability. It is important that you understand the difference between a relief vehicle and a courtesy car.

A courtesy car is one that is provided free of charge by a garage or an accident repair body shop whilst they are repairing your vehicle. The car is provided as a part of their service but the service is not guaranteed and is provided on a 'first come -first served' basis. You must book a courtesy car and you may have to wait for a car to become available.

We will provide a courtesy car in the event of an accident and if you provide adequate notice most garages will provide a courtesy car for normal servicing and repairs. You can also get a car for 24 hrs if you breakdown, these are provided free.

A relief vehicle is a car that is provided as part of your lease contract and is charged on the basis of your requirement. For example you can choose a car to be immediately available or available after 24 or 48 hrs. You can also choose a minimum specification or a like for like car. The cost of this will vary considerably and could range from £35 to £200 per annum.

All courtesy cars have a manual gearbox; if you can only drive an automatic we strongly advise that you include a relief vehicle in your contract. Remember, if you want a guaranteed replacement car this must be included as an optional extra.

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WHAT IS CAR BENEFIT TAX?

When a company car is made available for the private use of an employee a 'benefit in kind' value is calculated in relation to the car.

The HM Revenue & Customs use a formula to calculate the benefit for the private use of a company car that is based on the list price of the car, the amount of carbon dioxide the vehicle emits (CO2) and also the private use contribution you make towards the car. The list price is set by the motor manufacturer, the CO2 value is based on the carbon emissions of the car (in grams per kilometre) and your private use contribution is the amount you pay for the car before fuel reimbursement.

The tax is collected through the PAYE system via an adjustment to your personal tax code. The HM Revenue & Customs will reduce your tax code by the value of the benefit. This simply means that, if you pay tax at the standard rate, the tax you pay will increase by 20% of the car benefit. When you apply for a quotation we will calculate the tax charge for you and we will inform the HM Revenue & Customs, to adjust your code, if you take a car under the scheme.

The HM Revenue & Customs publish a table of emission values that equate to a percentage figure e.g. 120 grams = 10%. The table is reviewed each year in the budget. If you chose a low emission car you will pay a lower percentage of the list price and pay less tax, and if you chose a high emission car you will pay a higher percentage of the list price and more tax.

Example car benefit calculation:

CO2 emission value	118 grams	
Percentage of list price	10%	
Car List Price	£15,000.00	
Full car benefit	£1,500.00	(10% of £15,000.00)
Less your Contribution	£1,000.00	for the private use of the car
Final Benefit	£500.00	
The tax you pay	£100.00	at standard rate

We are not financial advisors so there are limits to the advice we can give however, if you require any further explanation we will be pleased to help.

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WILL I PAY CAR BENEFIT TAX AT THE LOWER OR HIGHER RATE OF TAX?

To assess if your car benefit tax should be paid at the higher rate (40%) or lower rate of tax (20%), the HM Revenue & Customs will add the benefit in kind figure for your chosen lease car to your gross annual income and compare this against the total allowed threshold. If your gross annual income plus car benefit exceeds the threshold, then you will pay tax at the higher rate for the amount that exceeds the threshold. The total allowed threshold is made up of the sum of your personnel tax free allowance and the higher rate threshold set by the HM Revenue & Customs each year. For the 2009/2010 financial year the higher rate threshold is £37,400.00.

Example (A)		
Gross Annual Income	-	£30,000.00
Car Benefit	-	£ 2,500.00
Total Income	-	£32,500.00
Higher rate threshold (2009/2010)	-	£37,400.00
Personal allowance*	-	£ 5,225.00
Total Threshold	-	£42,625.00

The total income is less than the total threshold; therefore tax on the car benefit will all be at the lower rate (20%).

Example (B)

Gross Annual Income	-	£41,000.00
Car Benefit	-	£ 2,500.00
Total Income	-	£43,500.00
Higher rate threshold (2009/2010)	-	£37,400.00
Personal allowance*	-	£ 5,225.00
Total Threshold	-	£42,625.00

The total income is £875.00 more than the threshold; therefore tax at the higher rate (40%) will apply for the difference, the £875.00 only. The lower rate (20%) will apply for the remainder.

*Please note that your personal allowance may vary depending on your individual circumstance, if you are unsure of your allowance please refer to the HM Revenue & Customs for advice.

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SPECIAL AND LIMITED EDITION MODELS AND DEALERSHIP PROMOTIONS

Often Manufacturers and Dealerships will offer new cars as Special or Limited Editions to promote vehicle sales. These vehicles are usually basic models with dealer fitted accessories and are often re-named for marketing purposes.

Although these offers seem attractive, they are aimed solely at the retail market and would not attract the large discounts available to the NHS. We are able to provide quotations on Special or Limited Edition models but do not be surprised to find that the cost will be more expensive than a higher specification model, even if the advertised price is lower!

The same applies when a dealer offers free of charge options to promote new vehicle sales. These promotions only relate to the retail market and would not apply to a fleet purchase.

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