

## Setting up a Cycle to Work Scheme

### Why set up a cycle to work scheme?

The Cycle to Work scheme allows employers to loan cycles and safety equipment to employees as a tax-free benefit, with the option to transfer ownership to the employee at the end of the loan period. Numerous employers utilise this scheme. It will save the employee money through reduced tax contributions and the employer will save money on National Insurance contributions. It is a simple and easy to run scheme with significant benefits.

### What this Toolkit offers

This toolkit offers step by step information on the Cycle to Work Scheme including:

- 1) **Benefits of staff cycling to work**
- 2) **Cycle scheme providers**
- 3) **FAQs**

### 1) Benefits of staff cycling to work

Getting staff cycling to work will provide a number of benefits for your workplace:

- Demonstrates corporate social responsibility
- Helps to ease parking problems for staff
- Healthier & fitter staff who take fewer sick days
- Can result in reduced travel time for staff
- Reduced local congestion

### 2) Cycle scheme providers

There are numerous companies who will set up a cycle to work scheme for you, and advise on tax implications and compliance. The 'Cycle to Work Scheme Alliance' is comprised of a number of providers: <http://cycletoworkalliance.org.uk/membership/>

### 3) FAQs

This is a list of FAQs that may answer your questions about the scheme. The Cycle to Work scheme providers will be happy to answer your questions in more detail.

#### **What is salary sacrifice and how do participants save?**

A salary sacrifice happens when an employee agrees to give up part of their salary for an agreed period (in the case of the Cycle to Work scheme, this is usually 12 months) in exchange for a non-cash benefit, such as the loan of a bicycle and safety equipment. As salary sacrifice is taken from the gross salary (before tax), rather than net pay, this means the employee pays less income tax and National Insurance. Cycle to Work scheme participants can potentially save on two forms of tax; Income Tax & Employees' National Insurance Contributions (NICs).

#### **What are the savings for the employee and employer?**

Typical savings for employees are between 32% for basic rate taxpayers and 42% for high rate taxpayers, but the actual amount depends on the employee's personal tax band and the way the employer runs their scheme.

#### **What is the maximum value bicycle and safety equipment package employees can select through the scheme?**

The Office of Fair Trading (OFT) has issued a group consumer credit licence to cover employers implementing Cycle to Work Schemes that are limited at £1000 inc VAT per certificate. Employers who have their own Consumer Credit Licence Category B (consumer hire) can allow employees to request certificates of a higher value. Alternatively, employers wishing to increase the Cycle to Work Certificate value can apply for their own individual Consumer Credit Licence from the Office of Fair Trading.

### **Who owns the bike?**

The bike and equipment remain the property of the employer throughout the hire period, unless the employer uses a finance company to fund the bikes; in this case, the finance company or funding bank will own the bikes.

### **Who is responsible for maintaining the bike and what happens if it is stolen?**

It is the employee's responsibility to maintain the bike. Most schemes strongly recommend that scheme participants insure the bicycle and safety equipment as soon as they collect it from the store. However, both employers and employees need to consider insurance. Even though employers own the bikes and safety equipment, it may be more practical for the employee to have the cycle covered under their own house and contents insurance as long as they advise their insurer that their employer has an interest in the cycle. Alternatively, the employer may consider adding them to their insurance agreement with their own insurers. This needs to be determined and set out in the agreement between the employer and the employee.

### **Does the bike have to be used for commuting?**

Most cycle schemes recommend that employees should use the bike mainly for commuting to and, if relevant, between work places. However, the bike can also be used for non-work purposes and there is no need for employers to monitor individual usage or for employees to keep a mileage log. **Please note that employees cannot claim business mileage allowance with a bike that is being hired to them by their employer.**

### **What happens if an employee leaves their job or is made redundant?**

Once signed, the Hire Agreement is non-cancellable following a cooling-off period of 7 working days following collection of the goods. This means that if an employee leaves or is made redundant from their employment during the hire period they are obliged to pay the remaining salary sacrifice amount in full from net pay i.e. without any tax exemptions.

### **What safety equipment is allowed?**

It depends on which scheme you opt for but most providers include:

- Cycle helmets
- Bells
- Lights, including dynamo packs
- Mirrors and mudguards to ensure riders visibility is not impaired
- Cycle clips and dress guards
- Panniers, luggage carriers and straps to allow luggage to be safely carried
- Child safety seats
- Locks and chains to ensure cycle can be safely secured
- Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs
- Reflective clothing along with white front reflectors and spoke reflectors

*Information contained in this toolkit has been taken from the Department for Transport's Cycle to Work implementation guide: [www.dft.gov.uk/pgr/sustainable/cycling/cycletoworkguidance/](http://www.dft.gov.uk/pgr/sustainable/cycling/cycletoworkguidance/)*