

Oury Clark Quick Guides:



Cycle to Work Scheme



Employment: C23

Cycle to Work scheme is a UK Government tax exemption initiative introduced in 1999 to promote healthier journeys to work and to reduce environmental pollution.



Eligibility

Any employer can run a Cycle to Work scheme. It can benefit both the employer and the employee.

Salary Sacrifice

It is often set up in conjunction with a Salary Sacrifice scheme. Salary sacrifice is where your employee agrees to give up part of their pre-tax salary in exchange for a benefit from their employer. The salary sacrifice arrangement is typically for at least 12 months.

Tax Benefits

The benefits offered through a cycle to work salary sacrifice arrangement are exempt from tax for the employee.

The employer also does not have to pay employer NICs on the salary foregone.

Hire Agreement

A separate hire agreement (which may or may not be regulated by the FCA) will be required. This will typically be between the employee and the employer, who has either purchased the equipment or leased it from a third party. The employee will pay for the hire via the salary sacrifice arrangement with the employer.

In many cases, the hire agreement may be between the employee and a third party, such as a scheme provider(see below), who hires the goods to the employee and is remunerated by the employer from the salary sacrifice proceeds.

Conditions

- The employee must not, at any point during the hire period, own the cycle.
- At least 50% of the cycle's use must be for 'qualifying journeys' i.e. commuting to work.
- The offer of the use of hired cycles must be made available across the whole workforce.

Set Up

You can set up and run your own salary sacrifice scheme, or there are Cycle to Work scheme providers who can run a scheme for you. Scheme providers will normally:

- Ensure the scheme is fully compliant with legislation;
- Administer the scheme for you, reducing complexity;
- Advise on salary sacrifice arrangements;
- Help promote the scheme to your employees.

Using this arrangement typically means that your employee enters into a consumer hire agreement directly with the scheme provider. The scheme provider will need authorisation by the Financial Conduct Authority (FCA).

End of the hire period Up

At the end of the hire period an employee will have three options:

- extend the hire agreement;
- return the cycle and equipment; or
- buy the cycle and equipment under a separate agreement entered into at the time.

VAT

If you purchase or hire equipment, VAT will be charged on the cost (but not for cycle helmets which are zero rated).

If you do not use salary sacrifice arrangements, this is input tax and is subject to the usual rules on VAT recovery.

If you use a salary sacrifice arrangement, then this is still input tax, but the salary sacrifice constitutes consideration for the equipment and, hence, output tax will be due on the amount of salary forgone.

Suggested links:

<https://www.evanscycles.com/b2b/ride-to-work>

<https://www.bike2workscheme.co.uk/>

<https://www.halfords.com/cycling/expert-advice/cycle2work.html>

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