



Cycle to work scheme

What is cycle to work scheme?

The cycle to work scheme helps employees to obtain a cycle and its equipment through their employers while helping both, employer, and employee, save some tax.

Who can take part in the cycle to work Scheme?

Employers of any size, across the public, private and voluntary sectors are eligible to run a Cycle to Work scheme. However, the tax and NI benefits are only available to staff who are treated as employees for tax purposes. A director of a limited company can also take part in Cycle to Work schemes even if they are the only employee - assuming they pay themselves a salary through PAYE and are designated as an employee, then their salary simply needs to exceed National Minimum Wage (NMW) after the salary sacrifice is deducted from their gross salary.

If you are self-employed, the Cycle to Work Scheme is not available to you. However, you may be able to claim tax back if you wish to use bicycles and cycling equipment for business purposes.

Conditions to be met

The salary sacrifice arrangement must be for at least 12 months. This is regardless of the duration of the associated hire agreement.

The following conditions must also be met:

- An 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 for work purposes.
- The offer of the use of hired cycles must be made available across the whole workforce, with no groups of employees being excluded. This does not necessarily have to be through a salary sacrifice arrangement in each case.
- If the Employer is already FCA authorised for consumer hire of cycles, there is no limit otherwise the maximum amount of Goods (cycle and required equipment) hired can be £1,000 for each employee. Employers can offer a 'no limit' scheme by using an authorised provider.



Ways to provide cycle to work

One can provide a loan to an employee to purchase a cycle for active travel and/or safety equipment. This is like offering an advance of salary to employees for purchasing rail season tickets.

Another alternative is the workplace pool cycle model. At its simplest, you can purchase a suitable fleet of cycles for active travel and make them available to employees either on a one-to-one or a pool basis.

How a salary sacrifice scheme works

Salary sacrifice is where your employee agrees to give up part of their pre-tax salary in exchange for a benefit from their employer, in this case, the hire of a cycle for active travel and/or safety equipment.

There will also be a separate hire agreement, which may or may not be regulated by the FCA. This will typically be between the employee and the employer, who has either purchased the equipment or leased it from a third party.

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

Benefit as an employer

As an employer, lending or hiring bikes to employees doesn't count as an expense or benefit - as long as they're available to all employees and mainly used for getting to work.

This means:

- Employer does not need to report them to HM Revenue & Customs (HMRC)
- The employer saves on employer Class 1 NICs at 13.8% on the amount sacrificed.

Benefit to employee

If the scheme meets the relevant criteria, the employee saves tax (20%/40%/45%) and employee NICs on the portion of salary sacrifice.