

# Cycle to Work Scheme Frequently Asked Questions

## Background

### What is a Cycle to Work Scheme?

The 1999 Finance Act introduced an annual tax exemption which allows employers to loan bicycles and cycle safety equipment to employees as a tax-free benefit. The initiative was one of a series of measures introduced under the Government's Green Transport Plan to encourage people to reduce car journeys as well as to become fit and healthy. Employees are required to use the bicycle for some/part journeys to and from work.

### Who is involved in running the scheme?

PKC is offering the scheme in partnership with Cyclescheme Ltd.

### How does the scheme work?

Employees have the chance to lease a bicycle and cycle safety equipment over a 12 or 24-month period for use to travel for some/part journeys to and from work. The lease cost is deducted from your gross pay in equal installments over a 12 or 24-month period. You can lease a bicycle/equipment up to the value of £5,000 (including VAT). Employees can choose to enter into a 12 or 24-month hire agreement.

### How are savings made?

You are entering into a salary sacrifice agreement therefore you are exchanging contractual pay for a non-cash benefit (in this case the loan of the bicycle and relevant cycle equipment). Your gross pay is reduced by the lease deduction each month. You save money through the Cycle to Work Scheme as you only pay income tax and national insurance on your reduced gross pay.

[Understanding Salary Sacrifice Video](#)

### Are there any additional charges?

There will be a 3% admin fee added on the purchase of the bicycle and cycle safety equipment.

### Who is the hire agreement between?

The hire agreement is between the Employee and Cyclescheme. The salary sacrifice arrangement is between the Employee and PKC.

## Eligibility

### Who can join the scheme?

To participate in the Cycle to Work Scheme the eligibility criteria for the tax exemptions are:

- Employees who have a contract that covers the length of the lease period
- You must be a UK taxpayer and receive salary via the PAYE system
- The salary deduction arrangements do not reduce an employee's salary below the

National Minimum Wage/ National Living Wage

- Employees who are under 18 years of age can join the scheme but their guardian will be required to sign a guarantor agreement
- Employees will be using the bicycle for some/part journeys to and from work
- Employees who do not have any existing debt arrangements

**Is the scheme available all year round?**

Yes the scheme is available all year round.

**How long is the lease period?**

The lease period is for 12 or 24 months and the reductions in your monthly salary will commence on the nearest pay date following receipt of the certificate/voucher. Employees can choose to enter into a 12 or 24 month hire agreement.

**Do I have to use the leased bicycle to get to my work?**

Cyclescheme is a government backed initiative to encourage people to reduce car journeys as well as to become fit and healthy, you will be required to use the bicycle for some journeys to/from work and also for partial journeys to work (e.g. getting to/from train station/bus stop).

**Can I order more than one bicycle?**

Yes it is possible to lease two bicycles to one employee as long as the maximum value of the bicycles/cycle equipment does not exceed £5,000 (including vat) and minimum wage requirements are met. Employees can only enter into one hire agreement during the hire period.

**What is the maximum amount I am allowed to purchase?**

You can lease a bicycle and cycle safety equipment up to the value of £5,000 (incl. VAT).

**Why has the limit of the scheme changed from £1,000 to £5,000?**

In 2019, the Department of Transport updated their cycle to work guidance, making it acceptable for employers run an unlimited scheme or set their own cap. PKC have set a cap of £5,000

**Can I order an e-bike?**

Yes, employees can lease a bicycle (including an e-bike and specialist bike) and cycle safety equipment up to the value of £5,000. You'll find more information on e-bikes [here](#).

**Do I need to have a driving license to ride an e-bike?**

No, you do not; this is one of the many myths surrounding e-bikes.

**Can I purchase a bike and equipment over £5,000?**

You can no longer 'add funds' (also known as 'topping up'). Anything additional to £5,000 must be treated separately and not part of the hire agreement.

## Ordering a bike

### What is the process for ordering a bike?

- The employer code is 6c2bc3
- Go to [www.cyclescheme.co.uk](http://www.cyclescheme.co.uk)
- Using the on line calculator, work out how much you will save
- Use the Bike Shop Finder to access a list of Cyclescheme partner bike shops
- Visit your chosen Cyclescheme Partner Bike Shop to get a written quote for the cycle and safety equipment you wish to obtain through Cyclescheme.
- Go back on line to [www.cyclescheme.co.uk](http://www.cyclescheme.co.uk) and click on the Request a Voucher tab – this will take you to a secure site.
- Click on Start and work through each section (you'll need your National Insurance Number and payroll number), please read through the Hire Agreement fully before ticking the boxes to digitally sign the Hire Agreement.
- Your Voucher request will be received by PKC who will verify if you are eligible to join the scheme
- If you are eligible to join the Scheme, your order will then be processed and a Voucher will be issued to you by email from Cyclescheme Ltd.
- To obtain your cycle and cycle safety equipment you should produce the Voucher to the cycle shop that provided the quotation. You will require photographic ID.
- Voucher must be redeemed within a 60 day period.

### Once I sign the hire agreement, how long will it be until I receive my voucher?

Once you digitally sign the hire agreement, your voucher request will be received by PKC's Payroll & Reward Team. The Payroll & Reward Team are required to verify the [eligibility](#) of each request. Validations will take place twice per month, generally at the start of the month and then approximately two weeks later. Vouchers will be issued to employees within 5 working days following PKCs validation/payment.

### Who can I speak to if I have a query about my voucher request?

You can contact [payrollandreward@pkc.gov.uk](mailto:payrollandreward@pkc.gov.uk) or call 01738 475555 (option 3)

## Management

### Who owns the bicycle?

The bicycle and cycle safety equipment remain the property of Perth & Kinross Council (PKC) throughout the 12 or 24-month lease period.

Under the agreement employees must not sell the goods whilst they remain the property of PKC.

### **Whose responsibility is it to insure the bicycle?**

It is the employee's responsibility to insure the bicycle from theft/damage/loss and it is a requirement of the scheme that the employee takes out adequate insurance to cover the bicycle and equipment. It may be possible to arrange cover for the bicycle under individual home contents insurance policies and employees inform their insurance provider that your employer has an interest in the bicycle.

If at any time during the hire period, the equipment is lost or stolen, or damaged to the point of no longer being usable for commuting, the employee will still be responsible for any remaining payments due under this agreement but the tax exemptions will cease to apply. Where this happens, you will effectively be required to make the remaining payments out of your net salary.

### **What happens if the cycle is lost, damaged or stolen?**

If at any time during the hire period, the equipment is lost or stolen, or damaged to the point of no longer being usable for commuting, the employee will still be responsible for making any remaining payments due under this agreement but the tax exemptions may cease to apply. Where this happens, you will effectively be required to make the remaining payments out of your net salary.

It is a requirement of the scheme that you insure adequately against theft/loss/damage and other usual risks. The insurance should cover the full cost of repairing or replacing the equipment. [More Info](#)

### **Who is responsible for repairs and maintenance?**

During the period of the lease you will be responsible for any necessary repairs and maintenance. The bicycle will normally come with a one year manufacturer's warranty covering the frame and possibly other parts. Please check with the bicycle store what will be covered under warranty at the time you are choosing your bicycle.

### **What happens at the end of the hire period?**

In order to preserve the tax benefits of the scheme, there can be no guarantee or obligation to transfer ownership to the employee immediately after the hire period has ended. However, under a separate agreement transfer of ownership via Cyclescheme Ltd may be available under the following three options:

- **Own it later** - Under a separate agreement via Cyclescheme Ltd, pay a small, one-off refundable deposit (3% or 7% including VAT of the original equipment value) and continue to use the bicycle for a further 3 years. The monthly payments are zero. At the end of this period, if you wish to keep the equipment Cyclescheme will transfer ownership of the bicycle and no further payment will be required as the deposit covers this.
- **Own it now** - Take ownership of the equipment by paying the transfer of ownership fee as recommended by HMRC. Below is a table to assist in fair valuations of the bicycle.

| <b>Age of bicycle</b> | <b>Acceptable disposal value percentage<br/>Original price of the bicycle less than £500</b> | <b>Original price £500+</b> |
|-----------------------|--|-----------------------------|
| 1 year                | 18%  | 25%                         |
| 18 months             | 16%  | 21%                         |
| 2 years               | 13%  | 17%                         |
| 3 years               | 8%   | 12%                         |
| 4 years               | 3%   | 7%                          |
| 5 years               | Negligible   | 2%                          |
| 6 years & over        | Negligible   | Negligible                  |

- **Return the bicycle** at your own cost at the end of the 12 or 24 month hire period.

### [End of Hire Process Video](#)

#### **Can I return the bicycle(s) during the Employee Hire Agreement and have my reduction in gross pay reinstated?**

No. This is a 12 or 24 month agreement and we are unable to reverse the salary reduction even if you no longer require the bicycle. You must therefore be certain that you need the equipment and are able to afford the reduction for the whole of the period before agreeing to join the scheme. The Council holds no responsibility in the event that an employee enters into this agreement, which they subsequently feel they cannot afford.

#### **What happens if I leave the Council?**

If an employee leaves the Council for any reason before the end of the hire period, they will no longer be entitled to benefit from the tax exemption and consequently required to pay a termination fee. The termination fee is calculated by taking the standard monthly deduction and multiplying it by the number of months remaining under the hire agreement and this will not benefit from any tax exemption.

By terminating your employment you are effectively losing the right to the Tax and National Insurance savings. The outstanding balance will be deducted from the final net salary payment.

If there is insufficient net pay to recover the termination fee the employee will be required to pay the unpaid balance within 6 weeks after the end of the contract of employment. The Council will make every effort to recover all outstanding amounts due.

## **General Queries**

#### **How does the scheme affect my pay?**

By participating in the scheme you will be agreeing to a contractual change to your salary for a period of 12 or 24 months.

Your new salary will be your original gross pay less the monthly lease deduction and you will pay income tax and national insurance on the revised gross pay.

**Will work-related pay benefits be affected?**

The agreement will not affect payments such as overtime and pay awards or the Local Government Pension Scheme or Scottish Teachers' Superannuation Scheme. However, the agreement may affect entitlement to State Pension, Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay, Statutory Adoption Pay and any other means tested benefits or tax credits.

Employees should ensure they are fully aware of their individual circumstances and the effect that a reduction in pay may have prior to entering into an agreement.

**As it's a benefit do I need to tell the Inland Revenue?**

No. The scheme is set up so that under the current tax rules you do not have to pay tax on the benefit and therefore you do not have to notify the Inland Revenue.

**What if by taking part in the scheme my earnings will drop below the average minimum wage?**

If by taking part, your earnings will drop below the minimum wage level you are not eligible to join the scheme.

**I currently purchase Childcare Vouchers through the Council's scheme, can I also lease a bicycle?**

Yes, however, if by taking part your earnings drop below the minimum wage level you are not eligible to join the Cycle to Work scheme.

**Will any financial reference be affected?**

When a financial reference is received on behalf of an employee, the employee's notional salary i.e. before the deduction would be quoted. You should be aware that a lender may base any decision on actual salary (i.e. your reduced salary).

**Is there a mileage allowance for using my bicycle during work?**

Please note that employees cannot claim the 25p per mile cycling allowance (20p per mile tax free) for business travel as detailed in the Cycling Allowance Policy when journeys are undertaken using a bicycle which is the property of the Council.

**Can I purchase a micro scooter as part of this scheme?**

No you cannot get micro scooters or any type of motorised vehicle on the cycle to work scheme.