

CYCLE TO WORK SCHEME

Introduction & Purpose

Perth & Kinross Council along with Cyclescheme Ltd has introduced a Cycle to Work scheme in conjunction with HM Revenue & Customs Regulations.

The 1999 Finance Act introduced an annual tax exemption which allows employers to loan cycles and cycle safety equipment to employees as a tax-free benefit to promote healthier journeys to work and to reduce environmental pollution. The exemption was one of a series of measures introduced under the Government's Green Transport Plan. The tax exemption applies when an employee uses the cycle for some journeys to/from work or partial journeys to/from work.

The scheme is a voluntary arrangement which allows Council employees the opportunity to lease a cycle and cycle safety equipment up to the value of £5,000 (incl. VAT). The lease cost is deducted from the employee's gross pay in equal instalments over a 12 or 24 month period. The employee can choose to enter into a 12 or 24 month hire agreement. A 3% admin fee will be added to the purchase price of the bicycle and cycle safety equipment.

The Cycle to Work Scheme falls under the Salary Sacrifice Initiative. The employee sacrifices contractual pay in exchange for a non-cash benefit, in this case the loan of a cycle and related equipment.

Savings are made due to salary sacrifice being deducted from gross pay prior to any income tax or national insurance being deducted.

Scope and Eligibility

The scheme is open to employees and Councillors within Perth & Kinross Council who satisfy the following eligibility criteria. The scheme is available all year round.

Eligibility Criteria

- Employees who have a contract which covers the length of the hire 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
- 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 cycle for some/part journeys to and from work
- Employees who do not have any existing debt arrangements

Benefits of the Scheme

There are many benefits to employees in participating in the Cycle to Work Scheme.

Benefits to the Employee

- Possible Income Tax and National Insurance Contribution savings
- Improved health and fitness
- Increased employee satisfaction and wellbeing
- Improved environment
- Lowering your carbon footprint and helping the environment
- Flexibility of 12 or 24 month hire agreement

Conditions of the Scheme

Eligible equipment includes cycles and cycle safety equipment. The tax exemption defines a “cycle” as a ‘bicycle, a tricycle, or a cycle having four or more wheels not being in any case a motor vehicle’ (192(1) of the Road Traffic Act 1988 (c52)). An electronic assisted pedal cycle can be included under the scheme.

Cycle Safety Equipment includes:

- Cycle helmets which conform to European standard EN 1078
- Bell and bulbs horns
- Lights, including dynamo packs
- Mirrors and mudguards to ensure rider’s visibility is not impaired
- Cycle clips and dress guards
- Panniers, luggage carriers and straps to allow luggage to be safely carried
- 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
- Replacement parts to keep a cycle roadworthy
- Adaptions for disability/mobility issues
- Reflective clothing along with white front reflectors and spoke reflectors

Cycle Safety Equipment not included:

- Cycle computer
- Waterproof clothing which is not reflective clothing
- Cycle training
- GPS trackers and navigation devices
- Cameras

Additional Conditions

Employees Under 18 years old

All employees requesting a voucher online will be asked the question if they are aged 18 or over? If the answer is NO, the employee will be directed to the downloadable Loan Agreement and Guarantor Form. Any request from an employee under the age of 18 will be refused if not accompanied by a guarantor form.

Right to Cancel

Under the Consumer Protection (Distance Selling) Regulations 2000, you have a right to cancel the Hire Agreement within 7 working days beginning with the day you have received the goods. You may cancel the agreement within that period by giving written notice to your employer.

Responsibility of the Equipment

The employee will be responsible for keeping the cycle and its equipment in good working order and must ensure the safekeeping of the cycle and cycle safety equipment against theft, loss or damage.

It is a requirement of the scheme that the employee takes out adequate insurance to cover the cycle and equipment against theft, loss or damage. It may be possible to arrange cover for the cycle and equipment under individual home contents insurance policies and employees should inform their Insurance Provider that their employer has an interest in the cycle.

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.

Under the cycle to work scheme, the cycle and equipment are not the property of the employee and must not be sold.

Return of Equipment

The agreement does not allow for the return of the cycle or cycle safety equipment during the hire period. The reduction in gross pay cannot be reinstated. Accordingly the employee must be certain that the equipment is required before joining the scheme. The Council holds no responsibility in the event that an employee enters into the agreement which they subsequently feel they cannot afford.

Termination of Employment

If an employee leaves the Council for any reason before the end of the hire period, a termination fee will be required by way of compensation of the non-completion of the cycle to work scheme. When an employee terminates employment, they are

effectively losing their 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.

Salary Related Payments/Benefits

The salary reduction will not affect other related payments such as overtime and pay awards. 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 prior to entering into an agreement. Perth & Kinross Council and Cyclescheme Ltd cannot provide financial advice on individual circumstances and employees should seek any necessary independent additional advice before making an application.

Occupational Pension Contributions

Where the employee is a member of the Local Government Scheme or Scottish Teachers' Superannuation Scheme, deductions will be made on the full salary before the deduction of the Cycle Scheme repayments.

No Pay Period

When an employee commences a period of no pay such as sickness absence, the Council will no longer be able to deduct payments from the employee and there will be no further exchange of salary for repayments due to insufficient salary. The payments will cease temporarily and the length of the hire will be extended accordingly. There will be a limit of 6 months' temporary suspension of payments.

Mileage Allowance

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 cycle which is the property of the Council.

Ownership

The cycle and cycle safety equipment remain the property of Perth & Kinross Council throughout the 12 or 24 month lease period. Under the agreement, employees must not sell the goods whilst they remain the property of Perth & Kinross Council.

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 options:

- 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 Ltd will transfer ownership of the bicycle and no further payment will be required as the deposit covers this.
- 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 bike.

Age of cycle	Original price of the cycle less than £500	Acceptable disposal value percentage	
		Original price £500+	
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.

How to Join the Scheme

- The employer code is 6c2bc3
- Go to 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 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), You will be required to select whether you want to enter into a 12 or 24 Hire Agreement.
- Please read through the Hire Agreement fully before ticking the boxes to digitally sign the Hire Agreement.
- Employees will be asked if 18 or over, if the answer is NO you will be directed to a separate process where you will have to provide a guarantor form.
- If you do not fully understand the terms and conditions of the Hire Agreement please contact Cyclescheme Ltd.
- You can print off a copy of the Hire Agreement from the Options box on the right hand side of the screen
- Your Voucher request will be received by Perth & Kinross Council 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 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.
- If the cycle you require is not in stock the supplier will arrange delivery. You must fully utilise the amount agreed as specified at the time of completing the Hire Agreement
- Voucher must be redeemed within a 60 day period.

Cycle to Work Scheme Contacts

Cyclescheme Ltd on 0344 879 5101 info@cyclescheme.co.uk

Human Resources on HR@pkc.gov.uk

Payroll and Reward on payrollandreward@pkc.gov.uk