

CYCLE TO WORK SCHEME

Introduction and Purpose

Perth and Kinross Council in partnership with SME HCI Ltd (Vivup) has introduced a Cycle to Work scheme in conjunction with HM Revenue and 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 providing the cycle and associated safety equipment is mainly used (at least 50% of its usage) for "qualifying journeys" i.e. commuting between your home and workplace, part of those journeys or occasional work-related journeys. There is however no requirement to keep a log of these. The bicycle and/or safety equipment can also be used for recreational purposes.

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 £3,000 (incl. VAT). In exceptional circumstances the Council will consider requests up to the maximum value of £5,000 (incl. VAT). This will be assessed on an individual basis, subject to meeting the relevant criteria.

The lease cost is deducted from the employee's gross pay in equal instalments over a 12 or 18 month period. In addition, an end of agreement fee (often referred to as a disposal fee) is taken as a net deduction from salary at the end of the 12 or 18 month hire agreement repayment period. This is necessary to evidence the disposal of an asset exiting from the loan period of the scheme to ensure the bike and equipment are not deemed a taxable benefit by HMRC.

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. Applications cannot be submitted to secure a bike for someone else. The cycle and related equipment must be used by you and mainly for the purpose of commuting to work.

Potential 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 and 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/National Living Wage
- Employees who are under 18 years of age can join the scheme but will need an advocate to sign the Hire Agreement
- Employees will comply with the Government guidelines by using the cycle and or safety equipment for commuting and work-related journeys (at least 50% of its usage)
- Employees who do not have any existing debt arrestments

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 spreading payments over a 12 or 18 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
- Bells, bulb horns and 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
- 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
- Replacement parts to keep a cycle roadworthy
- Adaptions for disability/mobility issues
- Reflective clothing or reflective cycle equipment e.g. spoke reflectors

Cycle Safety Equipment not included:

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

Additional Conditions of the Scheme

Employees Under 18 years old

Any request from an employee under the age of 18 will be refused unless an advocate signs the Hire Agreement.

Right to Cancel

You have a right to cancel the Hire Agreement including the End of Agreement Fee within 14 calendar days from the date you receive either a copy of, or an email containing a link to the fully approved and executed Agreement. You may cancel the Agreement by emailing the completed cancellation form in the Agreement to SME HCI Ltd (Vivup) customersupport@vivup.co.uk

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 and end of agreement fee 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.

During the hire period, 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, you will be liable for the balance outstanding (original hire agreement value less salary deductions taken) plus an administrative charge equal to the End of Agreement Fee. 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 Payroll and Reward Team will contact the employee to arrange settlement. This requires to be made within 7 days. 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 and Kinross Council and SME HCI Ltd (Vivup) 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' Pension 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

As detailed in the [Cycling Policy](#) you must seek authorisation from your Manager before undertaking a business journey by bicycle. If this is approved you are entitled to claim 25p per mile cycling allowance (20p per mile tax free) for business travel.

Ownership

No guarantee of offer of ownership can be given to Employees at any point before or during the hire period as per Government guidance.

The cycle and cycle safety equipment remain the property of HCI Ltd (Vivup) throughout the 12 or 18 month hire agreement period. Under the agreement, employees must not sell the goods whilst they remain the property of HCI Ltd (Vivup).

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. At the end of the 12 or 18 month hire period SME HCI (Vivup) will contact you to detail your options which would form a separate agreement. This could include:

Extending the hire period

The end of hire agreement fee deducted from your salary at the end of the hire period is used as an admin fee to extend the loan of the cycle/equipment for 1 or 2 years dependent on the value of the bike, by which time the bike value is offset by the end of hire agreement fee and the ownership of the cycle is then transferred to the employee. During the extended hire period there is still a requirement to use the bike for commuting to work.

Transfer of Ownership

Cycles can be sold for a fair market value as recommended by HMRC. The end of hire agreement fee already taken from your salary is offset against this value, and you pay SME HCT Ltd (Vivup) any balance due.

Table to assist calculation of fair valuations of the bike.

Age of bicycle	HMRC Fair Market Value where original bike price under £500	HMRC Fair Market Value where original bike price over £500
1 year	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%

Return and Disposal of Item(s)

If you do not wish to extend the agreement or proceed with transfer of ownership at the end of the hire agreement period SMC HCI Ltd (Vivup) will arrange for it to be collected from you and recycled.

The end of hire agreement fee will always be deducted at the end of the hire agreement period irrespective of the option selected above.

Application Process

1. Ensure you have read the Cycle to Work Scheme Guide, accompanying FAQs and terms and conditions which details information regarding ordering under a salary sacrifice arrangement.
2. Login in or register to the [Employee Benefit Platform](#) and access the Cycle to Work Scheme Benefit.
3. You have the option of ordering a bike and or equipment online which will be delivered directly to your home or by visiting a participating bike shop.

More information on the ordering process can be found on our [Employment Benefits Cycle to Work Scheme Page](#)

Cycle to Work Scheme Contacts

Vivup at customersupport@vivup.co.uk
or 01252 784540

PKC Payroll and Reward Team at payrollandreward@pkc.gov.uk
or 01738 475555 Option 3.