

# Vivup 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.

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.

#### ***Who is involved in running the scheme?***

From 22 March 2024 PKC is offering the scheme in partnership with SME HCI Ltd (Vivup).

#### ***How does the scheme work?***

Employees have the opportunity to lease a bicycle and cycle safety equipment over a 12 or 18 month period. Applications must be for the employee only and cannot be submitted to secure a bike and or safety equipment for someone else.

The Scheme is offered under a salary sacrifice arrangement which means an employee gives up the right to receive part of their salary in return for the Employer providing a bicycle and/or safety equipment for their commute to work.

The lease cost is deducted from the employees gross pay in equal instalments over a 12 or 18 month period. In addition, an end of arrangement 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.

#### ***How are savings made?***

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. You do not attract any savings on the end of agreement fee however as this is a net deduction.

### ***What agreements need to be in place to participate in the scheme?***

You will enter into a combined hire agreement and salary sacrifice arrangement with Perth and Kinross Council for the provision of a bicycle and/or safety equipment.

## ***Eligibility***

### ***Who can join the scheme?***

The scheme is open to employees and Councillors within Perth and Kinross Council who satisfy the following eligibility criteria:

- Employees who have a contract that 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

## ***Scheme***

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

Yes.

### ***What is the maximum value that I can order through the scheme?***

PKC have set the scheme maximum at £3,000 (incl. VAT). In exceptional circumstances however the Council will consider requests up to the maximum of £5,000 (incl. VAT) which will be assessed on an individual basis, subject to meeting the relevant criteria. An email should be submitted to [payrollandreward@pkc.gov.uk](mailto:payrollandreward@pkc.gov.uk) in the first instance as any application exceeding £3,000 cannot be submitted through the employee benefit platform.

It should be noted that salary sacrifice cannot take you below the National Minimum Wage/National Living Wage, so the value available to you may be lower than the limit set.

### ***How long is the lease period?***

Employees can select either a 12 or 18 month hire agreement. Salary reductions will commence the month following authorisation of your order request by the PKC Payroll and Reward Team.

### ***Why do I need to pay an End of Agreement Fee?***

The cycle to work scheme is the loan of a bike for the period of 12 or 18 months. As part of the approved scheme there has to be an end of agreement fee taken from net salary (disposal of an asset) which is necessary to ensure that it is not

treated as a taxable benefit.

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

Yes. The Cycle to Work Scheme is a government approved scheme and in order to benefit from tax and national insurance savings at least 50% of the bicycle and or safety equipment use must be for “qualifying journeys” i.e. commuting to work purposes. The bicycle and/or safety equipment can also be used for recreational purposes.

***Can I order more than one bicycle through the Scheme?***

Yes, it is possible to lease two bicycles, but they must both be used for you to commute to work. You can only have one hire agreement running at one time and the combined value cannot exceed the £3,000 limit set.

***Can I use the Scheme to get a bike for a family member, partner, or friend?***

No as the condition of the tax-free cycle scheme is that it must be used by you mainly for the purpose of commuting to work.

***If I order a mail order bicycle, can I exchange it if I order the wrong frame size, don't like the bicycle I ordered, or change my mind once I have received it?***

You can exchange the bicycle ordered through mail order after receiving it, but only if the bicycle is in brand new condition, has not been used and is repackaged securely in the original packaging. You will be charged an additional £50 fee to cover collection of the first choice bicycle and delivery of a new bicycle. To avoid this fee, it is important that you order the correct frame size and ask for advice when contacted to arrange delivery if there are any concerns.

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

Yes, providing you meet the eligibility criteria and the value does not exceed the £3,000 limit.

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

Electric bikes are known as “electrically assisted pedal cycles”. You do not need a licence to ride one.

***What can I include as safety equipment?***

Examples of items that count as safety equipment under the approved scheme include:

- 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

### ***What can't I include as safety equipment?***

Examples of items that do not count as safety equipment under the approved scheme include:

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

### ***Can I top up and pay the balance personally if I want a bicycle and or safety equipment over the £3,000 limit?***

As the bicycle and or equipment is being hired under a consumer hire agreement via a salary sacrifice deduction it is not possible for employees to use their own funds to top up and pay the balance over the £3,000 limit. This however, does not preclude the employee from separately buying additional equipment.

## ***Ordering a bike***

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

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](#)

### ***Once I sign the hire agreement, when will I receive my bicycle/and or safety equipment?***

Once you digitally sign the hire agreement, PKC's Payroll and Reward Team are required to verify the [eligibility](#) of your request. The Team aim to complete validations within 5 working days. You will then be contacted by Vivup normally within one working day of your order being authorised to give you an update on your order. Supply of your bicycle and or safety equipment is conditional on availability from the supplier or manufacturer at the time of order. Bespoke bicycles often have extended manufacturing times.

### ***Can I cancel my hire agreement?***

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 Vivup [customersupport@vivup.co.uk](mailto:customersupport@vivup.co.uk)

## ***Management***

### ***Who owns the bicycle?***

The Cycle to Work Scheme is a loan scheme with no right of ownership, therefore no guarantee of ownership can be given to employees at any point before or during the hire period.

The bicycle and cycle safety equipment remain the property of SME HCI Ltd (Vivup) throughout the 12 or 18 month hire period.

Under the agreement employees must not sell the goods whilst they remain the property of SME HCI Ltd (Vivup).

### ***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 may wish to inform their insurance provider of the fact a salary sacrifice arrangement is in place.

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.

### ***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.

### ***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 18 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 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 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*

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

If you have any queries about the options available, please contact Vivup on 01252 784540 or email [customersupport@vivup.co.uk](mailto:customersupport@vivup.co.uk)

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

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.

## **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 18 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 an employee benefit do I need to tell HMRC?***

No. Due to the end of agreement fee process this is not deemed to be a taxable benefit.

### ***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 have other salary sacrifice deductions 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?***

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.

***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.