

Tax-Free Bike for Work

The Council has partnered with a company called Cyclescheme to provide bikes for staff at big savings.

How does the scheme work?

You choose a bicycle from one of the approved suppliers that suits you, together with equipment, up to the value of £3000. The Council will then buy the bike and equipment you have chosen and hire it back to you. You will be provided with a voucher to enable you to collect the bike from your chosen approved supplier. The hire period lasts for 48 months, but you pay for it over the first twelve months via a salary sacrifice scheme. You benefit by not paying the tax and national insurance contributions on the salary you have sacrificed, (to calculate how much salary you will need to sacrifice go to <http://www.cyclescheme.co.uk/A610F8> click on the "Use the calculator" button and then the "Show advanced details" button). During the hire period you will have sole use of the bike and will be expected to maintain it, insure it and store it. At the end of the hire period you may be given the opportunity to buy the bike at fair market value, which after 4 years is in the region of 7% of the purchase price.

Frequently Asked Questions

I'm interested, what do I do next?

1. Visit a participating cycle shop to choose a bike and equipment up to the value of £3000 – you will be given a quote with a unique reference.

(To find your nearest participating shop go to <http://www.cyclescheme.co.uk/partners>)
2. Enter details of your quote on the dedicated [Cyclescheme BFC website](https://myaccount.cyclescheme.co.uk/request/301311658933) at <https://myaccount.cyclescheme.co.uk/request/301311658933> (the employer code is A610F8)
3. HR will check your eligibility for the scheme
4. If you are eligible HR will ask you to sign a hire agreement
5. HR send you a voucher for the bike
6. You return to the bike shop with your voucher and photographic ID to collect the bike

Who is eligible for the scheme?

The Scheme is open to all full, part-time and contract staff whose term of employment is more than the period of the loan (48 months).

To take advantage of the tax breaks that result from salary sacrifice please also note:

- You need to be a UK taxpayer via the PAYE system
- You need to be over 18 years of age to comply with Consumer Credit Act legislation
- You need to be earning more than the National Minimum Wage after your loan repayment has been deducted.

What is the salary sacrifice scheme?

Salary sacrifice is an agreement to waive part of your salary in exchange for a tax free benefit, such as this bike scheme. Employees benefit from the scheme because tax and National Insurance contributions are only calculated after the sacrifice, so on a lesser amount. Salary sacrifice does not affect your Local Government Pension, as contributions are calculated by reference to your salary before any sacrifice. However, state benefits (the state pension, Statutory Sick Pay and statutory elements of maternity pay) are calculated on the reduced salary, so employees will want to consider this when deciding whether to take advantage of salary sacrifice.

What are the savings?

Typical savings are 32% but the precise amount depends on your personal tax band. An individual being taxed at the higher rate will save a bit more (around 42%) than someone who pays standard rate tax. Follow this link for a ready reckoner <http://www.cyclescheme.co.uk/A610F8> click on the "Use the calculator" button and then the "Show advanced details" button.

Finally, the fair market value payment needs to be taken into account to establish the total savings.

What is the hire period?

The hire period is 48 months

What is the payback period?

The payback period is 12 months. Early leavers need to pay all outstanding monies from their net salary and may be charged a termination fee that covers the fair market value payment (legally required to transfer the title of goods to them).

The termination fee will not exceed a value equal to the outstanding monthly salary reductions. The termination fee will be collected by your employer from any remaining net salary payments.

Who actually owns the bike?

The bike and goods remain the property of your employer until the hire period finishes.

What happens at the end of the hire period?

At the end of the hire period you may be given the opportunity to buy the bike for a fair market value (plus VAT). Fair market value is calculated by the employer and is the amount that a willing buyer would pay to a willing seller to purchase the bike. As a rough guide, at the end of the 48 month hire period the Council has been advised that the fair market value could be in the region of 7% of the purchase price. This arrangement cannot be guaranteed nor written within the hire agreement otherwise it would constitute a benefit in kind and therefore not be eligible for any tax savings.

If you choose not to own the bike you will be charged a disposal fee, likely to be equivalent to the fair market value, for the Council to dispose of the bike.

Who is responsible for maintaining the bike?

You are responsible for maintaining the bike for your own use. Your local shop will be able to advise you about necessary servicing depending on how you use your bike.

Who is responsible for insuring the bike?

Yours, even though you are still paying for your bike through salary sacrifice. When you sign the hire agreement you are agreeing to insure the bike. Please check your household insurance to see if a bicycle is covered under your existing insurance.

You should advise your insurance company that your employer has an interest in the goods to be insured.

What happens if the bike gets stolen or damaged beyond repair during the hire period?

Since you can no longer cycle to work you have effectively left the scheme and you will need to pay all outstanding amounts from your net salary i.e. without any tax savings.

You will need to contact your insurance company to make a claim.

What happens if I leave my job, or my contract is terminated, before the end of the hire period?

Under the terms of the Hire Agreement and the Credit Consumer Act, the agreement to pay your loan is non-cancelable. This means that you will need to settle all outstanding monies before you leave. The outstanding balances will be deducted from your final net salary payment as a termination fee. Settlement will be from net pay because once you leave, you also leave the bike scheme, and are no longer eligible for tax deductions. The termination fee will not exceed a value equal to your outstanding monthly salary reductions.

For early leavers who wish to keep the bike package, a fair market value payment (to legally transfer the title of goods) will be payable. If you do not wish to keep the bike, a disposal fee will be charged, which is likely to be equivalent to the fair market value.

How often does the bike have to be used for work?

There is no requirement for you to cycle to work for a specified number of days throughout the year and there is no special requirement for you to record your trips. You can also use the bike for leisure at weekends and on holiday, although a bike purchased under Cyclescheme should be ridden for at least 50% of time during trips to work. (Please refer to this page for guidelines on bike use.)

Does there need to be a record kept of work mileage?

The Inland Revenue does not expect you to keep a record of mileage.

Can a mileage allowance be claimed for business trips on the bike?

No, since the employer owns the bike you cannot claim mileage when using your bike until the end of the salary sacrifice period.

Can bikes be procured via a mail order specialist?

Some partner shops are capable of supplying bike packages mail order from their shops, under the government's green travel plan. However, there are distinct advantages when getting a bike from your local bike shop that will be the first port of call for advice, servicing, after sales and warranty. Please note that, because of this deficiency, some mail-order specialists are not part of the Cyclescheme Partner network.

Are electric-assist bikes allowed in the scheme?

Yes, you can select electric-assist bikes in the scheme. However, you cannot exceed the £3000 limit.

Will the partner shop be able to order my bike for me?

Bike shops can order bikes and accessories for you but may wish to either take a deposit or have any carriage fees covered to prevent them from being left with a special-order bike or paying extra carriage fees.

Any deposits taken on your credit card will be credited back when you redeem your voucher.

Please note that Cyclescheme does not insist on deposits being taken and all such transaction requests are at the discretion of the bike shop or at the request of the employee.

Can I buy a custom bike through the scheme?

A very small selection of Cyclescheme's partner bike shops may wish to add an administration fee to quotes for custom bikes.

This is because the profit margins on custom bikes, built in the UK, are lower than those available on standard, mass-produced bikes. The shop also has much more administration when building a custom bike as parts have to be ordered in advance and in-house builds coordinated amongst other daily work.

The administration fee is typically no more than 10 to 12% and is ONLY applicable to custom bikes.

It is worth noting that the savings from the scheme are also applied to reduce this administration fee to well below 10%.

Can I obtain a second hand bike through Cyclescheme?

No, Cyclescheme does not allow second hand bikes to be obtained because your rights are not protected to the same extent as with new bikes.

We are also concerned that you may not get the right size and that existing wear and tear could compromise your first year's hire during which time you are responsible for its maintenance and roadworthiness.

If you have any questions regarding the scheme please contact Phil Burke by telephoning 01344 351266 or by email at phillip.burke@bracknell-forest.gov.uk