

# Cycle to Work Scheme

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## Introduction

### Overview

1. The cycle to work scheme enables you as an employee to obtain a bicycle, accessories and safety equipment, to use mainly for commuting purposes by way of a salary sacrifice scheme. This enables you to make savings by reducing your Income Tax and National Insurance achieving savings of between 32% and 47%.
2. Cycle2Work has been chosen by MOD to act as our third-party facilitator. They are an independent company created to help both employers and employees make the most of the Green Transport Plan Initiative and associated tax concession offered by the Government.
3. Cycle2Work are partners with Tredz as well as a considerable number of bike shops in the local area including household names such as Halfords. Cycle2Work customers are not limited to any particular bike or accessory brand and therefore can choose the best for quality and value-for-money.

### Applies to

4. All permanent civilian staff who have completed at least two months' service. Fixed term appointees may also apply, provided that your line manager endorses the application to confirm that you will be employed by MOD throughout the entire recovery period of the salary sacrifice arrangement.
5. The scheme does not include overseas staff including LEC's, Agency staff and Interns. Employees are not eligible to hire a bicycle if they are absent on nil or half pay, receiving sick pay at pension rate, unauthorised leave or other leave without pay.
6. To take advantage of the tax breaks that result from salary sacrifice please also note:
  - You need to be a UK taxpayer;
  - 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.

## Applying for the Cycle to Work Scheme

### Process

7. If you hire a bicycle through the cycle to work scheme, you should make sure you are aware of the rules surrounding salary sacrifice schemes by reading this guidance carefully.
8. Cycle2Work is a letter of collection-based solution. You will need to apply for an amount and once approved, a letter of collection will be sent to you via email which can then be redeemed against your chosen cycle and/or safety accessories.
9. Employees can spend up to £4,000. This amount will also need to include VAT.
10. Only cycles for active travel and cyclist's safety equipment can be hired under the Cycle to Work Scheme. Cycles are defined as being 'a bicycle, a tricycle, or a cycle having four or more wheels, not being in any case a motor vehicle' (Section 192(1) of the Road Traffic Act 1988 (c.52)). An Electrically Assisted Pedal Cycle (EAPC) can be included under the scheme. The scheme does not include the purchase of manual or electric scooters.
11. A bike purchased under the scheme should be used for at least part of 50% of the journeys you travel to and from work. However, there are no requirements for you to cycle to work for a specified number of days throughout the year and there is no requirement from MOD for you to record your journeys. You can use the bike for leisure and on holiday.
12. In order to obtain a voucher:
  1. If you have not yet registered for the mylifestlye hub then select [this link](#), and follow registration instructions. *Please note that your payroll ID is your MOD staff number, this can found on HRMS or your Payslip.* Or, if you have already registered then sign in via [this link](#) with your username and password.
  2. Select *mybenefits* then select Cycle 2 Work Scheme. Here you will find useful information regarding the scheme.
  3. Click on 'Links' to either find a bike at a local store including independent shops, or online at Halfords or Tredz.
  4. Once you have chosen a bike and/or safety accessories, please note the total cost then return to *mybenefits*, selecting Cycle 2 Work Scheme and clicking on 'Connect to Cycle2Work' in the top left hand corner of the page and you will be taken through to the Cycle2Work portal to process your application.
  5. Once submitted, your application will await approval from MOD. Please note that a manual check needs to be undertaken by DBS at this stage and it could take a number of working days to complete this. As soon as the approval has been given, your letter of collection will be automatically dispatched to you via email for you to

then take into your chosen store, or redeem online to get your bike and/or safety accessories.

13. The cycle to work scheme is salary sacrifice scheme. Repayments are taken via salary sacrifice whereby an employee gives up the right to receive part of their pay due to them under their contract of employment in return for the employer's agreement to provide some form of non-cash benefit, in this case the hire of a cycle and related equipment. The salary sacrifice is taken from the employee's gross, rather than net salary for the 12 months of the hire period.
14. DBS will set up the repayment schedule and the advance will be recovered by salary sacrifice from pay in equal monthly payments over 12 months. This will usually start within two months of the redemption of the voucher depending on payroll cut-off dates. The salary sacrifice period is non-negotiable and is not affected by the value of money approved.

## **Employee FAQs**

### **How much can I save?**

You will save between 32% and 47% on the total cost of a bike through tax and national insurance depending on which level rate tax payer you are.

### **What equipment can I purchase?**

As well as a bicycle you can purchase the below safety equipment however please note that this list is not exhaustive.

- Cycle helmets which conform to European standard EN 1078
- Bells and bulb horns
- Lights, including dynamo packs
- Mirrors and mudguards to ensure riders 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
- Reflective clothing along with white front reflectors and spoke reflectors

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

The goods remain the property of Cycle2Work throughout the initial 12 month hire period.

### **Who is responsible for the maintenance of the bike?**

You are responsible for maintaining the bike for your own use. Local bike shops will be able to provide advice about servicing depending on how the bike is used.

### **Should cycles be insured?**

Whilst the goods remain the property of Cycle2Work throughout the initial 12 month hire period, you are responsible for its appropriate care, maintenance and security. Therefore, it

is recommended that you take out separate insurance, or check if the cycle is covered under your home contents insurance policy (in which case you should tell the insurer who owns the cycle). Salary sacrifice repayments will continue irrespective of any insurance claim. Cycle2work also provide 8 weeks free insurance, this must be activated using the link on your Letter of Collection.

### **What if the bike is stolen?**

If the bike is stolen during the hire period, you will still be required to complete the full payment until the hire period finishes. You should ensure that you have insured the bike and use the appropriate safety equipment to safeguard against loss, damage or theft of the bike.

### **Can I purchase more than one bike?**

Yes, you can hire a maximum of two cycles if, for example, a cycle is used at either end of a train journey between home and place of work. However, both cycles should be used for commuting and must be hired at the same time. As above, this is subject to the £4,000 limit.

### **Can I put my own funds towards the cost?**

No, you cannot use your own funds towards the cost of goods being hired under a consumer hire agreement. This, however, does not prevent you from separately buying additional equipment.

### **Can I claim mileage allowance?**

You cannot claim the tax free mileage allowance for using the bike for the duration of the scheme. However, once your salary sacrifice is complete and you have opted to buy the bicycle at market value, you will then be eligible to claim bike mileage for business travel.

### **How will pay be awarded?**

Any pay award will be based on your unreduced salary. The amount you are paying towards the bike will not change.

### **How will this affect my pension?**

Salary sacrifice arrangements can affect your employee's entitlement to some state benefits. This is because both the gross pay of the employee is reduced, and the NICs they pay is reduced. The entitlement to some benefits is based on how much the employee earns, and some on NICs they have paid. Although the likelihood is that any effect will be small, this may have an affect, or potential effect, on:

- any pension scheme being contributed to (in particular this may be important if an employee is nearing retirement and has a final salary pension scheme);
- entitlement to contribution-based benefits like the State Pension;
- entitlement to earnings-related benefits like Maternity Allowance;
- entitlement to work-related payments like Statutory Sick Pay.

For more information on the potential impact on benefit entitlement go to <https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-pay>

### Will I have to continue payments if I am on leave?

You will continue to have deductions made if you are on paid leave. If you take unpaid leave following on from maternity/paternity/adoption or sick leave, your salary sacrifice deductions will be frozen until your pay restarts. If you go on unpaid leave as part of a Special Leave request or Career Break, you will be expected to pay back the outstanding amount in full, from your final net salary. You may also be given the option at this point to purchase the bicycle at Fair Market Value cost.

### What happens at the end of the loan period?

HM Revenue and Customs have produced a set of guidelines for the valuation of bicycles at the end of the hire period. The table below sets out what percentage of the original voucher value you should pay according to the age of the bicycle.

Age of bicycle	Acceptable disposal value percentage of original price (including VAT)	Acceptable disposal value percentage of original price (including VAT)
	Original price of the cycle less than £500	Original price of the cycle £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

When you reach the end of the 12 month hire period you can choose one of the following options:

- 1. Zero cost extended hire-** opt to sign a modifying agreement with Cycle2Work. Cycle2Work extends the hire period for a further 48 or 60 months dependent on the bikes original cost. This is a zero-cost arrangement and ensures you can avail of the full tax and NI savings achievable through the scheme. At the end of the extended hire period you will receive notification from Cycle2Work that you are the rightful owner of the cycle.
- 2. Own the bike** - If you opt to take ownership of the bike after the initial 12 month hire period, you will be required to pay a market value fee calculated using the percentage rates for a bicycle aged 12 months old as per the table above.
- 3. Return the bike and equipment** - If, at the end of the 12 month period, you do not wish to buy the bike or enter into the zero cost extended hire option with Cycle2Work, you can take it to your local Halfords retailer where it will be safety checked and donated to a local charity.

**What if I leave the MOD before the repayments are completed?**

If you leave MOD before the end of the hire period, you will be required to settle all outstanding monies before you leave. The outstanding balances will be deducted from your final net salary payment. Settlement is from net pay because once you leave the MOD, you also leave the cycle scheme and are no longer eligible to benefit from the Income Tax savings.

If you leave the MOD during the extended hire period no further action will be taken. The Modifying Agreement is between you and Cycle2Work, so even if your employment ceases, the extended hire period will continue to run.

**Can I cancel my loan?**

You have 14 Days from the point of completing your Hire Agreement to cancel your application. After this point, under the terms of the Cycle2Work Scheme, it is not possible for the loan to be cancelled. Therefore, you are committed to making the salary sacrifice for the duration of the hire period. If your employment is terminated during the 12 month hire period, you are still liable to complete payments identified in the hire agreement. This means that you must be sure you are happy entering the scheme and with the cycle selection you have made.

**Can I join the scheme more than once?**

You can only use the Cycle to Work Scheme once at any given time. However, once you have completed your repayments and have opted to purchase the cycle at market value, you are free to apply again.