

The Cycle to Work scheme explained

You might have heard of the Cycle to Work scheme, but how does it work and can you really get a new commuting bike without having to pay for it up front?

If you've just decided to get fit and save money by starting to cycle to work then a brand new bike isn't essential. Maybe you've got a trusty old bike or can arrange to borrow one from a friend so you can try commuting by bike.

But once you've settled into cycling to work and you think this is the new norm for you, you might want to buy a better bike that's more suited to your commuting route. That's where the Cycle to Work scheme can really work.

What is the Cycle to Work scheme?

The Cycle to Work scheme is designed to help you save money on a new work bike (this includes electric bikes) and spread the cost of the bike over monthly tax-free instalments through your employer.

This can also include the other equipment needed such as; helmet, bells, lights, mirrors, panniers, child seat, locks and chains, pumps and repair kit and reflective clothing.

How does the scheme work?

There are a few different scheme providers out there each with their own variations but the basic idea is the same. It's a simple process:

- ❑ Your workplace registers with a scheme provider.
- ❑ You choose the bike you want.
- ❑ Your employer pays for it.
- ❑ You pay your employer back through monthly instalments taken through payroll.

Salary sacrifice periods are for a minimum of 12 months (but can be for longer) and there is a cap of £1,000 unless the employer has authority from the FCA for a higher amount or uses an authorised third party. Green Commute Initiative allows for the repayments to be spread over 12-48 months (as agreed with the employer), as well as no £1,000 limit as they are registered with the FCA for Consumer Hire.

What is tax-free and how does it work?

Monthly payments for the new bike are taken from the employee's gross salary i.e. before any tax is deducted. You'll be paying less tax and National Insurance every month that you're making payments for the bike.

This means that at the end of the scheme you'll have saved up to 32% of the actual cost of the bike for basic-rate taxpayers and even more for higher rate ones (and you'll have spread the cost into manageable monthly payments too).

With most providers, there is an end-of-scheme payment, as technically you have been loaned the bike and you have to buy it at what HMRC call a fair market value. This usually works out around 7%, though the Green Commute Initiative only charges £1.

The scheme is easy to access and won't take up much administration time for you or your employer.

There's a financial benefit for your employer too. They end up paying less employer national insurance contribution so they save about 13% on the cost of the bike.

So your employer pays for the bike for you in monthly instalments, and saves 13% in the process and gets a healthier, happier more productive staff member who doesn't need a parking space!

If your employer is not already signed up. If not, suggest they register with a scheme provider such as [Cyclescheme](#) or the Green Commute Initiative.

Link – Department for Transport, Cycle to Work Scheme -

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/845725/cycle-to-work-guidance.pdf

More info contact Alan Rolfe on 02380 461235 alan.rolfe@hwb-accountants.com