Company

Cycles

This factsheet is designed to explain how a typical contractor company can make use of the 'Cycle to Work' scheme in providing a push cycle to its employee(s) tax free.

The Cycle to Work scheme is a tax incentive aimed at encouraging employees to cycle to work, thereby reducing air pollution and improving their general health.

Your company can provide a bike to you on the following conditions:

- The bike and related equipment must be owned by the company
- The bike is used primarily for qualifying journeys
- Ownership of the equipment is not transferred to the employee during the loan period
- The offer of the use of a loaned or provided cycle is available across the whole workforce.

A qualifying journey for an employee means a journey, or part of a journey, between his/her home and workplace or between one workplace and another, that is in connection with the performance of their duties of employment. Primarily means more than 50% of the use of the cycle and safety equipment must involve a qualifying journey.

Employees do not need to keep logs of the journeys but it must be made clear that a taxable benefit will arise if the cycle/equipment is not used primarily for qualifying journeys. Our advice would be to still keep logs for all cycle/equipment use just in case HMRC were to investigate, so that you could easily prove they were primarily used for qualifying journeys.

Remember that you may need to consider any insurance arrangements to cover both the cycle and the employee using the cycle. It may be possible to cover the cycle under the employee's home insurance plan or under the company's insurance. This should be detailed in an agreement between the employee and employer

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How does it work?

The company buys the bike along with any safety equipment they see fit that is in respect of the actual bike i.e. Mirrors and mud guards, bells and horns etc. (a common sense approach should be taken to this) and claims capital allowances on the expenditure. VAT can also be reclaimed if you are on the standard VAT scheme or if you are on the flat rate scheme and the total purchase (on a single invoice) is over £2,000 gross.

The company can also provide any safety equipment in relation to the rider i.e. high visibility jackets, cycle clips etc. and these will be treated as revenue expenditure eligible for Corporation Tax relief.

The bike is made available to you on a long term loan basis and there is no personal tax charge provided you meet the conditions detailed above. Salary sacrifice is generally not needed with owner managed companies as it is often more tax efficient for the company to pay for all cycle costs directly.

You are not automatically entitled to personally own the bike at the end of the period, if this is built into the arrangement then the provision of the cycle will not be exempt from tax under the cycle to work scheme. However the company can decide to sell the cycle to the employee at the end of the scheme, the sale price should be either 'market value' or obtained using the simplified sale value. The simplified sale value is based on the following percentages of initial cost price:

Age	Cost new <£500	Cost new >£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

If the cycle is sold for less than market value or the value per the percentages above a tax charge will arise.

However you do need to weigh up the benefits of providing a bike under the cycle to work scheme as this means you cannot claim cycle mileage (at the current rate of 20pence per mile) for using your own personal cycle for business journeys. If the bike is relatively cheap and you do a high amount of business miles on your bike each year it may be more tax efficient buying the bike personally and claiming cycle mileage; if the bike is expensive and you do a low number of business cycle miles it may be tax efficient to utilise the cycle to work scheme.

Please contact your account controller if you require further details on this.