



Bournemouth Council for Voluntary Service

Registered Charity No: 1081381 - Company Reg'd in England & Wales No: 4024662

Boscombe Link, 3-5 Palmerston Road, Bournemouth BH1 4HN.

Tel & Fax: 01202 466130

email: contactus@bournemouthcvs.org.uk

CYCLE TO WORK

POLICY STATEMENT

Within the Government's Green Transport Plan, there is a tax exemption which allows BCVS to provide cycles and safety equipment to employees as a tax-free benefit. Technically speaking, employees **hire** the bicycles from the BCVS, buying them at the end of the salary sacrifice period for a Fair Market Value payment. BCVS buys the bikes and safety accessories at full retail price, up to £1,000. The balance is recovered from a reduction in the employee's gross salary. BCVS have partnered with Cyclescheme to deliver the Governments Cycle2Work initiative in an easily accessible manner that ensures that BCVS and its employees can make the best use of both tax and National Insurance savings to participating BCVS employees, allowing the total cost to be spread over 12 monthly wage deductions. Information on the scheme and process can be found at www.cyclescheme.co.uk.

RULES OF THE SCHEME.

To qualify you will need:

- to be an employee at the time that you enter into the cycle scheme
- paid through PAYE
- to have a contract with BCVS lasting at least 12 months from the time you enter an agreement
- have passed probation
- be over 18 years of age
- must have an hourly rate such that the salary sacrifice does not take your hourly pay rate below the minimum wage.
- to use the cycle for at least 50% of the time for commuting, i.e. travel to and from work, and for work related travel (however no recording is necessary)

Under the BCVS scheme the minimum expenditure is £100 and the maximum £1000. Individuals are not permitted to add their own money to the total amount to increase the expenditure as this would be viewed as a purchase and not a salary sacrifice.

When deciding on a bike value, consider carefully the amount of your salary that you can afford to sacrifice each month and the type of bike that will best suit your needs.

SALARY SACRIFICE DESCRIPTION.

A salary sacrifice happens when an employee gives up the right to receive part of their cash pay due under their contract of employment. A salary sacrifice is neither a deduction from salary nor is it a charge on salary, it is when the employee agrees to accept a lower amount of salary – usually in return for the employer's agreement to provide some form of non-cash benefit (in this case the loan of a cycle or cyclist safety equipment). For a benefit such as a loaned cycle, where there is a specific

tax exemption, the employee can receive the benefit in kind, free of tax and National Insurance deductions.

During the period of the agreement the cycle is the property of BCVS. According to the Department of Transport's Implementation Guidance, there is no automatic entitlement for the employee to take ownership of the cycle and safety equipment at the end of the loan period. However, at the end of the period, the cycle will pass to the ownership of Cyclescheme who may opt to offer it to the employee at a fair market value.

TAX AND NATIONAL INSURANCE

The amount of the Salary Sacrifice reduction each month will be exempt from Tax and National Insurance deductions. This would typically result in a saving of around 31% for a basic rate tax payer and 41% for a higher rate tax payer. E.G. For a £500 loan the deduction would show on your payslip as a gross amount of £41.67 a month which reduces your nominal net pay by approximately £28.75 a month (basic rate tax payer). Therefore receiving a benefit of £41.67 at a cost of £ 28.75. Over the 12 month period there will be a total saving of £155.

PROCEDURE TO PURCHASE A BIKE

1. Discuss with your line manager to ensure you are eligible and that you understand the scheme.
2. Go to the following link www.cyclescheme.co.uk/partners.php find your local retailer. Enter your home post code and it should give you a list of the nearest approved retailers.
3. Visit an approved retailer, explain you are shopping as part of the 'Cycle to Work' initiative and they will give you an itemised written quote. If you don't already have one, make sure your package includes a cycling helmet - lights and clothing as these are also covered as part of the package.
4. Use the following link www.cyclescheme.co.uk/5f5151 and as instructed complete the bicycle request form, and digitally sign a hire agreement.
5. Cyclescheme will be check with BVCS that you are eligible and if are your application will be approved and a certificate will be sent to you, so you can pick up your bicycle package – this should take no more than 2/3 weeks (you will be asked for photographic ID by the shop).
6. You will attract tax and NI relief on the gross cost of your bicycle package, the net amount will be repaid over a fixed 12 month period.
7. At the end of 12 months Cyclescheme may offer to sell you the bike at a fair market value, which generally is 18% for packages up to £500 and 25% for those of £500 and more. If you do not wish to purchase the package then it is returned to Cyclescheme.
8. Alternatively you can extend the Hire Agreement for an extra 3 years, without having to make any additional payments. At the end of the fourth year Cyclescheme may offer you the package at a fair market value, usually this will be 3% of the original value for bicycles valued at below £500 and 7% for

bicycles valued at or below £1000 of the gross amount. Again if you do not wish to purchase the package it is returned to Cyclescheme.

9. Staff can reapply for the scheme after the initial agreement period.

LOSS OR DAMAGE TO YOUR BICYCLE.

If the bicycle is lost, damaged or stolen during the repayment period, the onus is still on the individual to continue paying for it. BCVS cannot be held responsible for any damage, maintenance or warranty issues. Your warranty is with the cycle store. BCVS strongly recommends that you take out cycle insurance or ensure that your bicycle is covered by an adequate amount on your home contents insurance. Cyclescheme can also offer specialist cycle insurance.

If the employee ceases to be employed by BCVS, any outstanding amounts are to be deducted from the final salary, from net pay i.e. without any tax exceptions. If the final salary payment is insufficient to cover the amount outstanding, the employee must ensure that the balance is repaid prior to their last working day. Once you have signed the agreement it is binding and cannot be cancelled, so please consider all eventualities regarding this scheme. Further to this the bicycle is not permitted to be "resold" during the period of the hire agreement.

HELMET, LIGHTS AND SAFETY EQUIPMENT.

BCVS advise that all participants in this scheme should always wear a helmet when cycling. The cost of the helmet and any other accessories can be included within your voucher. Safety and visibility are paramount, particularly on dull days or riding at night. Reflective clothing, cycle lights, cycle lock and even flashing pedals can be included within the voucher.

MILEAGE

During the period of the agreement you will not be entitled to claim cycle mileage.

PENSION SCHEMES

Pension contributions will be based on the net salary after the salary sacrifice monthly amount has been deducted.

STATUTORY MATERNITY PAY

Please note that neither BCVS nor Cyclescheme will be able to advise on the impact (if any) on your Statutory Maternity Pay. Please refer to the Inland Revenue for further guidance.

TAX CREDITS.

Please note that neither BCVS nor Cyclescheme will be able to advise you on the impact (if any) on your Tax Credits. This can only be done by the Inland Revenue and Tax Credits Helpline.

OTHER STATE BENEFITS

If you receive other State Benefits, it is advisable to check that these will remain unaffected by you joining a Cycle2Work scheme.

Date:

Signed:



Chair of BCVS Board



Chief Executive BCVS

Policy agreed:

20/1/11