



Stranmillis University College – Cycle to Work Scheme

1. Introduction

The University College is keen to promote healthy and environmentally friendly forms of transport among the workforce. For this reason it has introduced a Cycle to Work scheme.

The Cycle to Work (CTW) scheme is a Department of Transport green transport initiative which allows the College to offer employees the option of hiring an adult bicycle and cycling safety equipment over a 12 month period, free of tax and National Insurance, by way of a “Salary Sacrifice” arrangement.

By applying to the scheme you could have the use of a new bicycle and associated safety equipment, up to a value of £1,000, for up to 42% less than the original cost, depending on your financial circumstances.

2. Eligibility Requirements

To be eligible to join the CTW scheme, employees of the College must:

- Have contracts of employment that outlast the duration of the 12 month hire period
- Have a minimum of 6 months service with the College
- Be 18 years old or over
- Pay Tax via the PAYE system
- Not drop below the minimum wage once the hire repayment has been deducted
- Use the bicycle mainly for travelling to and from work at least 50% of the time it is in use, in order to benefit from the Tax and National Insurance exemption. This can be a journey in whole, or in part e.g. to the train station, or between offices.

3. What Savings can I Expect to Make?

A bicycle and associated safety equipment up to the value or £1,000 including VAT can be selected.

Savings are made by employees because the scheme operates by way of a ‘Salary Sacrifice’.

Salary sacrifice means that an employee agrees to give up the right to receive part of the salary due to him/her - equivalent to the purchase price of the bicycle and associated equipment - under the contract of employment. It is not a deduction from

salary or a change of salary; rather where the employee agrees to accept a lower amount of salary in return for a non-cash benefit – in this case, the supply by the College of a bicycle and associated cycle accessories for a specified period.

Please see Appendix 2 for an example of how savings are achieved under a Salary Sacrifice scheme.

The savings achieved will be based on your individual circumstances and actual level of income however:

- Tax saved will generally be 20% (or 40% for higher rate tax payers).

National Insurance savings will also be made and will also depend on the employee earnings.

4. How do I Join the Scheme?

The scheme will be open for eligible staff to join at any time during the year.

If a staff member chooses to join the scheme the College will provide him/her with a bicycle and associated safety equipment (if required) on a hired basis in return for the staff member agreeing to nominate a specified amount of salary to be deducted for a 12 month Initial Hire Period. This nominated amount will not be subject to Tax or National Insurance deductions under what is known as a Salary Sacrifice arrangement.

The procedure is as follows – see flowchart at Appendix 1:

Step 1

Read through the Cycle to Work scheme information including the Frequently Asked Questions (Appendix 3) to become familiar with the terms and conditions of the Hire Agreement (Appendix 4).

Step 2

Visit the selected cycle retailer(s) and choose the bicycle and safety equipment you want - up to a value of £1,000 including VAT. Proof of Employment with Stranmillis University College is required - you must show your staff photographic ID and one recent payslip.

Step 3

The cycle retailer sends a quotation for the selected cycle and equipment to the Finance Department at the College for eligibility checking. You should also receive a copy for

your own records. Once checked, the College will advise the employee with the outcome of the application.

Step 4

If approved, the staff member arranges to meet the Finance Manager to sign a Hire Agreement (Appendix 4) which highlights the salary sacrifice payments that will be deducted from your salary. You will be provided with a copy of the Hire Agreement.

Step 5

A Purchase Order will be issued to the cycle retailer by the College Finance Department for the goods specified in the Approved Quotation.

Step 6

When the employee is advised by the retailer that the cycle and safety equipment is available, this can then be collected by the employee from the retailer - again you will be required to present photographic ID.

Step 7

Salary sacrifice repayments will commence from the next available pay date after the Hire Agreement has been signed.

Step 8

The College will pay the supplier for the goods on receipt of the invoice and confirmation that the goods have been collected.

Please note that:

- all hire payments are subject to VAT and thus your monthly salary sacrifice will be calculated based on the net cost of the bicycle, any accessories and helmet costs. VAT will then be applied to this net figure to arrive at a total amount to be sacrificed through your salary. HMRC guidance states that VAT is to be charged on the full net amount even though helmets are zero rated for VAT purposes. VAT is chargeable on all rental payments.

- a new Hire Agreement cannot be entered into until the end of an existing Initial Hire Period.

5. Stranmillis University College - Approved Cycle Retailers:

McConvey Cycles

183 Ormeau Road, Belfast, BT7 1SQ

	02890 330322	www.mcconveycycles.com
Dave Kane Cycles	309 & 263 Upper Newtownards Road, Belfast, BT4 3JF	
	02890 653139	www.davekanecycles.com
Chain Reaction Cycles	via Chain Reaction branch at 1 Balmoral Plaza Belfast BT12 6HR or online. 02890 682703 or 02893 352976	
	www.chainreactioncycles.com	

6. Cycle To Work Scheme Conditions

The bicycle and associated safety equipment remain the property of the College until the end of the initial 12 month hire period and during any potential 'extended use period'. However during the initial hire and any extended use period:

- A staff member must make sure that the cycle is insured against theft, loss or damage after signing the hire agreement. The employee should advise their insurer that their employer has an interest in the cycle under a CTW scheme whilst the hire agreement is in place. Replacement equipment is not available under the scheme. If the equipment is lost, stolen or damaged, the staff member still must continue to pay the remaining payments over the term of the 12 month Initial Hire Period.
- The staff member must not hire out, transfer or otherwise dispose of the bicycle and equipment.
- The staff member must not make alterations to the equipment during the Initial or any Extended Hire Period.
- As the Cycle to Work scheme is subject to a Hire Agreement, the employee does not have legal ownership of the equipment. Ownership does not automatically pass over to the hirer at any point unless agreed under a separate agreement.
- If a staff member ceases employment with the College before the end of the Initial Hire Period, the outstanding balance will be deducted from the employee's final net salary payment meaning that any Tax and National Insurance saving on any outstanding balance may be lost. The employee will then be given the option as to whether they want to purchase the bicycle etc. This purchase will be under a separate agreement and will be calculated using the HMRC tables for the age of the bicycle at the time of leaving the College – see table on page 6. The employee is under no obligation to buy the bicycle but if they chose not to

purchase the bicycle then it must be returned to the University College as the legal owners.

7. What happens to the bike and equipment after the Initial Hire Period is completed?

Under HMRC rules, there should be no automatic entitlement for the employee to take ownership of the cycle and cycle safety equipment at the end of the Initial Hire Period.

The College considers that at the end of the Initial 12 month Hire Period, there are several options available to the employee:

- 1) Employee returns the bike to the College and no longer has use of it.
- 2) Employee may be offered the option to purchase the cycle at the end of the Initial Hire Period. This purchase will be agreed under a separate agreement which does not form any part of the initial hire agreement. To do so, the employee must make payment to the College either at a rate at 18% or 25% (depending on the original cost of the equipment) based on the Her Majesty's Revenue and Customs (HMRC) Valuation Table as set out below.
- 3) Employee can continue to have use of but not ownership of the bike. To do so, the employee signs an Extended Use Agreement under which the monthly salary deduction costs are zero. The College can offer an Extended Use Period Agreement of up to 60 months

At the end of the Extended Use Period:

a) The employee returns the bike to the College and no longer has use of it

or

b) If the employee confirms that they wish to purchase the equipment outright and ownership transfers to the employee.

No hire payments are due during the Extended Use Period but the equipment is still owned by the College. Ownership only passes to the employee when a sale agreement is signed and agreed – at that point ownership passes to the employee and a charge (in line with the table below) will be charged.

HMRC Valuation Table

Age of cycle	Acceptable disposal value %	
	Original price of the cycle less than £500	Original price of the cycle more than £500
12 months	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%
5 years	Negligible	2%
6 years and over	Negligible	Negligible

If a staff member leaves at any time during the Initial Hire Period or Extended Use Period and wishes to take on ownership of the bicycle, the valuation of the amount to be paid to the College will be based on the above table. If a staff member leaves during the initial Hire Period they will be required to pay the remaining balance of the agreement and this will be deducted from their final salary. The tax benefit may be lost. If a staff member leaves during the Extended Use Period the agreement will continue but the equipment remains the property of the University College.

Please note that HMRC rules mean that staff members cannot claim the 20p per mileage tax-free cycle mileage allowance for business travel if they use a cycle hired to them by their employer.

8. Cycle Safety Equipment

The College strongly recommends that staff applying for CTW scheme consider including safety equipment as part of their Hire Agreement. See Appendix 3 – Frequently Asked Questions (FAQ's) for more details:

Cycle safety equipment can only be hired through the scheme if you are hiring a cycle.

For Further Information:

Contact: Finance Manager
Tel: 02890 384289

Updated August 2018

Appendix 1

STRANMILLIS COLLEGE – CYCLE TO WORK SCHEME EQUIPMENT PURCHASE FLOWCHART

Employee selects goods from one of participating cycle shops

Employee obtains a quotation which may also be e-mailed by the retailer to Stranmillis Finance Department

Quotation is received by Stranmillis and eligibility checks carried out

If eligible, a Hire Agreement is drafted and sent to the employee.

The Hire Agreement is signed and a copy is forwarded to payroll to commence the salary sacrifice payments

Stranmillis Finance Department send a Purchase Order for the cycle as per the quotation to the cycle retailer

Retailer prepares the employees order and contacts the staff member directly when ready for collection

Staff member collects cycling equipment and both the retailer and employee 'sign off' the receipt of the goods.

Retailer invoices Stranmillis attaching the goods received documentation

Stranmillis Finance Department make payment to the supplier

Appendix 2

How Salary Sacrifice Works – Pay-slip example

		Salary of £20k		Salary of £50k	
		Before £	After £	Before £	After £
A	Annual Salary	20,000	20,000	50,000	50,000
B	Cycle Equipment Value	-	- 1,000	-	- 1,000
C	Personal Allowance (2018-19)	- 11,859	- 11,859	- 11,859	- 11,859
	Taxable Salary (A-B-C)	8,141	7,141	38,141	37,141
D	Income Tax (Note 1)	- 1,628	- 1,428	- 8,356	- 7,956
E	NIC	- 1,389	- 1,269	- 4,624	- 4,604
	Net Pay per year (A-B-D-E)	16,983	16,303	37,019	36,439
	Monthly net Pay	1,415	1,359	3,085	3,037

Net Scheme Cost per month	57	48
12 month cost	680	580
Original cost of Cycle Equipment	1000	1000
Saving	320	420
Saving %	32%	42%

Note 1 – Income tax is charged at 20% on income above the personal allowance and £34,500. Tax at 40% is charged on earnings between £34,501 and £150,000 above the personal allowance rate.

The above workings based on a £1,000 bike package = £83.33 per month for 12 months.

The above example is based on the 2018/19 tax rates and allowances and all workings have been rounded so there may be slight variations in calculations.

The above example assumes that an Extended Use Agreement is entered into for a further 5 years following the Initial Hire Agreement in order to gain the full tax benefits available. If the applicant wishes to purchase the bike before the end of the Extended Use Agreement a charge is payable and thus reducing the overall tax benefit available.

Appendix 3

Frequently Asked Questions

1. What is the Cycle to Work Scheme?

The Cycle to Work Scheme is a Government green transport initiative that allows your employer to offer employees the option of hiring bicycles and cycle equipment over a set period without having to pay Tax or National Insurance on the payments.

2. How does the scheme work?

If you choose to participate in the scheme, the College as your employer will provide you with a bicycle or cycle equipment on hire in return for you agreeing to receive a reduced level of pay for the Hire Period. The College agrees to provide you with the free use of the bicycle for that period. This is a tax free benefit and this nominated amount will not be subject to Tax or National Insurance deductions.

At the end of the Hire Period, the College may seek to dispose of the bicycle equipment at a full market value. But please note that this cannot be guaranteed until the end of the hire period. It is common in such circumstances to offer to sell the equipment to the person who has had the equipment on hire.

However, you should be aware that such practice and expectations are merely indications based on historical factors and cannot be guaranteed for the future. Any subsequent sale would be pursuant to a separate agreement, entered into after the conclusion of the hire period.

Alternatively the College may agree to allow you to continue to use the bicycle without transferring the ownership over to you by entering an Extended Use Agreement

In order to benefit from the Tax and National Insurance savings the bicycle must be used for a minimum of 50% of the time for journeys to and from work or between work sites.

3. Which employees can use the Cycle to Work Scheme?

- Employees who have contracts of employment that outlast the duration of the hire period.
- Employees must be 18 years or over
- Employees must not drop below the minimum wage once the hire repayment has been deducted from their gross salary.

4. What is salary sacrifice and how are the savings made?

A salary sacrifice occurs when an employee agrees to a reduction in pay in return for the employer providing a non cash benefit. The reduction comes out of the employee's gross, rather than net pay. This causes a reduction in income tax and National Insurance payments, which is where the savings are made.

5. Must the bicycle be used for work-related journeys?

Yes. Employees must use the bike a minimum of 50% of the time for qualifying work related journeys travelling to and from work or between work sites. The bicycle can be used for recreational purposes the rest of the time.

6. Does the employer need to monitor the usage of the bicycle?

No, by ensuring that the Hire Agreement, terms & conditions, FAQ's and any other supporting marketing material clearly state that the bike must be used for a minimum of 50% for qualifying journeys, the employer is doing all that is required to ensure compliancy.

7. How long is the repayment period?

The College has determined that the most suitable length of repayment period is 12 months.

8. What are the scheme's rules?

As the bicycle equipment will belong to the employer, the employee must:

- Make sure that the bicycle equipment is insured. The easiest way to do this is to get it added to household contents insurance, if it is not already covered. Replacement equipment is not available under the scheme. If the bicycle equipment goes missing or is damaged, the employee will still have to pay the monthly amount for the remainder of the Hire Period.
- Keep the bicycle equipment clean and in good order.

The following rules apply so that the employee does not pay tax on this benefit:

- The bicycle equipment is used primarily by you to commute to work;
- The bicycle equipment remains the property of the College for the length of the initial hire period.

9. Will the employee own the bicycle and equipment at the end of the repayment period?

No. To be able to save on the tax and National Insurance contributions, the agreement must be a Hire Agreement not a Purchase Agreement. At the end of the scheme it is common for the employer to either offer to sell the bicycle and equipment to the employee in accordance with the HMRC Table on page 6 or retain ownership of the bicycle. Although employees must be made aware that there is no guarantee of this taking place.

Alternatively the employer may allow the employee to continue to use the bicycle without ownership of the bicycle being transferred to the employee under an Extended Use Agreement.

10. How much can an employee spend?

Due to Consumer Credit Licence restrictions this scheme can be used for cycle and safety equipment to the value of £1,000 including VAT only.

11. What happens if the employee leaves the employer before they have repaid the full amount?

- The employee will have to repay the outstanding amount that is left to pay from their final payslip. However, this amount will not be tax-free as it will be taken from their net salary.
- If the employee's final salary does not cover the outstanding amount, they will be sent an invoice for the remainder of the balance.
- Ownership of the bicycle remains with the College who may then seek to dispose of it in accordance with the HMRC Valuation table on page 6.

12. What happens if the bicycle has a warranty problem during the hire period?

When the employee chooses a bicycle and equipment, the supplier should advise them of the warranty period, as they vary with each bicycle – some bicycle frames feature a 5 year, 10 year or even lifetime warranty.

If the employee experiences problems within the duration of the warranty period, they supplier should liaise with the bike supplier on the employee's behalf. The College, despite owning the equipment, will not need to be involved in the warranty process at all.

13. As it is a benefit, does the employee need to tell the Inland Revenue?

No. The scheme is set up so that under the current tax rules the employee does not have to pay tax on the benefit and therefore the employee does not have to notify the Inland Revenue.

14. Where can I obtain more detailed information about the Scheme?

You can find out more about Cycle to Work by downloading the Department for Transport's Information Booklet about the scheme. To download this booklet, follow this link: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/11305/cycle-to-work-guidance.pdf

15. Is there a restriction to the bicycle I can choose?

The bicycle must be suitable for travelling to and from work. For this reason children's bicycles are not available to hire under the scheme, ex demo, shop soiled and re-cycled bikes are also not included, other bikes excluded are time trial and full suspension. All other types of bikes are suitable to choose under the scheme including electric bikes.

16. Can I choose more than one bicycle?

Yes, you can. It is possible to hire more than one bike if for example you needed a bike at either end of a train or bus journey. Please note though that both bicycles must be for yourself and that the total value of both the bikes combined must be under the £1,000 limit.

17. What bicycle equipment will be available to me for hire?

The bike must be suitable for journeys to and from work. As well as the bicycle, the salary sacrifice scheme also covers cyclists' safety equipment, including:

- Helmets (which conforms to EU standards)
- Bells and horns
- Lights
- Reflective clothing including jackets, gloves and over trousers
- Mirrors and mudguards to ensure riders visibility is not impaired
- Child Seats
- Trouser bands / clips

- Panniers, luggage carriers and straps to allow luggage to be safely carried
- Locks and chains to ensure cycles can be safely secured
- Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs.

Please note that this is not a comprehensive list of the safety equipment you can choose. If you have any queries regarding what equipment can be included please contact your local HMRC office.

You cannot purchase non-essential items such as:

- Cycle computers
- Downhill helmets
- Energy food
- Car racks

18. Can I choose just safety equipment on the scheme and not hire a bicycle?

No, if you do not require a bicycle you are not able to hire just safety equipment on the scheme.

19. Must I choose safety equipment on the Scheme?

No, if you only require a bicycle and currently have all the related safety equipment you need, it is not a requirement that you must choose safety equipment.

20. What happens if I want a bike that costs more than the maximum I can hire?

You cannot spend more than the maximum value of Hire by paying additional money to bike supplier. If you do require additional items that will take you over the maximum value of Hire, the staff at bike supplier will be able to help you purchase these on a separate transaction that is separate from your salary sacrifice arrangement. No vouchers can be used against the cost of the bicycle by the employee.

The view of the HMRC (Inland Revenue) is that if an employee was to contribute towards the value of a bike or equipment, this would be deemed shared ownership and the hire would not be covered by the tax exemption.

21. Can I cancel my order or change my choice once I have submitted my order?

Once the Hire Agreement is received and authorised by the College you are committing to the full repayment period although the normal “cooling off period” rules apply. The Hire Agreement is regulated under the Consumer Credit Act and is not cancellable.

22. What happens if the bike or equipment is damaged, lost or stolen?

- It is your responsibility to insure the bike against damage and theft. If the bike is damaged or stolen the hire agreement is not cancellable and you will still be required to pay for the bicycle and safety equipment hired. If damaged, you will also be required to pay for repairs.
- Bikes can be covered by your household contents insurance and treated like any other possession. Check your insurance policy and make sure it covers the bike nationwide and that it pays for a replacement in case of a "total loss".

23. Who owns the bicycle?

Although you will have full use of the bike for the period of the hire, in order to obtain the tax advantages it is a requirement that ownership of the bicycle remains with the College.

Please think very carefully before joining the scheme. If you think you may leave employment with your employer before the initial period of hire is over, it is not recommended you join.

24. What happens to the bicycle and equipment at the end of the hire period?

After the period of hire in which your salary was deducted, your employer may seek to dispose of the bicycle/equipment for a full market value. Please note that your employer cannot guarantee it will sell the bicycle/equipment to the person who has hired them but historically this is often the case. Any subsequent sale would also be pursuant to a separate agreement, entered into after the conclusion of the hire.

HMRC have recently issued new guidelines about handling full market value and have provided a valuation matrix (see page 6) which employers may use to value the bicycle. Alternatively you may wish to continue to use the bicycle without transferring the ownership over to you under an Extended Use Agreement.

25. Will work related pay benefits be affected?

Yes, there may be an impact on your entitlement to benefit payments such as Statutory Maternity or Paternity Pay, Statutory Sick Pay and Working Tax Credit, as they will be calculated on your reduced pay. There may also be an impact on your state pension. We advise you to seriously consider the effect that a reduction in pay may have before you decide to join the scheme.

26. Do I need to keep a record of the mileage while leasing the bike during the scheme?

No. The Inland Revenue does not expect you to keep a mileage record of your usage of the bike.

27. What happens if the employee takes unpaid leave?

If the employee takes unpaid leave, including maternity and paternity leave, the employer will normally extend the salary sacrifice period for the number of unpaid months. This extension to the period is normally capped at 6 months.

28. Do employers have to issue monthly VAT invoices to their employees?

HMRC do not expect employers to issue VAT invoices each month to their employees. Invoices are only legally required when there is a business-to-business transaction.

29. Do employers have to apply for dispensation from HMRC to run the Cycle to Work scheme?

No. As long as all Cycle to Work forms are completed correctly, there is no need to apply for an official dispensation.

**Appendix 4
Hire Agreement**



STRANMILLIS UNIVERSITY COLLEGE
A College of Queen's University Belfast

Stranmillis University College - Cycle to Work Scheme

HIRE AGREEMENT

Employee Name:	Telephone:
Home Address:	Email:
	Employee Payroll Number:
	Name of Approver Cycle Retailer:

Hire Goods and Calculation of Salary Sacrifice.

Goods	Product Description	Price Net (£)	VAT	Price Gross (£)
Bicycle				
Lights				
Panniers/luggage carriers				
Locks/chains				
Reflective/protective clothing				
Pumps/minor repair kits				
Mirrors/mudguards/Pedals				
Helmet (CE marked and compliant with BS EN 1078 / SNELL B.95) *				
Cycle shoes				
Bells/horns				

Total (must not exceed £1,000 including VAT.)				
Total cost to Stranmillis University College of Hire Goods				
Fixed Hire Period (number of months) *	12 months			
Monthly Hire Charge	(to be paid by employee through salary sacrifice)			

A written quotation from the approved equipment supplier must be provided detailing all equipment to be purchased under the cycle to work scheme.

If you are unsure of any aspect of the Hire Agreement or the associated Terms and Conditions, you should seek independent advice.

I confirm that:

- I wish to hire the above bicycle and cycle accessories from Stranmillis University College and that the bicycle will be used mainly for a journey or part of a journey to and from my workplace.
- I cannot cancel this agreement and I agree to pay for the hire of the goods through a salary sacrifice for the duration of the hire period.
- I understand that this Hire Agreement asks for the information needed to begin this hire arrangement, and also contains clauses, which may affect my Terms and Conditions of employment.
- I am fully responsible for the maintenance and care along with any relevant insurance of the bicycle.
- I have read and fully understand this hire agreement and the associated Cycle to Work Scheme Information and Terms and Conditions before entering into this Hire Agreement.
- Under this agreement, the bicycle and associated cycle equipment DO NOT become your property and you MUST NOT sell them.
- I understand that at the end of this agreement, Stranmillis University College may dispose of the bicycle and accessories at a nominal sum. This hire agreements does not regulate the terms of the equipment disposal.
- I can afford the monthly hire charges

Signed by Hirer:	Signed on behalf of Stranmillis University College:
Signature:	Signature:
Name:	Name:
Position:	Position: Head of Finance
Date of Signature:	Date of Signature:

This Hire Agreement must be signed by the employee on Stranmillis University College premises.