



FREQUENTLY ASKED QUESTIONS – CYCLE TO WORK SCHEME

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OVERVIEW OF THE SCHEME

1. What is the Cycle to Work Scheme?

Have you ever considered cycling to work? You may be surprised how much time and money you save! In the past some staff may have ruled out the option of commuting this way by the initial cost of getting a suitable bicycle, but now the NICS has a Cycle to Work Scheme to help you get started.

The Cycle to Work Scheme works like this:

- Your employing Department purchases the cycle (and qualifying cycle safety equipment) and hires the cycle to you over twelve months
- Hire payments cover the full cost paid by the Dept for the bicycle
- Hire payments are taken as a deduction from your gross salary each month for the 12 months hire period
- You will save on the tax and national insurance elements of your hire payments
- Your Department will also make a saving, through reduced national insurance costs

At the end of the 12 months hire period:

- The cycle remains the property of the Department (you do not automatically own the cycle - it is not a hire purchase scheme)
- The current NICS policy is that (rather than keep the cycle) your Department will then offer you the opportunity to take ownership of your cycle as a taxable benefit (see [AFTER THE SCHEME](#))

Previous participants in the Cycle to Work Scheme have found it very cost effective!

2. Can I buy a bicycle through this scheme?

This is a hire scheme rather than a hire purchase scheme. By signing up, you agree to hire the cycle and equipment for the 12 month duration of the scheme, but it remains the property of the Department during that time.

After the 12 months, the Department will seek to dispose of the cycle - the current NICS policy is that they will offer you the opportunity to purchase your cycle as a taxable benefit. (see [AFTER THE SCHEME](#))

JOINING THE SCHEME

3. What do I have to do to join the scheme?

If you wish to join the scheme you will have to approach a cycle retailer, and obtain a written quotation for the cycle and qualifying equipment that you require.

You should then complete an application form (available on the HRConnect portal in [the HR Forms section under 8. Pay and Reward](#)) which includes a hire agreement and your agreement to a salary sacrifice arrangement – and submit it with the quotation to NICS HR for approval.

NICS HR will advise you if your application has been approved, and if so will provide a purchase order number to the cycle retailer. The retailer will then let you know when the cycle is ready for collection.

4. How does NICS HR manage the scheme?

All applications for the scheme will be channelled through NICS HR. All applications should be forwarded to:
NICSHR.PayandReward@finance-ni.gov.uk

5. Who qualifies for the scheme?

To qualify for the scheme you must be:

- employed directly by your Department for the duration of the scheme (i.e. for at least twelve months from the start date);
- have enough salary to pay the hire costs without going below the minimum wage;
- have no expectation that you will be unable to complete the twelve month hire period; and
- agree to use the cycle and qualifying equipment mainly for journeys to and from work.

6. What if I am likely to fall below the minimum wage by joining the scheme?

This is not an issue for the vast majority of NICS staff. If your circumstances mean that you might fall below the minimum wage, NICS HR will check when processing your application. If this is the case you can still participate in the scheme, but you may need to select a lower value cycle and equipment in order to keep your pay above the minimum.

7. Can I use this scheme to get a cycle for a family member or a friend?

No – the scheme is an NICS cycle to work scheme and applies only to employees of an NICS Department.

8. Where can I go to select the cycle?

You can select the cycle and qualifying equipment from any competent cycle retailer – provided they can furnish a written quotation and invoice. However you should note that if the supplier is not VAT registered your savings under the scheme may be reduced due to VAT having to be charged on the hire cost of the bike levied by your department.

9. I have recently purchased a new bike - can I arrange to pay for it through this scheme?

No, the cycle must be purchased by the Department through the scheme as outlined above. Any cycle or equipment that you have purchased will not qualify for the scheme.

10. Is there a maximum value in the scheme? How expensive a cycle can I get?

There is no minimum eligible value but the total combined value of any cycle and qualifying equipment must not exceed £1,000 including VAT. This limit is set by the applicable consumer credit group licence issued by the Office of Fair Trading and cannot be varied by the Department.

11. Can I get a more expensive cycle and pay the difference myself?

As the cycle is purchased by the Department and remains the property of the Department, you cannot contribute to the cost yourself.

You can, however, purchase your own safety equipment and accessories outside of the scheme.

12. What is meant by qualifying equipment?

The following is a list of equipment that qualifies (the list is not exhaustive):

- Cycle Helmet (CE marked & compliant with BS EN 1078/SNELL B.95)
- Lights, including dynamo packs
- Panniers/luggage carriers and straps to allow luggage to be safely carried
- Locks/chains to ensure cycle can be safely secured
- Reflective/protective clothing
- Pumps/minor repair kits
- Mirror/mudguards to ensure the riders' visibility is not impaired
- Cycle shoes
- Bells/horns

Bike servicing and cycle computers/speedometers are not covered.

13. Do I have to get safety equipment?

It is strongly recommended that you use appropriate safety equipment when using the cycle, and you are responsible for complying with any applicable legislation (for example, on the use of lights). However, you do not have to obtain the equipment through the cycle to work scheme.

14. If I already have a bicycle can I just hire cycling equipment?

Yes. Advice from HMRC indicates that it is permissible to hire safety equipment (without hiring a bike) through a salary sacrifice scheme. **However only one agreement can be in place at any one time.**

Safety equipment is not defined in legislation but please see Q11 for a list of equipment that qualifies. The £1000 limit applies to equipment-only agreements too, with a £100 minimum.

The market value of equipment follows the same rules as for bicycles.

15. Can I get more than one bicycle under the scheme?

Yes – provided they are both used for journeys to and from work and the combined cost of both cycles and qualifying equipment does not exceed £1,000 including VAT. **However please note that you can only have one hire agreement in place at any time**, and you cannot add additional cycles or equipment to an existing hire agreement.

16. Can I get an electric bicycle?

Yes – Electric bicycles are permissible under the Cycle to Work scheme.

RESPONSIBILITIES DURING THE SCHEME

17. Who owns the cycle during the hire period?

The ownership of both cycle and qualifying equipment remains with the employing Department.

18. Who is responsible for maintaining and insuring the bike and qualifying equipment during the hire period?

It is your responsibility to maintain and insure the bike and equipment during the hire period either through your household insurance or with a specialist policy. If you decide to use your household insurance please check with your supplier that your bike is adequately covered.

19. What happens if the bike and qualifying equipment are stolen during the hire period?

If your bicycle or qualifying equipment is damaged or stolen you can either: repair/replace the bicycle and continue to make the hire payments, or you can end the hire agreement and pay the Department the value of the remaining hire payments from your net pay completed. It is therefore **strongly recommended** that you have adequate insurance in place. It is also **strongly recommended** that you use a suitable lock and take adequate security precautions.

20. Must I use the cycle for journeys to and from work?

This is a cycle to work scheme and therefore it is expected that the cycle and qualifying equipment will be used mainly for journeys to and from work.

21. Can I claim mileage if I use the cycle for business journeys?

No, as the cycle is hired to you by the Department, you cannot claim mileage for using it.

22. Can I also use the bicycle outside of work?

Yes, while the cycle is to be used mainly for travelling to and from work, you are free to use it for other journeys or leisure purposes in addition.

23. Can I sell the bike and qualifying equipment during the hire period?

No, you cannot as it remains the property of your Department.

SALARY SACRIFICE HIRE PAYMENTS

24. What does the term 'salary sacrifice' mean?

A 'salary sacrifice' happens when an employee gives up the right to receive part of their cash element of pay due under his or her contract of employment.

Under the Cycle to Work Scheme employees may 'sacrifice' part of their pay in exchange for the use of a bicycle and any associated safety equipment, with the potential to save money on Tax and National Insurance Contributions.

25. How are the payments calculated?

The total value of the cycle and qualifying equipment is divided by twelve to provide the cost of the monthly hire payments. The hire payments cover the full cost incurred by the Department. A deduction will be made from your gross salary on each month during the hire period. Please note that the Department must charge VAT on the hire payments irrespective of the amount of VAT due on the initial purchase.

26. How much will I save?

Staff will save on the tax element of their hire payments. The following table provides a number of illustrative scenarios. Please note that the amount you save could be affected by any change in tax rules or your tax status.

TABLE OF PAYMENTS FOR NICS CYCLE TO WORK SCHEME		
Initial cost of cycle and qualifying equipment (including VAT)	Gross monthly payment	Net monthly payment (basic rate taxpayer) ¹
£100.00	£8.33	£5.75
£200.00	£16.67	£11.50
£300.00	£25.00	£17.25
£400.00	£33.33	£23.00
£500.00	£41.67	£28.75
£600.00	£50.00	£34.50
£700.00	£58.33	£40.25
£800.00	£66.67	£46.00
£900.00	£75.00	£51.75
£1,000.00	£83.33	£57.50

¹ assumes income tax at 20% and NI contributions at 11%

27. Does the salary sacrifice impact on my pension?

The NICS Occupational Pension Scheme, the Principal Civil Service Pensions Scheme (Northern Ireland)(PCSPS(NI)), bases the calculation of benefits on the pensionable pay before the reduction for salary sacrifice and therefore there will be no negative impact on your pension arising out of the decision to join the cycle to work scheme.

28. Does the salary sacrifice affect my entitlement to benefits / tax credits etc?

For most people the reduction in gross salary will not have an impact; however, if you are on a lower salary and close to the earnings limit or claiming benefits or tax credits, you should check how using Cycle to Work will affect your situation. HMRC may be the most helpful starting place for you to find out more. (<http://www.hmrc.gov.uk/>)

29. Does the salary sacrifice affect my student loan re-payments or other deduction?

Yes – as your salary is reduced, any deduction based on your salary is also likely to be reduced.

30. What if I leave the employment of the Civil Service during the hire period?

You must contact NICS HR to make arrangements for the payment of the outstanding hire payments. The cycle and qualifying equipment will remain the property of the Department. The normal disposal arrangements will apply. Failure to contact NICS HR will result in the outstanding sum being deducted from your final salary. If there is not sufficient funds to recoup the full amount, overpayment recovery procedures will be instigated.

31. What happens if I go on unpaid leave, sickness absence, etc?

By joining the scheme you commit to making twelve monthly hire payments. Monthly deductions will continue to be taken where it is possible to do so – i.e. provided you have sufficient pay to cover the deduction.

If you do not have sufficient pay to cover the deduction, your participation in the scheme will be suspended until such time as it is possible for deductions to resume. Any month in which a deduction is not made does not count towards the twelve month hire period.

32. What happens if I go on a career break?

You must contact NICS HR to make arrangements for the payment of the outstanding hire payments. Failure to do so will result in the outstanding sum being deducted from your final salary. If there is not sufficient funds to recoup the full amount, overpayment recovery procedures will be instigated. The cycle and qualifying equipment will remain the property of the Department. The normal disposal arrangements will apply.

33. What happens if I move departments within the Civil Service?

You must notify NICS HR to allow Departmental Finance Branch to make the necessary arrangements with your new Department. Your deductions will continue as normal.

LEAVING THE SCHEME

34. How can I leave the scheme?

Employees commit to participate in the scheme for the full twelve month period. In exceptional circumstances it may be possible to terminate membership of the scheme with the agreement of NICS HR. For example, if an employee becomes unable to cycle in the

long term, due to illness or injury. You should contact NICS HR to discuss your particular circumstances.

AFTER THE SCHEME

35. What happens after twelve months?

Following the 12 months of the scheme, the hire arrangement will end - the Department remains the owner of the cycle and safety equipment.

Although the scheme does not include any automatic entitlement to take ownership of the cycle, the current NICS policy is that in disposing of cycles after the scheme, the Department will first offer the employee the opportunity to become the owner of the cycle and equipment, through a transfer as a taxable benefit in kind in the following month.

Members of the scheme could alternatively return the cycle and equipment to their Department if they wish, and pay nothing more. The Department would dispose of the cycle in an alternative way.

36. What is meant by a taxable benefit in kind?

Ownership of the cycle and qualifying equipment would be transferred to the employee as a taxable benefit in kind. In such an arrangement the employee would pay **tax on the residual value of the cycle and qualifying equipment**.

This would be collected from the employee's salary as a single payment in the month following the employee's final hire payment.

37. What is meant by residual value (fair market value)?

HMRC have published a valuation table to calculate the market value at the end of the hire period. The percentage value will be applied to the original voucher amount (including VAT).

Age of Cycle	Residual Value (% of purchase price)	
	Original price < £500	Original price > £500

1 year	18%	25%
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For example:

£450	£81
£800	£200

38. How do I pay the tax if the Department gives me the cycle after the hire period?

The additional tax will be taken through the payroll in the month following your final hire payment, and will show on your payslip as Cycle to Work Tax Adjustment.

For example for an employee paying tax at rate of 20%:

£450	£81	£16.20
£800	£200	£40.00

The residual value of the cycle will be included in your pay as a gross payment, and net deduction to generate the correct tax payment. Then you would pay the additional taxable benefit.

39. Will I be able to take ownership of the cycle but not the qualifying equipment (or vice versa)?

No - if equipment was included in the hire agreement then the value of the equipment is included in the calculation of the residual value. An employee cannot take ownership of the cycle without the equipment, or vice versa.

40. Can I continue to hire the cycle beyond 12 months?

No – under the NICS scheme, once the twelve month hire period is completed the employee has the opportunity to receive ownership of the cycle as a taxable benefit, or to return the cycle and equipment to the Department. The employee cannot extend the hire period.