

## CASE STUDIES

### Royal Mail Group plc – bringing new benefits to its 200,000 employees

*"We've recently rolled out the Cycle to Work Scheme successfully to our people across the UK. And we've been delighted with the response from employees,"* says Shan Lawrence, Recognition & Reward, Royal Mail Group. Recognising that vehicle congestion in the UK is on the increase and that 40% of all car journeys are less than five miles, Royal Mail wanted to make tax-efficient bicycles available to employees to help them start thinking about changing their mix of transport, especially commuting to and from work.

The organisation also recognises the significant health benefits from regular exercise, as Shan explains:

*"It's recommended that we take 30 minutes' moderate exercise most days. Riding a bike to work can be an important part of a regular exercise routine. It's been shown that healthy people are generally more alert at work and able to perform their role with less time away due to illness. Exercise is the way to a longer life."*

### Bristol South and West Primary Care Trust (PCT) - Cycle promotion to meet physical activity goals

The Physical Activity Adviser for Bristol South and West PCT has been given responsibility to work with NHS sites across Bristol to improve conditions for cycling among staff, whether for the journey to work or during the course of work. This involves close collaboration with Bristol City Council in promoting travel plans at the NHS sites, with the Council analysing travel surveys free of charge. New secure bike parking has been installed within some buildings, alongside better changing facilities.



TO FIND OUT MORE VISIT:  
[www.bikeforall.net](http://www.bikeforall.net)

## CYCLE TO WORK SCHEME

HOW TO PUT A BRAND NEW BIKE INTO YOUR EMPLOYEES' PAY PACKETS.

## KEEPING YOUR STAFF FIT FOR BUSINESS



### CYCLE TO WORK – AN EMPLOYER'S GUIDE

Each year, Britain is losing around £12 billion due to sickness and absenteeism at work according to the Health and Safety Executive. Now there's a simple way to improve attendance, and increase productivity and morale too: the Cycle to Work Scheme. It makes it easy for you to help your workforce cycle its way to better health and fitness.

[cycling england](http://www.bikeforall.net)

[www.bikeforall.net](http://www.bikeforall.net)



## WHAT IS THE CYCLE TO WORK SCHEME?

Cycle to Work is a government tax incentive aimed at encouraging employees to cycle to work, thereby reducing air pollution and improving their general health. The scheme is already in operation and allows employees to benefit from a long term loan of a bike and safety equipment completely tax free.

### FOUR REASONS TO ENCOURAGE CYCLING AMONGST EMPLOYEES

#### Increased productivity

- Fitter employees are more productive\*

#### Less time off work

- Cycling boosts general health and a sense of well being, so reducing absenteeism from work\*

#### Improved time keeping

- Cycling is a reliable and quick means of travel. In the UK the average bike journey to work takes less than 20 minutes and won't be delayed by leaves on the line

#### Help the environment

- Cycling reduces congestion, road traffic pollution and noise. Large employers are a significant generator of work related traffic, and can play an active and important role in the reduction of car travel to the workplace

\* Lilleshall Sports Injury and Human Performance Centre Report (2004)



## YOUR QUESTIONS ANSWERED

### How do I set up a scheme?

HR departments setting up the scheme buy bikes and safety equipment such as helmets, lights and reflective clothing and can reclaim the VAT (if registered) and capital allowances on the expenditure. Where the bike and cyclists' safety equipment is leased, the leasing costs will generally be deductible as an expense in computing the business profits. The bikes and equipment are then made available to employees on a long term loan. No changes to an employee's salary arrangements are necessary unless the employer chooses to recover the cost of providing the bike. In this case, the employer and employee can agree to a salary sacrifice arrangement for the loan of the bike to the employee.

The scheme is regulated under the Consumer Credit Act 1974 and participants are covered by an existing group consumer credit licence providing they adhere to the terms of the scheme and the value of each bike does not exceed £1,000 inc. VAT (There is no limit to the value of a bike to qualify for the tax exemption, but if the £1,000 limit is exceeded employers are required to hold a consumer credit licence).

### What are the key terms of the scheme?

Employees would normally have to pay income tax on something lent to them for private use by the employer. The scheme exempts bikes and related equipment provided they are:

- Owned or leased by the employer
- Used primarily for journeys to and from work
- Generally available to employees in the business on the same terms (see 'Who qualifies for the scheme?' for minimum wage restrictions)

### Who qualifies for the scheme?

The scheme is open to any employer and all employees can take part (although a salary sacrifice cannot be used if in doing so the employee's gross pay drops below the National Minimum Wage). Employees taking part must do so on the condition that bikes are used primarily for commuting or work related travel.

### Who will administer the scheme?

HR departments are responsible for administering the scheme. There are a number of professional bike suppliers who make the purchase and supply of bikes under this scheme very straightforward. For more details look on <http://www.bikeforall.net>

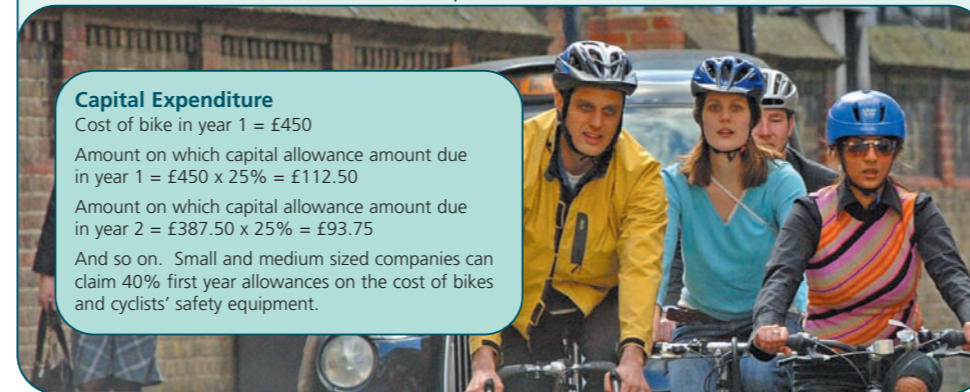
### Capital Expenditure

Cost of bike in year 1 = £450

Amount on which capital allowance amount due in year 1 = £450 x 25% = £112.50

Amount on which capital allowance amount due in year 2 = £387.50 x 25% = £93.75

And so on. Small and medium sized companies can claim 40% first year allowances on the cost of bikes and cyclists' safety equipment.



### How does salary sacrifice work?

In a Cycle to Work Scheme a salary sacrifice is when an employee gives up some of their gross pay in return for their employer's agreement to loan them a bike and equipment. The salary sacrifice covers the cost to the employer of providing the bike, and lasts for the duration of the agreed loan period, typically 18 months. There is no automatic entitlement allowing employees to purchase the bike at the end of the period, but the employer may offer their workforce the opportunity to purchase ex-loan bikes and equipment at a fair market value.

### How much will it cost my organisation?

Employers who purchase bikes and safety equipment for loan to their employees can treat the cost as capital expenditure and claim capital allowances in the normal way. (See capital expenditure box). Other than the administrative overhead, there are no extra costs associated with running the scheme. Employers do need to consider insurance arrangements with the employee and this should be set out in the agreement.

### What happens to the bikes and equipment at the end of the loan period?

The employee is not automatically entitled to own the bike and equipment at the end of the loan period. If the option to buy were given, the agreement would fall within the definition of 'hire purchase' and would be outside the scope of the Cycle to Work tax exemption. So the employer must make it clear that they can't commit themselves to doing so. If the employer does decide to make ex-loan bikes available to its workforce at the end of the loan period, there would need to be a separate sale agreement with the employee. If the bike and any equipment are sold to the employee, it must be at the fair market value.

Alternatively, an employer may prefer to maintain ownership and let an employee continue to use the bike after the salary sacrifice agreement has ended. As long as the employee continues to meet the conditions of the tax exemption, i.e. cycles to work, there won't be any tax charge.

To find out more visit:  
[www.bikeforall.net](http://www.bikeforall.net)

### Salary Sacrifice

1. Under his employer's scheme, John chooses to have the loan of a bike retailing at £450.
2. His employer reclaims the VAT – reducing the cost to £383.
3. This net amount is met by John agreeing to a salary sacrifice whereby his gross pay is reduced by £21.28 per month over 18 months.
4. The monthly net cost to John will be £14.26 because he doesn't pay tax or national insurance on the gross pay (£21.28) that he has sacrificed.
5. At the end of the 18 month period John's employer offers the ex-loan bike for sale at a fair market price under a separate sale agreement e.g. £50. (To establish the fair market price, employers should obtain quotes from local bike retailers as the value of the bike will partly depend on the level of use).
6. The cost to John is:
  - Net salary given up £14.26 x 18 months = £256.68
  - Cost to buy the bike at end of the period = £50
  - Total cost to John (68% of retail price) = £306.68