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infobytes

SCRUTTON BLAND
CLEAR ADVICE · EFFECTIVE SOLUTIONS

Cycle to Work Scheme

As part of the Government's Green Transport Plan to promote healthier living, businesses of all sizes are able to loan cycles and cyclists' safety equipment to employees as a tax free benefit.

Eligible Equipment

A cycle is defined by legislation as being a bicycle, tricycle or a cycle having four or more wheels, other than a motor vehicle.

Safety equipment is not defined by legislation and a sensible approach should be taken. Allowable safety equipment can be said to include:

- Cycle helmets
- Bells
- Lights and dynamo packs
- Mirrors
- Locks and chains
- Pumps and puncture repair kits
- Reflective clothing

Tax Exemption

The tax exemption applies where:

- Ownership of the equipment is not transferred to the employee during the loan period
- Employees use the equipment mainly for qualifying journeys
- The scheme is made available to all employees

A qualifying journey is one between the employee's home and work place or between difference work places.

The equipment will be used for mainly qualifying journeys if it is put to use for more than 50% of the time.

There should be no automatic entitlement for an employee to take ownership of the cycle and equipment at the end of the loan period. If this is the case, then the exemption may not apply.

At the end of the loan period you can choose to give your employees the option of purchasing the equipment, but to prevent a taxable benefit arising, the employee must pay the open market value.

Setting up a Cycle to Work Scheme

HM Revenue & Customs do not need to be informed when a Scheme is established so you can simply buy a cycle and safety equipment, reclaim the VAT (subject to the usual rules on VAT recovery), make use of capital allowances and then loan it to an employee.

Consumer Credit Law

The Office of Fair Trading has stated that an arrangement for the loan of a cycle and safety equipment under the Cycle to

Work Scheme is a regulated arrangement under the Consumer Credit Act. An employer entering into the Scheme will need the cover of a Consumer Credit Licence.

If you wish to discuss the Cycle to Work Scheme or require any further information, please get in touch with your usual Scrutton Bland contact or one of the following on 01473 259201 :

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