

Cyclescheme Guidance at the Open University

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1.0 Introduction

The Government's ambition is to increase levels of active travel, such as cycling. For individuals it means cheaper travel and better health. For businesses, it means increased productivity. And for society it means lower congestion and better air quality.

The Cycle to Work schemes have involved over 40,000 employers across the country and has contributed to enabling more than 1.6 million commuters to cycle to work (according to the Department of Transport).

You should know that this is a "bicycle hire scheme" and that you will not own the bicycle unless you wish to purchase it at the end of the hire agreement. Transferring ownership requires full settlement of the hire agreement. This means that a "Tax" settlement value will need to be determined based on the asset value of the bicycle at the time. You will be required to pay this Tax to the supplier before ownership of the bicycle is passed over.

Note: The bicycle remains the property of the OU until the hire agreement is complete and Cyclescheme formally transfers ownership to you.

This document offers guidance to employees on Cyclescheme. It will clarify the latest updates and benefits to enable employees to hire bicycles for active travel and/or safety equipment, as well as any insurance considerations from a third party. All of this is available through a deduction from earnings known as salary sacrifice. This document will outline tax and legal guidance on how the scheme typically operates.

Please note, the Open University may update this guidance from time to time, to reflect any changes made by the government to the cycle to work scheme.

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2.0 How Cyclescheme works

Cyclescheme enables you to save 25% – 39% of the cost of a new bike and equipment whilst spreading the costs over a twelve-month period. Employers also benefit by being able to recover the cost of the bike back from you while generating National Insurance Contributions (NICs) saving of up to 13.8% of the taxable value which is paid to the Government.

There are four steps to go through to get a bike for work through Cyclescheme, using their website, (follow link her for [Cyclescheme](#)) see below:

1. Select: “What is it”?
 - Use the [calculator](#) to check how much you can save.
2. Select: “Pick your package and apply”
 - Once you have a budget, use the [retailer finder](#) to select a local store or online retailer (you can decide on a retailer after you’ve applied). Please note your voucher will be the total value of your bike and equipment.
3. Select: “Get your gear”
 - When you apply, you’ll be guided through a simple form that asks for your work details (staff number), contact information and value of the voucher (you’ll be able to link the specific retailer if you’ve chosen one)
 - Your employer will review and approve the application and pay for your Cyclescheme package. Cyclescheme will then send you an e-certificate which you can exchange in-store or online. This process can take up to 6 weeks.
4. Select: “Choose an ownership option”

When your hire agreement and salary sacrifice ends, Cyclescheme will contact you to choose between the following options.

 1. Own it later – for example: for a package under £500, you’ll pay 3% of the original value but for a package over £500 you’ll pay 7%. The bike remains ‘hired’ for a further 36 months but with no more monthly payments. Ownership can be transferred to you a small payment may however need to be made.
 2. Own it now – for a package under £500 you’ll pay 18% of the original value but for a package over £500 you’ll pay 25%. Ownership will then transfer to you, no other costs will be incurred.
 3. Return the bike – If for any reason you do not want the bike at the end of the hire agreement period, you can return it to Cyclescheme and incur no additional costs.

2.1 Voucher value limit

The Department of Transport (DfT) updated their cycle guidance and have made it acceptable for employees to request a voucher of any value. However, it is The Open University’s policy that any voucher value will be capped at £1,250 for bicycles and £1,500 for e-bikes.

Please note that HMRC have removed the top up facility so no additional payment provisions are permitted to be made directly to the supplier.

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2.2 Insurance

Employees are reminded that the hire agreement requires that insurance cover should be taken out during the entire hire agreement period for the full value of the bike. With Cyclescheme you will be given the option to benefit from 14 days free insurance with Bikmo. This will cover against theft and vandalism. You will also be given the option of receiving a quote for insuring your bike. For more information visit [Cyclescheme's website](#). Alternate options for insurance include adding the bicycle to your home insurance, check with them on any terms and conditions which may apply.

3.0 How a salary sacrifice works

Salary sacrifice is where an employee agrees to give up part of their pre-tax salary in exchange for a benefit from their employer, in this case, a hire of a bicycle or safety equipment. This will involve a separate hire agreement between the employee and employer, who has either purchased the bicycle/equipment or leased it from a third party (such as a retailer). The employee pays for the hire costs via the salary sacrifice arrangement with the employer.

The scheme benefits from a tax exemption under Section 244 of the Income Tax (Earnings and Pensions) Act 2003. Since a portion of the employee's salary is foregone, the employee pays less tax and NICs, and the employer can save on employer NICs.

The table below provides an example of how much can be saved by employees:

Examples of hire value	Savings
£500	£80
£750	£120
£1,000	£160

3.1 Time periods of the scheme

The salary sacrifice deduction arrangements are typically for a minimum of 12 months. During this period of time the full cost of the bicycle is recovered from the employee.

The length of the hire agreement is a maximum of 5 years, the employee determines this period depending on when the transfer of ownership is undertaken by the employee.

Your duration of the hire period will commence on the date of the salary sacrifice. This hire agreement period is fixed and cannot be changed.

Missing payments could have severe consequences and may make obtaining credit more difficult.

3.2 Eligibility

To be eligible for the tax exemptions and enter into a hire agreement the following conditions must be satisfied: -

- You must be a UK PAYE taxpayer
- You must use the bicycle / equipment mainly for commuting to work
- You must be 18 years and over
- The equipment you hire must be a bicycle and/or any related equipment

Only cycles for active travel and cyclist's safety equipment can be hired under the government's Cycle to Work scheme.

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4.0 Employee hire agreement

The hire agreement is a 5-year legal agreement between you (the employee) and the owner of the bike (the Open University and/or Cyclescheme). The hire agreement will set out both parties' responsibilities and details the value, frequency of the required salary sacrifice payments, employee cancellation rights and all other important terms and conditions which govern the scheme.

You must sign the hire agreement in order to participate in the cycle to work scheme. You will also be required to sign an Acknowledgement of Debt form (annexed to the hire agreement). You will then receive a copy of the agreement by email. Further details of this can be found on the Open University's intranet. You can also log into your [MyCyclescheme](#) account (Employee Benefits Choice) for any agreement information.

By entering into the agreement, you agree to hire the bicycle/equipment from Cyclescheme for the minimum hire period (usually 12 months) from the date of the commencement of your salary sacrifice. In return for Cyclescheme agreeing to hire the bicycle/equipment to you for the hire period, you agree to make the payments detailed in your agreement.

4.1 During the agreement

During the hire period the bicycle/equipment remains property of the OU / Cyclescheme and you cannot profit from, transfer, sell or otherwise dispose of the bicycle/equipment. You must retain possession of the bicycle/equipment and use it mainly (50%) for commuting, although secondary purposes are permitted. Once collected from a Cyclescheme partner retailer, you are responsible for any loss of or damage to the bicycle/equipment.

If you are absent from work during the hire agreement period, the payments in the hire agreement will continue to reduce any pay you receive. If you are temporarily not in receipt of sufficient salary for the salary sacrifice to continue, but you remain an employee, then by law the salary sacrifice payments set out will be suspended for a period of time and the hire period will be extended to allow payments to be made once you return to work.

The hire agreement period will not be extended for more than 5 months beyond an initial 12 month hire period. If after the extension there are outstanding payments, the full balance will become payable to the employer through future net salary payments (within 14 days).

4.2 Withdrawal from the agreement

If your employment with the Open University terminates for whatever reason during the course of the hire period, the hire agreement will be terminated in accordance with the agreement and the tax exemption available under the 'Cycle to work' scheme will no longer be available.

You will be required to pay the total outstanding payments due for the remainder of the hire agreement period. The outstanding balance payable will not benefit from any tax exemption and will be collected by the employer from any remaining net salary payments and any other sums payable to you by the employer.

If this is not possible for any reason, or if the total outstanding balance of payments due exceeds any remaining net salary payments, you agree to promptly pay an amount equal to the total outstanding payments due, within 14 days of your employment end date.

4.3 Cancellation of agreement

You have the right to cancel the hire agreement from the later of 14 days from the date you receive an email containing a link to the fully approved agreement. You can cancel this agreement by giving written notice to Cyclescheme by logging into your [MyCyclescheme](#) account (Employee Benefits Choice), clicking on 'Cancel my Certificate'.

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If you have not redeemed the certificate when you cancel the agreement, you must delete the email containing your certificate and any copies made. The Open University will ensure that any salary sacrifice deduction is cancelled and no further payments will be taken out of your salary.

If you have redeemed the certificate and collected or received the bicycle/equipment, you must not use the equipment and must keep it safe (Legal action may be taken against you if you do not take proper care of the bicycle/equipment). You will be required to return the bicycle/equipment to the Cyclescheme partner retailer in saleable condition, you will be charged any costs incurred for return and/or collection of the equipment.

4.4 End of the agreement

At the end of the hire agreement, Cyclescheme will contact you and ask if you would like to keep the package and become the legal owner. Your options at this stage are:

1. Extend the hire agreement;
2. Return the cycle and equipment;
3. Buy the cycle and equipment under a separate agreement entered into the time.

If you decide to purchase the bicycle/equipment under a separate agreement following the expiry of the hire agreement, there must be a valuation for the bicycle/equipment for tax purposes. HMRC have published the following 'Valuation Table' to be used to calculate the market value of the bicycle and equipment.

Age of bike	Acceptable disposal value as a percentage of original price (including VAT)	Acceptable disposal value as a percentage of original price (including VAT)
	Original price less than £500	Original price over £500
1 year	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%
5 years	3%	2%
6 years & over	Negligible	Negligible

In order to preserve the tax benefits of the scheme, there can be no guarantee or obligation to offer ownership to the employee immediately after the hire agreement has ended. However, employers invariably offer this option, either directly or via Cyclescheme.

5.0 Useful information for advice

For further advice on the Cycle to Work scheme, please follow these links:

- Department for Transport – <https://www.gov.uk/government/publications/cycle-to-work-scheme-implementation-guidance>
- HMRC for specific details on tax – <https://www.gov.uk/contact-hmrc>
- Cyclescheme – <https://www.cyclescheme.co.uk/>