

## **Middlesex University Cyclescheme**

Financial Services May 2020

Middlesex University has partnered with Cyclescheme Ltd to offer staff savings on the cost of a new bike . The scheme will be administered through a salary sacrifice and a hire agreement, allowing staff to spread the cost over 12 months and make savings by paying less income tax and national insurance contributions (NIC).

### **How does it work?**

As part of the UK Government 'Green Transport Plan' the Cycle to Work Scheme was introduced which allows an employee to save income tax and NIC on the cost of a new bike to be used for commuting to and from the workplace. Staff are able to obtain a bike and/or accessories of their choice from any of the 2,000+ retailers on [Cyclescheme](#) by applying for a Certificate to cover the cost of your gear up to a maximum value of £3,000 incl. VAT. At the end of the hire agreement and salary sacrifice period, staff will be given the option to purchase the bicycle by paying a small ownership fee..

### **Who is entitled to use Cyclescheme?**

Under this agreement, salaried PAYE employees of Middlesex University who:

- Have a contract of employment that outlasts the duration of the salary sacrifice period of 12 months.
- Are UK taxpayers.
- Are over 16 years with pay exceeding the National Minimum Wage (NMW).
- Need to use a bicycle mainly for travelling to work.

### **Who are Cyclescheme?**

Cyclescheme Ltd is an independent company created to help both employers and employees make the most of the Green Transport Plan Initiative and associated tax concession offered by the Chancellor.

Middlesex University has chosen to partner with Cyclescheme Ltd as the arrangement offers University staff access to 2,200 local independent and big name retailers either in store or on line. Staff can choose their retailer here:- [Cyclescheme shop](#)

### **How do I get a bike through the scheme?**

There are just three steps to go through to get your bike You will need to apply for an eCertificate to redeem against your gear when you go to collect it from your Cyclescheme shop.

To obtain your eCertificate you need to:

1. Pick your package and apply
2. Get your gear
3. Choose your ownership option

### **Can I also purchase accessories through the scheme?**

Yes, you can get whatever you need to cycle commute regularly. Cyclescheme offer three types of packages: - Just a bike, a bike and accessories or just accessories. There are some scheme exceptions so refer to the information for what is allowable gear.

**Will I own the bicycle immediately?**

The bicycle and equipment are technically the property of Cyclescheme Ltd but the employee is fully responsible for the bicycle during the 12 month loan hire period. At the end of the loan hire period, an ownership fee will be due to Cyclescheme which is the cost you must pay if you wish to keep your bike.

**Who is responsible for insurance, warranty and maintenance?**

The employee is responsible for all liabilities arising in the event of bike loss/theft; Middlesex University or Cyclescheme will bear no liability in these events. It is therefore strongly recommended to insure the bike, and any accessories fitted to the bike, to safeguard against the losses following loss/theft. Household insurance policies may be cheaper than specialist bike insurance policies but you must ensure that your insurer covers the bike when in storage away from your home and any other eventuality that may occur. You also need to check that the upper limit on a claim is appropriate in light of the cost of the bike. .

The employee is responsible for maintaining the bike during its use and agrees to this when signing the hire agreement. All Cyclescheme bikes come with a warranty for the duration of the hire period. Your retailer will be able to advise you about necessary servicing, depending on how you use your bike. They are also likely to give your bike a first free service once you have bedded it in.

**How much will I be saving?**

The scheme operates as a 'salary sacrifice' employee benefit. This means that you agree to give up part of your salary in exchange for a benefit – in this instance the benefit is a bike and/or accessories. The salary sacrifice (your loan hire payment) is taken from your gross (not net) salary (before tax is calculated) which means that you will pay less Income Tax and NIC.

The amount of Income Tax and NIC typically saved range between 25% and 39% of the original cost of the bike, depending on your rate of personal tax, NIC status and your choice of ownership option. Refer to the working examples at **Appendix A** or for a more accurate calculation of how much you can save use the Middlesex University Savings calculator at this link <http://www.cyclescheme.co.uk/6b3e1a>  
For further information on Salary Sacrifice [HM Revenue & Customs: Salary sacrifice](#)

**How many times a week do I have to use the bike for work?**

There is no requirement for you to cycle to work for a specified number of days throughout the year and there is no special requirement for you to record your trips. You can also use the bike for leisure at weekends and on holiday, although a bike purchased under Cyclescheme should be used for at least 50% of the trips for commuting and were relevant between workplaces.

**Do I have to keep a record of my commuting mileage?**

There is no need to keep a log of your mileage or journeys.

**Can I use the bike for local trips during the working day?**

Yes, you can use your bike for business purposes during the working day, although no mileage allowance can be claimed on these trips during the hire period as the bike belongs to Cyclescheme. You are however encouraged to use the bicycle for local trips as its use is directly related to the University's interest in running a Cyclescheme.

**What happens if I leave my job before I've finished paying for my bicycle?**

Under the terms of the Hire Agreement and the Credit Consumer Act, the agreement to pay your loan hire is 'non-cancellable'. This means that you will need to settle all outstanding monies before you leave. The outstanding balance will be deducted from your final net salary payment. Settlement will be from net pay because once you leave the University; you also leave the Cyclescheme, and are no longer eligible for income tax and NIC exemptions.

If you want to keep the bike you will have the option of purchasing the bike for a ??????.

**Does the University or Cyclescheme need a Consumer Credit Licence?**

You are hiring your gear directly from Cyclescheme. This is because they have Financial Conduct Authority (FCA) authorisation to hire bikes, components and accessories up to £3,000 including VAT.

**Can I use my own money over £3,000 to get a more expensive Bike?**

The scheme does not allow for a cash contribution from an employee to top up the voucher beyond £3,000 as this will cause a shared ownership issue, which is disallowed.

**How will salary sacrifice affect my pension?**

Salary sacrifice under the Governments 'Cycle to Work Scheme' is recognised by both of the University workplace pension schemes, Teachers Pension (TP) and Local Government (LGPS) schemes. Consequently, your pension contributions and related benefits are not affected by the salary sacrifice as your pension contributions are payable on your full salary i.e. on your "notional" gross pay before salary sacrifice.

**What happens if I am on unpaid leave?**

During approved unpaid leave such as maternity leave, the Hire Agreement period will be extended by the number of months when the salary was not paid and the University was not able to collect payments.

**What happens if I am on maternity, paternity, parental or sickness leave?**

During periods of paid leave you the bicycle hire and deductions will continue in accordance with the hire agreement. Deductions will be made from any payroll payments you receive during your absence and/or will accrue a debt that will be recovered as soon as you return to work and receive a payroll payment from the University.

**Does it affect Childcare Tax Credit?**

Current advice from the HMRC suggests that you can still apply for Childcare Tax Credit whilst being in a salary sacrifice scheme. For more information check with HMRC [HMRC Children and tax credits](#) or HMRC Tax credit helpline on 0845 300 3900.

**Do I need to tell HMRC about this benefit?**

The Cyclescheme is a government-sponsored initiative that has been set up so that you do not have to pay tax on items bought under the agreement. There is no need for you to contact HMRC.

**Can I participate in both the Cyclescheme and the Childcare voucher schemes?**

As both voucher schemes are approved by the UK government, HMRC and University pension providers then you can participate in both.

**Where can I get more information about Cyclescheme?**

If after reading this policy and information on the [Cyclescheme](#) website you have any queries on the scheme then please contact the University Cyclescheme administrator :-

**Paola Argiroffi**  
**Payroll Team**  
**Colindeep Lane**

**[P.Argiroffi@mdx.ac.uk](mailto:P.Argiroffi@mdx.ac.uk) or [finpayroll@mdx.ac.uk](mailto:finpayroll@mdx.ac.uk)**  
**Ext 4267 or Ext 6085**

**Appendix A follows:**

## Middlesex University Cyclescheme

### Appendix A

The following examples show how savings are made for basic and higher rate tax payers on various bicycle packages in a hire agreement over 12 months.

#### Employee who is a Basic Rate Taxpayer =Tax and NIC savings of 32%

You choose a bicycle package worth (RRP)		£600	£1,000	£3,000
If you are a Basic Rate Taxpayer (i.e. 20% Tax & NIC 12%) then your savings are:-				
Income Tax and NIC saved**		£192	£320	£960
Monthly repayments from gross salary (gross salary sacrifice) as shown on your hire agreement		£50.00	£83.33	£250
Net monthly payments (net salary sacrifice)		£34	£56.67	£170
Total cost of bicycle package i.e. you pay back 12 monthly instalments at the net salary sacrifice		£408	£680	£2,040
Percentage saving on package RRP over 12 months		32%	32%	32%

#### Employee who is a Higher Rate Taxpayer =Tax and NIC savings of 41%

You choose a bicycle package worth (RRP)	£200	£600	£1,000
If you are a Higher Rate Taxpayer (i.e. 40% Tax & NIC 11%) then your savings are:-			
Income Tax and NIC saved**	£82.00	£246.00	£410.00
Monthly repayments from gross salary (gross salary sacrifice) as shown on your hire agreement	£16.66	£50.00	£83.33
Net monthly payments (net salary sacrifice)	£9.83	£29.50	£49.16
Total cost of bicycle package i.e. you pay back 12 monthly instalments at the net salary sacrifice	£117.96	£354.00	£590.00
Percentage saving on Package RRP over 12 months	41%	41%	41%

\*\*To then own the bicycle after 12 months the University may offer it to you at the fair market price, based on HMRCs market valuation table plus VAT, E.g. either:

$\text{£}200 \text{ RRP} \times 18\% = \text{£}36 \times 20\% \text{ VAT} = \text{£}43.20$

$\text{£}600 \text{ RRP} \times 25\% = \text{£}150 \times 20\% \text{ VAT} = \text{£}180.00$

$\text{£}1,000 \text{ RRP} \times 25\% = \text{£}250 \times 20\% \text{ VAT} = \text{£}300.00$

To ensure you pay as low a market value as possible to own the bicycle, you also have the option after 12 months, to sign up to a Cyclescheme 'Extended Use Agreement' for up to a further 36 months at no additional cost.

E.g. To then own the bicycle after 4 years use under the agreement, either:

$\text{£}200 \text{ RRP} \times 3\% = \text{£}6 \times 20\% \text{ VAT} = \text{£}7.20$

$\text{£}600 \text{ RRP} \times 7\% = \text{£}42 \times 20\% \text{ VAT} = \text{£}50.40$

$\text{£}1,000 \text{ RRP} \times 7\% = \text{£}70 \times 20\% \text{ VAT} = \text{£}84.00$

Notes:

1. The amount you will pay back per month through your salary is the gross salary sacrifice but after Tax and NIC savings the real cost to you is the net salary sacrifice figure.
2. The RRP of the bicycle package will include the bicycle itself and any safety equipment e.g. Lights, including dynamo packs fitted but not items worn by the cyclist e.g. cycle helmets and reflective clothing which for the purposes of valuation have nil value once worn for regular commuting and workplace travel.