

**University of Worcester cycle to work scheme**

**Operated in conjunction with Cyclescheme Ltd**

**Scheme benefits and guidelines:**

The cycle to work scheme is being offered by the University of Worcester to promote healthier journeys to work and reduce environmental pollution. This scheme supports the University sustainability strategy to maintain its first class environmental sustainability status.

The scheme is open to all University employees providing a tax emption to staff for the hire of cycles and cyclist safety equipment. The loaned equipment must be used mainly for the purpose of qualifying journeys; commuting between home and work or between University sites. Therefore the requirement is that the cycle will be used 50% of its use for qualifying journeys.

Staff will have the opportunity to enter a hire agreement with the University of Worcester to purchase a cycle and cycle safety equipment through Cyclescheme Ltd. You will be able to hire a cycle and cycle safety accessories up to a maximum of £2,000.

The hire of a cycle and cycle safety equipment can include:

* Cycle helmets which conform to European standard EN 1078
* Bells and bulb horns
* Lights, including dynamo packs
* Mirrors and mudguards to ensure riders visibility is not impaired
* Cycle clips and dress guards
* Panniers, luggage carriers and straps to allow luggage to be safely carried
* Child safety seats
* Locks and chains to ensure cycle can be safely secured
* Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs
* Reflective clothing along with white front reflectors and spoke reflectors

The hire agreement will be for a period of twelve months and payments will be made directly from your monthly salary, each payment will be a twelfth of the original cycle and cycle safety equipment value. The payment will be made under a salary sacrifice arrangement and deducted prior to tax and NI deductions therefore you will receive a taxable benefit on the original agreement value.

For example:

An agreement to hire a cycle and cycle safety equipment to the value of £500:

Lower rate tax payer – net cost £340

Higher rate tax payer – net cost £290

More information and examples can be found on the Cyclescheme Ltd web site at <http://www.cyclescheme.co.uk/partners>

At the end of the twelve month hire period the cycle and any cycle safety equipment is owned by the University and should be returned. The University may elect to sell equipment from the cycle scheme after a hire agreements have expired however any subsequent sale will be pursuant to a separate agreement entered into after the conclusion of the hire agreement.

Under the terms of the cycle to work salary sacrifice tax exemption any sale of ex hire cycles and related equipment must be at market value. It is permissible to sell a cycle at below its market value however this will give rise to a taxable benefit and P11D charge on the difference between sale price and market value. A P11D is notification issued to you and HMRC of a benefit in kind. HMRC will use the document to tax you on that benefit.

An example to provide and indication of the cost of purchasing and ex hire cycle from the University with a P11D tax benefit liability.

The original cost of the bike = £400 and accessories = £100

After 12 months the deemed market value of the cycle is 18% of the original value, £72.

Therefore any sale below this value will give rise to a P11D.

The tax charged on £72 for a basic rate taxpayer will be £72 x 20% = £14.40
The tax charged on £72 for a higher rate taxpayer will be £72 x 40% = £28.80

After joining the scheme, if you leave employment at the University, or your contract ends before you complete the scheme you will be liable to the full cost of the hire agreement. Any outstanding sums will be due to be paid to the University. This sum will be deducted from your net pay and no taxable or NI benefit will be allowable on this payment. The cycle will remain the property of the University unless it is decided to offer this cycle for resale. If this is the case the example above regarding market value and taxable benefit with P11D would be applicable.

Staff must be over 18 to participate in this scheme, as a requirement of consumer credit Act and Hire agreement. When calculating the effect on your net salary, after the salary sacrifice has been deducted, your pay cannot be reduced below the minimum wage. If staff find that either of these conditions restrict them from joining the scheme the University of Worcester offers an alternative cycle loan scheme (please enquire for further information).

**So how do I apply?**

1. You find a cycle shop that is a member of the scheme – take a look at: <http://www.cyclescheme.co.uk/partners>
2. Obtain a written quote for the cycle and accessories from the shop that you want the University to purchase.
3. Once you have your quote enter the details on the [University of Worcester Cyclescheme](http://www.cyclescheme.co.uk/7572fd) page, ( the University's employer code is **7572fd**)please include VAT in the total cost. When entering your quote you must accept the hire agreement electronically. The page looks the same as the main Cyclesheme page but when using the ‘Where can I get a bike’ and ‘Request a Certificate’ links they are for the University.
4. An email notification of your quote will be sent by Cyclescheme to the University to review. If appropriate the quote will be approved and the hire agreement accepted electronically on behalf of the University.
5. A Cyclescheme voucher will be sent to your home address (the process from application to receipt of voucher can take up to 3 weeks) – this should be taken to the cycle shop and exchanged for the bike and accessories.
6. The electronically signed hire agreement gives the University authority to vary your terms and conditions of employment and you are entering into a salary sacrifice arrangement for a period of twelve months. The reduction in salary may attract savings in Income Tax and National Insurance.
7. After twelve months the cycle will remain the property of the University and the cycle should be returned. The University may decide to offer for resale ex hire cycles on completion of the hire terms.

To calculate the monthly salary sacrifice use the [Cyclescheme calculator](http://www.cyclescheme.co.uk/4178) and click on the 'show advanced details' link and enter the University's employer code **7572fd**; please note the cost will include VAT.

##### **Pension & other benefit Implications**

Employees who are members of LGPS and USS will continue to pay contributions based on their salaries before salary sacrifice. This will maintain the level of benefits in the event of death in service or ill health retirement. Occupational benefits, such as maternity or sick pay, will not be affected as they are based on the pre-sacrifice salary.  State benefits, such as Statutory Sick Pay, Statutory Maternity Pay or Statutory Redundancy Pay, will be affected as they are based on the post-sacrifice salary.

Employees who are members of the TPS will pay contributions on their adjusted salary after salary sacrifice. Their benefits however will be based on their pre sacrifice salary and remain unaffected by the salary sacrifice therefore maintaining the level of benefits in the event of death in service or ill health retirement. Occupational benefits, such as maternity or sick pay, will not be affected as they are based on the pre-sacrifice salary. State benefits, such as Statutory Sick Pay, Statutory Maternity Pay or Statutory Redundancy Pay, will be affected as they are based on the post-sacrifice salary.