

Cycle 2 Work Scheme

Overview taken from:

https://uk.indeed.com/lead/how-the-uks-cycle-to-work-scheme-works?gclid=Cj0KCQiAx6ugBhCcARIsAGNmMbjZp8OuLwff9Pr5UwlNK6Uqz6pZnwTFzoe2Xr0ZqCKPIxTxmtEkDgaAkAbEALw_wcB

Who is eligible for the Cycle to Work Scheme?

To see how the scheme works, employers should understand what salary sacrifice means. At its simplest, it means giving up part of your pre-tax salary each month for a non-cash employer benefit. This could be a boost to an employee's pension pot. Think of it as money taken from someone's salary that's not subject to tax or National Insurance (NI) contributions. Of course, the amount of salary employees receive each month is reduced, but this also decreases the amount of income tax and NI that's paid.

Pre-tax salary sacrifice schemes cover pensions, low-emission vehicles, employer-provided childcare, training courses and the Cycle to Work Scheme. Employees over 16 that earn at least minimum wage are eligible, as long as they are paid and taxed via a pay as you earn (PAYE) system.

How does the Cycle to Work Scheme actually work?

The biggest benefit to an employee in using the Cycle to Work Scheme is not having to pay upfront for a new bicycle. There are pros and cons to the Cycle to Work Scheme, but let's first look at the process that follows an employee's decision to want to cycle to work.

Initial steps to get cycling

1. An employer registers with a Cycle to Work Scheme provider.
2. The employee selects a bicycle. There used to be a limit of £1,000, but this limit was scrapped in 2019.
3. Their employer pays for the bike. Employers will save 13–15% on the cost of the bike because the employer NI contribution is lower. Employers also officially own the bike and hire it out to your employee. [Their employees could save up to 48.25% on the cost of the bike and equipment.](#)
4. Employees pays their employer back through salary sacrifice each month. The amount will vary depending on what you agree with your employee.
5. Employees gets to ride to work, [lose weight](#) while doing so, [reduce pollution and carbon footprint, and save money.](#)

There are some things to consider, such as who pays bike insurance. This is typically the rider's responsibility. If an employee decides to leave their organisation, the bike and equipment is still their employer's property, but they can provide options to their employee if they want to keep riding. Here are two ideas:

Post-employment cycle financing

1. An employer can offer to take the remaining cost of the bike from their employee's final salary, transferring ownership of the bicycle to them.
2. Draw up a new agreement whereby monthly payments continue until all repayments have been made. Of course, the bike becomes a taxable benefit when that employee stops working for their employer, so any advantages they originally enjoyed are now gone.

It's a good idea to have as much written into an employee's original contract when they enter into a Cycle to Work Scheme arrangement. This will help smooth any obstacles that come up, such as the above scenario.

What happens at the end of the agreed salary sacrifice period?

It's the end of the payment cycle, and an employee now has options. They could simply decide to give the bicycle back to their employer (or the scheme provider). They could buy the bike from their employer for a percentage of its market value, or they could pay them between 3–7% of the original value to extend the hire period for another term. At the end of the second term, they could buy the bike for between 3–7% of its original cost. [This last option is popular with 94% of people.](#)

And this is where the downsides of the Cycle to Work Scheme are more visible. When you hit specific obstacles such as end of employment, employees realise they don't actually own the bike or equipment. This is despite having to pay insurance costs, as well as maintenance and repairs.

We think the pros outweigh the cons, which is why it's important to be as open and clear as possible when an employer and their employee agree initial terms. Leave no room for error or misunderstanding about how the scheme works.

What is Cycle to Work Day?

The annual [Cycle to Work Day](#) is an opportunity for employers to raise awareness of how you can help your employees take to the saddle. It's a marketing exercise, but a worthwhile one in that you can stand out from other employers in highlighting the benefits of cycling to work. Before the day itself, which celebrates its 10th anniversary in 2022 on 4 August, employers can encourage their workforce to pedal to work, and tell non-riders about the Cycle to Work Scheme.

With savings to be made, as well as reductions in carbon footprint, cycling offers a way for employers to connect with employees and help them save money. And if it's true that [employees who exercise before work are more motivated and efficient](#), then there are definitely benefits for everybody.

End of Report