



# Cycle to Work Scheme

## Information and FAQs

# Cycle to Work Scheme

Heriot-Watt University is pleased to introduce a new tax-free Cycle to Work Scheme (“the Scheme”) that takes advantage of legislation introduced as part of the Government’s Sustainable Transport Policy, specifically aimed to encourage more people to cycle to work.

We have joined forces with leading accountants and tax advisors, Baker Tilly, to provide an in-house Cycle to Work Scheme as this will offer employees the greatest amount of choice and flexibility. This approach also provides an opportunity for us to support local cycle providers.

The Scheme allows you to obtain a cycle and accessories up to a total value of £1,000 (inc VAT) from a local cycle provider of your choice.

The University will purchase your chosen cycle directly from your preferred local cycle provider and allow you to hire the cycle and accessories, over a fixed 12 month period. In return, you will agree to meet the equivalent cycle hire costs via a salary sacrifice arrangement over the same 12 month period.

You have the use of the cycle for both commuting to work and private purposes and, at the end of the hire period, you may be offered the opportunity of purchasing the cycle and accessories for a fair market value.

## Salary Sacrifice

If you wish to take part in the Scheme, you will be required to sign up to a “salary sacrifice” arrangement under which you formally agree to accept a reduction in your gross salary in return for Heriot-Watt University’s agreement to provide you with the loan of a cycle and accessories.

The provision of a cycle and equipment by the employer, on loan to an employee, is exempt from tax and National Insurance Contributions (“NICs”).

The advantage is that you no longer pay tax or NICs on the amount that you have sacrificed. So, instead of paying your cycle hire costs from your net (after tax) salary, you pay for it from your gross (pre-tax) salary.

## How to join the Scheme?

Step 1: Read the Frequently Asked Questions information sheet.

Step 2: Visit your chosen cycle provider to select your cycle and accessories up to the maximum value of £1,000.

Step 3: Ask the cycle provider to give you a quotation or invoice for your chosen goods, which should include the purchase order number available from Human Resources. Then complete a Heriot-Watt Cycle to Work Scheme Application Form and send this with the quotation or invoice to Human Resources (hr@hw.ac.uk).

Step 4: You will be sent a Pre-Contract Agreement, the Terms and Conditions and the Hire Agreement, which you should read carefully as it contains a note of your repayment amounts and the terms and conditions of hire.

Step 5: Complete and sign the full Hire Agreement which should be done in the presence of your line manager. The manager must also sign as a witness. Retain the Pre-Contract Agreement and the Terms and Conditions.

Step 5: Send your completed Hire Agreement to Human Resources (hr@hw.ac.uk).

Step 6: The University will then purchase the ordered goods directly from the cycle provider. You will be sent a Letter of Collection from Human Resources.

Step 6: Once you have received your Letter of Collection, you will be able to arrange collection of your selected cycle and accessories.

## What happens next?

You can start using the cycle and accessories immediately. The salary sacrifice arrangement will start from the next payroll.

# Frequently Asked Questions

## 1. Who is eligible to participate?

All employees of Heriot-Watt University, based at UK campuses, are eligible to apply to join the Scheme. However, if you do not have a salary each month or contract of employment that will last for more than 12 months you will be unable to participate in the salary sacrifice arrangement. In addition, if by sacrificing salary, your earnings fall below the National Minimum Wage, you will be unable to participate in the salary sacrifice arrangement. Please talk to Human Resources for advice and the options available to you.

## 2. How does the Scheme work?

If you wish to take part in the Scheme, you will be required to sign up to a 'salary sacrifice' arrangement under which you will formally agree to accept a reduction in your gross salary which is equal to the cost of the cycle and equipment. The advantage is that you do not pay tax or National Insurance Contributions (NICs) on the amount that you have sacrificed.

## 3. How much will I save?

The amount you will save will depend on amount salary sacrificed and the rate at which you pay tax and NICs (Basic Rate or Higher Rate).

If you join the Scheme, your basic gross salary will be reduced by the amount you have sacrificed. The advantage is that you do not pay tax or NICs on the amount that you have sacrificed and as a result, you will save the tax and NICs that you would have paid on the sacrificed amount.

For example – if you are Basic Rate taxpayer and your chosen cycle and equipment is £600 (including VAT), your annual salary will be reduced by £600 (£50 per month) and your total annual tax and NIC saving would be £183.60.

Therefore, after the savings, the annual cost of the cycle and equipment will be £416.40 (£34.70 per month). Higher Rate taxpayers could save even more.

## 4. Which cycle providers can I use to select my cycle and accessories?

Heriot-Watt University has produced a list of approved cycle providers, all of whom are able to participate in this scheme. This will allow you to choose from a range of well-established suppliers, providing a larger selection of bikes and accessories.

The cycle providers currently participating in the Scheme are:

1. Alpine Bikes (<http://www.alpinebikes.com/>)  
48 Hamilton Place, Edinburgh EH3 5AX or  
Neidpath Church Building, Peebles Road, Innerleithen EH44 6QX or  
64 – 70 Holborn Street, Aberdeen AB10 6BX or  
6 St. Georges Place, Glasgow G20 7PW
2. Biketrax (<http://www.biketrax.co.uk/>)  
11-13 Lochrin Place, Edinburgh EH3 9QX
3. Diamond Cycle Centre (<http://www.stevediamondcycles.co.uk/>)  
Unit 5, Adam Purves Hub, Wilderhaugh, Galashiels TD1 1PW
4. Edinburgh Bicycle Co-operative (<http://www.edinburghbicycle.com/>)  
8 Alvanley Terrace, Edinburgh EH9 1DU or  
30 Rodney Street, Edinburgh EH7 4EA
5. Electric Cycle Company (<http://www.edinburghcyclecompany.com/>)  
133-135 Granton Road, Edinburgh EH5 3NK

6. Bikechain Glasgow Ltd (<http://www.bikechainglasgow.co.uk/>)  
1417 Dumbarton Road, Glasgow, G14 9XS
7. Pedal Power (<http://www.pedalpower.org.uk/>)  
Main Street, West Calder EH55 8BY

As these providers have agreed to the terms and conditions of this scheme they will all be aware of the need to provide invoices or quotations to employees.

Heriot-Watt University may be willing to consider the addition of other cycle providers to this list, but only where there is a reasonable demand for their products from a number of Heriot-Watt University staff.

**5. What accessories are available through the Scheme?**

Eligible equipment or accessories to the cycle could include:

- Cycle helmets which conform to European standard EN 1078
- Bells and bulb horns
- Lights, including dynamo packs
- Mirrors and mudguards
- Cycle clips and dress guards
- Panniers, luggage carriers and straps
- Locks and chains
- Pumps, puncture repair kits and cycle tool kits
- Reflective clothing and reflectors

**6. When can I join the Scheme?**

You can join the Scheme at any time, but you will only be able to enter into the Scheme on one occasion during any twelve month period.

**7. Can I order more than one cycle through the Scheme?**

You may order more than one cycle through the Scheme, providing the combined cost does not exceed the £1,000 maximum value and you can meet the conditions as stated in questions 8 & 9.

**8. Can I get a cycle for my family member or partner, etc?**

No, the cycle is for your use and must be suitable for you to cycle to and from work or between workplace locations.

**9. Does it matter what I use the cycle for?**

Yes; a condition of the Scheme is that the cycle is used mainly for 'qualifying journeys'.  
Commuting to and from work and travel between workplaces are qualifying journeys.  
So long as you use the cycle for qualifying journeys you can also use the cycle for personal or leisure activities.

**10. Who actually owns the cycle and accessories?**

The cycle and accessories are owned by the University until the end of the hire period. However, it is your responsibility to keep it safe and secure.  
At the end of the hire period you may be given the opportunity to purchase the cycle for a fair market value. See question 23 for more details.

**11. What happens if the cycle or accessories get stolen or damaged during the hire period?**

It is your responsibility to ensure the cycle and accessories are insured for its retail value against loss, damage and third party risks.  
If it is stolen you will have to continue with the salary sacrifice until the end of the hire period.  
We recommend that all participating employees contact their home insurance provider to check the cycle and accessories are included in the home insurance policy.

**12. What if I am involved in an accident?**

The University does not accept any responsibilities for any liabilities, losses, costs, expenses, injury, damage or other consequences arising out of or in connection with the provision of the cycle and accessories.

**13. Should I be worried by the fact that you are reducing my gross pay?**

Generally employees should not be worried. We will track your original salary which we will now be calling "notional salary".

**14. What will happen if I have a pay award, promotion or other increment?**

Any future pay awards, increments or promotions will be based on your original salary, prior to your participation in the Scheme. This original salary is known as 'notional' salary.

**15. Will my occupational pension be affected?**

The University is permitted to treat this sort of payment as part of your pensionable pay and, therefore, the contributions that both you and the University make will continue as though your salary had not been reduced. Consequently, your occupational pension will be unaffected by your joining the Scheme.

**16. Will participating in the Scheme affect any salary-related payments?**

Your participation in the Scheme may have an impact on the following earnings-related statutory benefits:

- Statutory Maternity Pay
- Statutory Paternity Pay
- Statutory Adoption Pay
- Statutory Sick Pay

If you are eligible for any of the above payments, the statutory amount due to you is based on your earnings during a certain period. Therefore, by taking part, the statutory benefits will be calculated by reference to your reduced salary and the amount of benefit you receive will be lower.

If you are likely to receive these benefits, you should first consider carefully whether your participation in the Scheme will be worthwhile. Please talk to Payroll for advice as to how this may affect you individually.

**17. What happens if I am eligible for any Occupation-related benefits e.g. Occupational Maternity Pay?**

Occupation-related benefits are calculated on your gross earnings in a set period. As a result of participating in the Scheme, your salary will have been reduced during this period, however occupational maternity pay will be based on your original salary (the 'notional salary'). Please talk to Payroll for advice as to how this may affect you individually and the options available to you.

**18. I currently receive Tax Credits. Can I join the Scheme as well?**

The Tax Credit calculation is based on your taxable (P60) income. By signing up to the Scheme, your taxable income will be reduced and therefore your Tax Credit entitlement may change. Given the complexities involved in calculating entitlement to Tax Credits, we would recommend that if you have any queries you go to <https://www.gov.uk/browse/benefits/tax-credits> for more information or contact HM Revenue & Customs helpline on 0845 300 3900.

**19. I am currently re-paying a student loan. Will this alter?**

Yes, it will alter as the trigger point is based on the salary on which you are liable to pay NICs. Under this Scheme your total gross salary on which NICs is paid will reduce, hence your loan repayments will decrease. You should bear in mind that any decrease in your loan repayments will result in your repaying for an additional time period.

**20. Can I withdraw from the Scheme?**

Under the terms of the Hire Agreement and Credit Consumer Act, it is not possible to cancel the Hire Agreement. Therefore, you will be committed to the salary sacrifice arrangements for the full duration of the hire period.

**21. What happens if I leave my job or my employment is terminated before the end of the hire period?**

In this instance, you will be liable to settle any outstanding payments identified in your Hire Agreement. The outstanding balances will be deducted from your net salary payment as you will no longer be eligible for the tax and NICs exemptions.

**22. What happens if I am absent from work for a long period of time? (eg due to maternity leave or long term sickness)**

If you are participating in the Scheme and you are absent from work by reason of maternity /adoption leave or long term sickness, your entitlement to the benefit continues throughout. However, if the cycle is not being used for 'qualifying journeys' (as defined in terms and conditions), the benefit becomes taxable.

This means that, as your employer, we will be obliged to:

- report at the end of the tax year to HMRC the value of the benefit for the period when it was not used for qualifying journeys;
- treat the cash equivalent value of the benefit, each month as earnings from which NICs will be deducted, as appropriate.

Please talk to Payroll for advice as to how this may affect you individually and the options available to you.

**23. What happens at the end of the hire period?**

The cycle and equipment may be sold to you at the end of the hire period for a fair market price at that time and in line with HMRC guidelines. For further details, go to:

<http://www.hmrc.gov.uk/manuals/eimanual/EIM21667a.htm>

Alternatively, the University may allow you to continue to use the cycle and equipment (at no further cost) for an indefinite period only making your fair market value purchase payment at a time when, for example, you leave employment with the University. This is the default position adopted by Heriot-Watt University. At that point, the amount to be repaid to the University is as follows:

Age of cycle	Acceptable disposal value percentage	Acceptable disposal value percentage
	Original price of the cycle less than £500	Original price £500+
1 Year	18%	25%
18 Months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%
5 years	Negligible	2%
6 years & over	Negligible	Negligible

This amount will be deducted from any remaining net salary payments. Should this not be possible for any reason, or the outstanding liabilities exceed any remaining net salary repayments, you agree to pay the outstanding balance to us within 30 days of the termination of your employment with the University.

**24. Can I select a cycle that costs more than £1000 and pay the difference myself?**

The Consumer Credit Licence rules relating to the operation of a Cycle to Work Scheme apply to the purchase of a cycle of a value no greater than £1,000. As a result, if you wish to join the scheme, the total cost of the cycle and accessories must not exceed £1,000.

**25. Why is the Pre-Contract Information Hire Agreement worded the same as the Hire Agreement?**

It is a requirement as part of the Consumer Credit Licence rules that you receive both documents, with you retaining the Pre-Contract Information Hire Agreement and returning the signed Hire Agreement. The Hire Agreement is also the official request to reduce your salary as part of the salary sacrifice agreement.

## Cycle to Work Scheme – Worked Example

If you wish to take advantage of the Scheme, the University will purchase your selected cycle and, in return, you will be required to sign-up to a 'salary sacrifice' arrangement under which you formally agree to accept a reduction in your gross salary which is equal to the cost of the cycle. The advantage of this arrangement is that you will no longer pay National Insurance Contributions ("NICs") on the amount that you have sacrificed.

### Savings example

**Paul, Annual Salary: £30,434 (basic rate tax payer) and selects a cycle at a cost of £700**

		Monthly	Yearly
<b>Salary Reduction</b>		<b>£58.50</b>	<b>£702.00</b>
<b>Savings</b>	tax saving	£11.70	£140.40
	NI savings	£6.20	£74.41
	<b>Total savings</b>	<b>£17.90</b>	<b>£214.81</b>
	<b>Actual net cost</b>	<b>£40.60</b>	<b>£487.19</b>

The example above is based on tax and NICs rates 2014 and assumes the employee participates in the University's Pension Scheme.

### Transfer of ownership example

At the end of the initial 12 month hire, Paul can continue to hire the cycle at no further cost. However, if Paul leaves employment, the University may transfer ownership of the cycle for a fair market price at that time in-line with HMRC guidelines.

**Paul, original cycle cost £700 (£583.33+VAT£116.67)**

Age of cycle	Transfer of ownership cost
<b>1 year</b>	<b>£174.99</b> (£145.83 + £29.16 VAT)
<b>18 months</b>	<b>£147.50</b> (£122.50 + £25 VAT)
<b>2 years</b>	<b>£119.00</b> (£99.17 + £19.83 VAT)
<b>3 years</b>	<b>£84.00</b> (£70 + £14 VAT)
<b>4 years</b>	<b>£49.00</b> (£40.83 + £8.17 VAT)
<b>5 years</b>	<b>£14</b> (£11.67 + £2.33 VAT)
<b>6 years</b>	<b>£0</b>

If Paul leaves the University during year 3, the transfer of ownership cost will be £84.00 which will be deducted from his net pay.