



Onchan District Commissioners

CYCLE TO WORK SCHEME

Policy and Procedure

Date: October 2021
Review Date: October 2022

ONCHAN DISTRICT COMMISSIONERS

CYCLE TO WORK SCHEME

POLICY & PROCEDURE

Policy Review - History:

Please be aware that a hard copy of this document may not be the latest available version, which is available from your Department Manager, and which supersedes all previous versions.

Those to whom this policy applies are responsible for familiarising themselves periodically with the latest version and for complying with policy requirements at all times.

Effective from:	Replaces:	Originator:	Page X of Y
January 2021	New	CEO	1/5
Chief Executive/Clerk's Approval:			
Board Ratification:			21 st December 2020

History or Most Recent Policy Changes – MUST BE COMPLETED		
Version:	Date:	Change:
January 2021		Values which can be applied for.

Acknowledgement

Onchan District Commissioners would like to acknowledge Douglas Borough Council in developing the Cycle to Work Scheme, Policy and Procedure for Local Authorities.

1. Policy Statement

Onchan District Commissioners are committed to the health and wellbeing of its employees by encouraging travel to work in a sustainable way by means other than car, other motor vehicle or public transport.

This policy applies to all employees of Onchan District Commissioners who are employed by Onchan District Commissioners and have satisfactorily passed their probationary period.

2. Purpose and Objective

Purpose

The purpose of the Cycle to Work Scheme policy and procedure is to provide a mechanism to enable Onchan District Commissioners employees to sacrifice a proportion of their salary in return for their employer providing them with a tax-exempt benefit of a bicycle and bicycle equipment up to the value of £1,200 for a pedal cycle and up to £1,800 for an electrically assisted pedal cycle per employee over a period of 3 income tax years.

Objective

The Scheme and policy will provide those who wish to cycle to work with a procedure through which to access a tax-free benefit. The objective of the Scheme will be to promote a healthier living lifestyle as well as fitter and healthier staff which have been proven to increase productivity and improve attendance. There are additional environmental benefits such as reduced emissions, reduction in parking needs and less traffic congestion.

3. Overview of the Scheme

In April 2017, the Isle of Man Government introduced a new tax exemption so that a pedal cycle and related safety equipment could be provided as a tax-exempt benefit. The Cycle to Work Scheme will allow Onchan District Commissioners employees who meet the conditions outlined in Section 4 to obtain cycles and cycle safety equipment from their employer.

Access to the tax exemption is dependent on the following conditions being met:

- Provision of a bicycle and bicycle safety equipment is for use by an employee to travel between their home and place of work
- The employer purchases the bicycle and equipment from a retailer based in the Isle of Man
- The cost to the employer is no more than £1,200 per employee in any period of three income tax years. In the case of an electric cycle, the cost to the employer may be increased to £1,800 per employee in any period of three income tax years. The additional amount, up to a maximum of £600, for an electric cycle only, can be provided as a tax-exempt benefit as long as the employee is not in receipt of any other chargeable benefits during the tax year in which the cycle is purchased.

A chargeable benefit, for example, could be Housing Assistance or Rent paid by the employer. If an employee is in receipt of additional chargeable benefits over £600 the exempt benefit in respect of the purchase of an electric bike will be limited to £1,200.

Any costs in excess of the exempt benefit amount must be met by the employee. For further information please contact Human Resources.

The Cycle to Work Scheme operates on the basis of a salary sacrifice. The employee, in entering the Scheme, agrees a contract variation to accept a lower salary in exchange for the employer providing the cycle and cycle equipment. As a consequence, they will pay reduced income tax, national insurance and pension contributions. This may also result in reduced pension benefits.

There are no provisions for withdrawing from the Scheme once entered, unless the employee leaves the employment with Onchan District Commissioners.

4. Eligibility for the Scheme

To participate in the Cycle to Work Scheme the employee must meet the following conditions:

- A contract of employment which outlasts the duration of the three income tax year salary sacrifice period must be in place
- Must be attending work at the point of application
- Equipment purchased must be used mainly for qualifying journeys i.e. journeys (in whole or in part) between home and work or journeys between workplaces

Under the Cycle to Work Scheme, the following items will be exempt from a charge to income tax, subject to the monetary limits mentioned previously:

- Pedal cycles (valued up to £1,200)
- Electric cycles (valued up to £1,800)
- Helmets
- Bells and horns
- Lights
- 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
- 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

Please note that any costs relating to additional equipment, as listed above, remain subject to the overall limits of £1,200 for a pedal cycle and equipment and £1,800 for an electric bike and equipment.

5. Terms of the Scheme

By participating in the Cycle to Work Scheme employees are agreeing to vary their terms and conditions of employment by reducing their gross contractual salary by the value of the cycle and cycle equipment purchased over three income tax years.

The maximum spend for any cycle and cycle equipment purchased under the agreement is £1,200 (inclusive of VAT) for a pedal cycle and equipment and £1,800 (inclusive of VAT too) for an electric bike and equipment. Any additional costs must be met by the employee

and paid directly to the retailer. Ownership of the cycle and equipment will pass immediately to the employee.

An employee entering into the Scheme must be aware of the following:

- Any cycle or cycle equipment purchased must be suitable for travel to and from work
- Employees are responsible for insuring the cycle and cycle equipment purchased under the Scheme against theft, loss or damage. Replacement equipment is not provided under the Scheme
- Employees are responsible for ensuring that they have adequate insurance cover in the event of any accident that results in personal injury to themselves or others and Onchan District Commissioners will not be liable for any consequential loss
- If the cycle or equipment are lost or stolen, under the terms of the agreement, the employee must replace the items at their own expense
- Employees are responsible for maintaining the cycle and equipment
- Employees must not hire out, transfer or otherwise dispose of the cycle or cycle equipment during the period of the salary sacrifice
- Salary sacrifice means that the proportion of salary reduced to pay the cost of the items will be non-contributory for pension, tax and NI
- Full records of all purchases made under the Scheme will be retained by the employer and will be made available for inspection by the Income Tax Division as necessary

6. Procedure for Participating in the Scheme

An eligible employee can join the Scheme at any time during the year, providing that they are not already participating, as follows:

1. Employee visits an Isle of Man based bicycle retailer, and requests a written quotation in relation to any equipment they would like to buy under the Scheme. The **retailer must be based on the Isle of Man** and registered for VAT
2. The employee applies to the Finance Manager to purchase the cycle and cycle equipment by completing the form at **Appendix A**. The Finance Manager will provide the employee with a purchase order to the retailer for the cycle and equipment to the value of quotation which should be no greater than £1,200 inclusive of VAT for a pedal cycle and £1,800 for an electric bike
3. Employee presents the purchase order to the retailer together with photographic evidence of identity, and collects the equipment. Employee must pay any costs in excess of the exempt amount directly to the retailer at the time of collection
4. The retailer submits the invoice to the Authority, marked for the attention of the Finance Manager
5. The Finance Manager authorises the invoice submitted by the retailer and completes the form, before submitting a copy to the Payroll Section
6. Payroll Section will issue a letter to the employee confirming the amount of salary sacrifice over the three income tax year period. This will constitute a change to the employee's terms and conditions and a copy of the letter will be sent to Human Resources and placed on the employee's personal file
7. If an employee ceases employment with the Authority before the end of the three year income tax period, they are obliged to pay the outstanding balance from net pay, i.e. without any tax exemptions. This amount will be deducted from the last

pay, or if this is not possible, e.g. the amount exceeds the last net pay, within 14 days of the leaving date

8. Employees who do not comply with the terms of the Scheme or who breach the Scheme requirements may, in certain circumstances, be subject to disciplinary action

7. Frequently Asked Questions

Refer to Appendix B

8. Review of the Policy

- To be reviewed every 2 years after initial implementation date or 2 years after any changes have been made.
- Unions will be consulted in good time about any proposed changes.

9. Privacy Notice

Onchan District Commissioners has a strict Data Protection policy, copies can be obtained from the Office of the Chief Executive/Clerk, in line with the General Data Protection Regulation (GDPR). The Data Protection policy sets out the Authority's commitment to data protection and individual rights and obligations in relation to personal data.

The employee is responsible for ensuring the Authority keeps their personal data up to date. In addition, the Authority relies on the employee to help meet its data protection obligations. Details regarding the employee's obligations are detailed in the Data Protection policy and the Information Security policy, copies can be obtained from the Office of the Chief Executive/Clerk/.

Signed on behalf of ONCHAN DISTRICT COMMISSIONERS

SIGNATURE: _____ **DATE:** _____
CHIEF EXECUTIVE/CLERK



APPENDIX A

Onchan District Commissioners Cycle to Work Scheme

Application Form – Cycle & Cycle Equipment

FULL NAME	PAYROLL NO.
DEPARTMENT/SECTION	JOB TITLE

I wish for my employer to purchase a bicycle and bicycle equipment as outlined below:

Name and address of retailer:(must be Isle of Man based):				
Make and model of bicycle:		Basic cost	VAT rate	Total £ (inc VAT)
Details of bicycle equipment:				
Total Cost (Not to exceed £1,200 for a pedal cycle and equipment or £1,800 for an electric bike and equipment)				

Please ensure that the information provided is accurate and is supported by a quotation from the retailer. Any person who wilfully submits false information renders themselves liable to disciplinary action.

<p>I confirm I have read the Cycle to Work Scheme Policy and Procedure and accept the terms contained therein.</p> <p>I understand and accept that I will sacrifice salary over 3 income tax years in return for the provision of the cycle and safety equipment as detailed above. This will result in a proportionate reduction in my NI/Tax and Local Government Pension Scheme contributions and this will affect my pension entitlement.</p> <p>I confirm I am purchasing the cycle and equipment for my own use in order to cycle to work and that I am solely responsible for indemnifying myself in the event of loss, injury</p>

or damage, however caused.

If I cease employment with Onchan District Commissioners before the end of my repayment period, I accept that any outstanding amount will be deducted from my final pay, where this is not possible, e.g. the amount exceeds the net pay in the last pay, I will pay all outstanding amounts within 14 days of my leaving date:

Applicant signature:_____

Date:_____

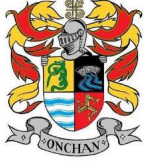
Once completed please return form and quote to the Finance Manager, Onchan District Commissioners.

FOR OFFICE USE ONLY:

Retailer invoice received and authorised for payment?	*YES	*NO
Copy of approved application form passed to Payroll for deduction calculation and communication to employee?	*YES	*NO

*Delete as applicable

Signature:	Date:
Job Title:	



FREQUENTLY ASKED QUESTIONS

1. Where Can I Buy the Cycle and Safety Equipment?

To participate in the Authority's scheme and to qualify for a Benefit In Kind Exemption ('BIKE'), you must purchase the bike and equipment from a **participating retailer in the Isle of Man**.

2. Does the Scheme Include the Purchase of Electric Bikes?

In 2018 the IOM Treasury extended the Benefit In Kind Exemption to include electric power assisted pedal bikes (or e-bikes). The maximum purchase cost allowable for e-bikes within the terms of the scheme is £1,800 including VAT (or £1,200 in the case of non-power assisted bikes).

3. What if I Want to Buy My Cycle and Safety Equipment From a Retailer Outside the Isle of Man?

Although you have the freedom to make your purchase from any retailer, in order to qualify for the Authority's Cycle to Work Scheme, you must purchase the items from an Isle of Man based retailer. This is in order that the Authority can proactively support the businesses located within the Isle of Man.

4. Can I Buy the Cycle and Safety Equipment From More than One Retail Outlet?

No, the bike and safety equipment must be purchased from the same retailer at the same time.

5. What if the Purchase Price for the Bike I Want is Higher Than the Maximum Allowable Under the Scheme?

Any excess amount over and above the allowable scheme amount (i.e. £1,200, or £1,800 in the case of e-bikes) must be payable by the employee at time of purchase. This is because any additional amount paid for by the employer would otherwise be treated as a benefit in kind and so liable for taxation.

6. Who is Responsible for the Maintenance and Insurance of the Cycle?

The employee is wholly responsible for the maintenance and insurance of the cycle and themselves. Participating employees are responsible for ensuring they have adequate personal liability cover to meet claims for personal injury to, or damage to, themselves or third parties arising out of the use of the cycle.

7. Am I Able to Use the Cycle for Personal Use, Other Than for Travel To, From and Between Work?

Yes, participating employees are also free to use their cycle for leisure purposes – this is even encouraged! As it is a cycle to work scheme, you are expected to use the cycle for journeys between home and work, although there is no minimum requirement stipulated, other than the employee is signing up to the main use of the bicycle and equipment being for the participating employee's travel to work.

This is in line with the Tax Office's Benefit in Kind Exemption rules (see Treasury's Income Tax Division Practice Note PN 196/17). As this is a staff-wellbeing scheme, it would not be appropriate for the Authority to dictate or regulate the actual home to work usage.

8. How Will Participating in the Scheme Affect My Terms and Conditions of Employment?

The Cycle to Work Scheme is a salary sacrifice scheme. This means that by joining the Scheme you agree to a reduction in your gross pay only for the period of 'repayment', equivalent to the Scheme purchase amount. There will be no impact on pay awards or incremental entitlements. Because the gross pay is reduced, the Income Tax, National Insurance and superannuation contributions will also be reduced. This could impact upon any final pensionable pay calculation and you are advised to consider this potential impact (e.g. if you are approaching retirement within a three year period), before submitting your application to join the Scheme.

Participation in the Scheme may also have an impact on work-related benefits such as maternity pay and sick pay, as these would be calculated based on a reduced salary or wage.

9. So what is the Benefit to Me of Joining the Scheme?

Participating employees benefit by way of an interest free loan of up to £1,200 (or £1,800 in the case of e-bikes) for a period of up to 3 years maximum. Because it is achieved through salary sacrifice, the employee is effectively able to make a saving on the bike purchase to the equivalent of the tax/NI element of the salary sacrifice. For employees on the higher rate of taxation, this could be the equivalent of up to one third of the purchase price. This Benefit In Kind Exemption is the real benefit of joining the scheme.

10. What about VAT?

There is no VAT saving off the purchase price. The Authority pays up front the full cost including VAT, and the employee reimburses to the Authority the full amount including VAT, through the salary sacrifice deductions.

11. How Long Do I Have to Pay Back to My Employer the Amount of the Purchase?

The amount must be repaid through salary or wage deductions during a maximum period of 3 consecutive tax years. The first year of the period will be in the tax year in which the purchase is made and the 3 year period will begin from the start of that tax year, i.e. 6 April, regardless of the date of purchase. Unless you indicate otherwise at the time of application, the 3 tax year period will be assumed for the purpose of the salary sacrifice. You can in your application request repayments over a single tax year or 2 tax years if you prefer.

12. If I Am a Weekly Paid Employee, Can I Switch to Monthly Paid in Order to Manage the Repayments On a Monthly Rather Than Weekly Basis?

Yes you can.

13. Once I Have Joined the Scheme Can I Make Further Purchases?

No, the Scheme is designed for single purchases and it will not be possible for further Scheme purchases within the consecutive 3 year tax period.

14. Can I Vary the Amount of Salary Sacrifice/'Repayment' Term at a Later Date?

Once the salary sacrifice arrangement is set up, it will not be possible to accelerate or decelerate the term of repayment. A deceleration beyond the 3 tax year period would not in any case be allowable under the tax rules.

15. What if I Cease Employment with the Authority?

Employees leaving the Authority regardless of reason (e.g. voluntary, contract termination, redundancy, retirement etc.), before their period of salary sacrifice is complete, must settle all outstanding monies before they leave. Any outstanding balance would be deducted from their final salary or wage. This becomes contractually binding at time of purchase.

16. Where Can I Find Out More Information on the Benefit in Kind Exemption Rules?

More can be found by reading Treasury's Practice Notes on the Cycle to Work Scheme (PN 196/17 and PN200/18). These can be found on the IOM Government's website:

<https://www.gov.im/media/1355289/pn-196-17-cycle-to-work-scheme-benefit-in-kind-final.pdf>
<https://www.gov.im/media/1360551/pn-200-18-cycle-to-work-scheme-benefit-in-kind-final-240118.pdf>

