
PRACTICE NOTE

PN 200/18

Date: 20 February 2018

CYCLE TO WORK SCHEME BENEFIT IN KIND EXEMPTION

INTRODUCTION

As part of the 2017 Budget, the Minister for the Treasury, the Hon. A L Cannan, MHK, announced a new benefit in kind exemption to enable employers to offer their staff the opportunity to take part in a Cycle to Work Scheme. The purpose of the initiative was to help improve the fitness and health of Island residents and to build on the ever-growing popularity of cycling in the Island.

The details and conditions of the Cycle to Work Scheme introduced on 6 April 2017 are explained in [Practice Note PN 196/17](#).

With effect from 6 April 2018, the scope of the benefit in kind exemption has been extended and the conditions of its operation have been amended.

The previous limit on the total cost of the bicycle and bicycle safety equipment no longer applies so that, from 6 April 2018, employers will not be restricted to a maximum purchase cost of £1,000 in order for the provision of bicycles and safety equipment to qualify for the exemption.

With effect from 6 April 2018 the exemption is based on the value of the benefit (i.e. the total cost of the bicycle and bicycle safety equipment, less any contributions made by the employee) and it will operate such that a maximum exemption of £1,000 is permitted.

In addition, the exemption has been extended to include certain electrically assisted pedal cycles ("electric bikes"). For electric bikes only, this exemption may be used in conjunction with the exemption in respect of "the provision of any other benefits" contained within article 3(1)(n) of the [Income Tax \(Benefits in Kind\) \(Exemptions\) Order 2007](#) (SD 471/07).

This Practice Note details the amended conditions that will apply with effect from 6 April 2018. Practice Note PN 196/17 continues to apply to purchases made in the 2017/18 tax year.

DETAILS AND CONDITIONS OF THE EXEMPTION – 6 April 2018 onwards

The qualifying conditions of the benefit in kind exemption applying to bicycles are contained within two Orders, which should be read together. These are the [Income Tax \(Benefits in Kind\) \(Exemptions\)](#)

[Order 2017](#) (SD 2017/0022) and the [Income Tax \(Benefits in Kind\) \(Exemptions\) \(Amendment\) Order 2018](#) (SD 2017/0373).

If all of the necessary qualifications and conditions are met, the value of any benefit arising from the provision of a bicycle and bicycle safety equipment up to a maximum of £1,000 will be exempt from the benefit in kind charge which would otherwise be due under section 2G of the Income Tax Act 1970.

1. What will qualify for the exemption

a) The bicycle

The bicycle can be:

- a conventional bicycle that can only be propelled by pedals; or
- an electrically assisted pedal cycle that:
 - i) is fitted with pedals that can be used to propel it; and
 - ii) in addition to pedals, may also use an integrated electric motor to help with propulsion provided that the motor cannot propel it at more than 15.5 miles an hour.

Any vehicle in respect of which a vehicle duty shall be charged under section 1 of the Licensing and Registration of Vehicles Act 1985 will not be covered by the exemption.

b) Bicycle safety equipment

This refers to items of equipment that may improve the safety of, or provide protection to, a cyclist whilst cycling. It includes items such as an appropriate helmet, lights, mirrors and high visibility clothing.

2. Conditions – All Bicycles

In order for the exemption to apply, the main use of a bicycle and bicycle safety equipment provided by an employer must be for the employee to travel between their home and their place of work.

a) Purchasing the bicycle and equipment

In order to qualify for the exemption, the bicycle and equipment must be bought by the employer from a retail business in the Island.

b) Maximum value and period

The exemption will apply to purchases, made by the employer, of bicycles and related safety equipment provided to employees. The maximum value of the exempt amount of the benefit shall not exceed £1,000 for any employee in a period of three consecutive tax years.

The first year of the period will be the tax year in which the first purchase of a bicycle and/or bicycle safety equipment for a particular employee is made, and the three year period will begin from the start of that tax year, 6 April, regardless of the actual date of the purchase.

The value of any benefit which exceeds the exempt amount of £1,000 in this three year period will be subject to a benefit in kind charge in the normal manner.

Conditions – Electric Bikes only

For electric bikes only, it is also possible to utilise the exemption in respect of “the provision of any other benefits” contained within article 3(1)(n) of the [Income Tax \(Benefits in Kind\) \(Exemptions\) Order 2007](#) (SD 471/07) in conjunction with the Cycle to Work exemption.

The maximum aggregate value in article 3(1)(n) was increased to £600 in the 2018 Budget and, to the extent that this exemption has not been used elsewhere, it may be used in addition to the maximum £1,000 exempt amount permitted under the Cycle to Work exemption. For an individual who has not received any other general benefits in the tax year, the maximum value of a benefit relating to the provision of an electric bike that may be exempt from a benefit in kind charge is therefore £1,600.

3. Illustrative examples

Example 1 – Pedal Cycle

ABC Limited purchases a bicycle and bicycle safety equipment costing £750 on 30 June 2018 and provides this to Employee A. Employee A makes no contribution towards the cost, so the value of the benefit is the £750 cost.

The three year period commences on 6 April 2018 and runs until 5 April 2021 (2018/2019, 2019/2020 and 2020/2021).

The total cost in 2018/2019 is below £1,000 and so the exemption applies to the £750.

ABC Limited then purchases new bicycle safety equipment costing £95 for Employee A on 25 January 2020 (2019/2020).

This is within the three year period, but the total purchase costs of £845 remain below the £1,000 limit.

Any further purchases of a bicycle and/or related safety equipment made for the same employee within the three year period will be covered by the exemption up to a maximum value of £1,000. Any amount in excess of the £1,000 limit within the three year period will be liable to a benefit in kind charge and the excess amount should be reported on form T9.

Example 2 – Pedal Cycle

ABC Limited purchases a bicycle and bicycle safety equipment costing £2,000 on 30 June 2018 and provides this to Employee B. Employee B makes no contribution towards the cost, so the value of the benefit is the £2,000 cost.

The total purchase cost exceeds the £1,000 exemption limit, so the excess amount of £1,000 is chargeable to a benefit in kind on Employee B in 2018/2019.

If Employee B had made a contribution of £1,000 towards the purchase cost, the value of the benefit provided by the employer would be £1,000, which would be covered in full by the exemption.

Example 3 – Electric Bike

ABC Limited purchases a qualifying electric bike and safety equipment costing £2,000 on 30 June 2018 and provides this to Employee C. Employee C makes no contribution towards these costs.

Employee C received no other general benefits in the 2018/2019 tax year, so the £600 exemption available in respect of “the provision of any other benefits” may be used in conjunction with the Cycle to Work exemption, to give a total of £1,600 that is exempt from tax.

The balance of £400 will be subject to a benefit in kind charge and should be reported on form T9.

Example 4 – Electric Bike

ABC Limited purchases an electric bike and bicycle safety equipment costing £2,000 on 30 June 2018 and provides this to Employee D.

ABC also paid £300 in respect of a gym membership for Employee D on 30 September 2018, so the unused proportion of the £600 exemption available in respect of “the provision of any other benefits” in the 2018/2019 tax year is £300. This amount can be added to the £1,000 Cycle to Work exemption, to give a total of £1,300 that is exempt from tax.

The balance of £700 will be subject to a benefit in kind charge and should be reported on form T9.

REPORTING AND RECORD KEEPING

Bicycle and related safety equipment purchase costs that fall within the exemptions as outlined in this Practice Note do not need to be reported to the Division. Please note, however, that full records of all such purchases must be maintained by the employer and must be available for inspection under the ITIP Regulations.

All chargeable benefits arising from the provision of bicycles and bicycle safety equipment should be reported to the Income Tax Division on Benefit in Kind form T9.

Nicola Guffogg
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This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person’s right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.