

Cycle to Work Scheme

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What is the purpose of the scheme?

The purpose of the scheme is to encourage more employees to cycle to and from work, or between work places, thereby contributing to lowering carbon emissions, reducing traffic congestion and improving health and fitness levels.

When did the scheme come into effect?

The exemption applies to expenditure incurred by an employer on or after 01 January 2009.

What are the benefits of the scheme for employees/directors?

As the bicycle and/or safety equipment are exempt from tax the employee/director will not be liable to income tax at his or her marginal rate, employee's PRSI or USC on the cost of the benefit, as reflected in the amount of the salary sacrificed.

What are the benefits of the scheme for employers?

The employer benefits in that the employer's PRSI is not payable on the cost of the bicycle and/or safety equipment.

Note, however, that employers will not be able to reclaim the VAT paid on the bicycle and/or safety equipment.

What is a qualifying journey?

The bicycle and/or safety equipment must be used by the employee or director mainly for qualifying journeys. This means the whole or part (e.g. between home and train station) of a journey between the employee's or director's home and normal place of work or between the normal place of work and another place of work.

Can home-based employees avail of the scheme?

Yes. If the bicycle is used for work related journeys, for example trips to the post office or to collect office supplies.

Can I avail of both the Travel Pass/TaxSaver Commuter Ticket and Cycle to Work schemes?

Yes. These schemes are not mutually exclusive.

Are employees availing of the scheme liable to benefit-in-kind taxation?

No. Under the scheme an employer may provide an employee with bicycle and/or cycle safety equipment without the employee being liable for benefit-in-kind taxation limited to a cost of €1000. Where cost exceeds this amount a BIK charge will apply to the balance.

What items may be purchased under the scheme?

In addition to the purchase of a bicycle the following safety equipment also qualifies:

- 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 to allow luggage to be safely carried
- Locks and chains to ensure the cycle can be safely secured
- Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs
- Reflective clothing along with front reflectors and spoke reflectors

Can employees choose the bicycle/safety equipment themselves?

It is for employers to decide how they will operate the scheme.

Some employers may allow employees to select the bicycle/safety equipment from the retailer of their choice and the employer may then put in place appropriate invoicing and delivery arrangements with the retailer.

Other employers may offer more limited options to employees. An employer could, for example, allow any employee to choose only from the range available from a single retailer.

How does the scheme work?

The scheme may be implemented under a salary sacrifice arrangement through the employee's payroll (in a similar manner to the existing [Travel Pass Scheme](#) - see item 6.1 of Employers Guide to PAYE). Under this arrangement the employer provides the bicycle and/or safety equipment to the employee who agrees to forego or sacrifice part of his or her salary every pay period (weekly/fortnightly/monthly) in order to cover the cost of the benefit.

In the specific context of the provision of the bicycle and/or safety equipment Revenue will be prepared to regard salary sacrifice arrangements which meet the following conditions as being effective for tax purposes:

- There must be a bona fide and enforceable alteration to the terms and conditions of employment (exercising a choice of benefit instead of salary);
- The alteration must not be retrospective and must be evidenced in writing;
- There must be no entitlement to exchange the benefit for cash;
- The choice exercised (i.e. benefit instead of cash) cannot be made more frequently than once in a five year period; and
- The choice exercised (i.e. benefit instead of cash) must be irrevocable for the relevant year for which it is made.

Is the employer subject to audit or inspection in relation to the provision or operation of the scheme?

Yes the records in relation to the operation of the scheme and the correct application of the salary sacrifice arrangements can be examined by Revenue officials as part of the normal inspections or audits carried out on payroll operations.

If the employer has failed to implement the scheme properly what are the consequences?

Incorrect application of the provisions of the scheme, either -

- By allowing an employee to avail of the scheme more frequently than once every 5 years;
- By allowing the employee to avail of salary sacrifice in excess of the value of the bicycle and related equipment, or in excess of the maximum limit of €1,000; or
- By facilitating access to goods other than those covered by the scheme;

will result in the exemption provided by the salary sacrifice arrangements being withdrawn and the full income affected being subjected to tax at the marginal rates, together with employer and employee PRSI and Universal Social Charge.

Under a salary sacrifice arrangement, how long do I have to repay the cost?

The full cost must be recovered within a period of twelve months or less.

What happens if I leave my employment or retire before the salary sacrifice is completed?

Employees should settle the full outstanding balance before the date of ceasing employment or retirement.

Do all employers have to participate in the scheme?

No. Participation in the scheme is voluntary for employers. However, employers choosing to participate in the scheme must make it generally available to all employees/directors who wish to avail of it.

How often can an employee avail of the scheme?

The tax exempt benefit-in-kind may only be provided to an individual employee once in a five year period.

Employees should note that if they avail of the scheme for even a small amount of expenditure relating to the provision of bicycles and/or safety equipment they will not be able to avail of it again for five years.

What if the bicycle is stolen?

The legislation only allows an individual to make one purchase of a bicycle under the scheme in a 5-year period irrespective of whether the bicycle was used for the full period or not.

Bicycles are normally covered as part of a general household insurance policy or some people may opt to have specific cover for it. If an insurance policy pays out for a bicycle then the stolen one may be replaced but the tax break may only be availed of once in a 5-year period.

Who purchases the bicycle/cycle equipment?

The employer must purchase the bicycle and/or cycle equipment. The exemption will not apply where an employee/director purchases a bicycle and/or safety equipment and gets reimbursed by his or her employer.

What about delivery charges?

Delivery charges in respect of the bicycle/safety equipment are also covered by the exemption provided the maximum value of the benefit, including delivery charges, does not exceed €1000. Where the cost exceeds this amount, a benefit-in-kind income tax charge applies on the balance.

Are there limits on where bicycle/safety equipment may be bought?

No. There are no limits as to where the goods are purchased by the employer.

What about VAT on bicycles/safety equipment purchased from suppliers abroad?

Under the terms of section 24(1) of the Value-Added Tax Consolidation Act 2010 (as amended) bicycles/safety equipment purchased from a VAT registered supplier in another EU Member State will be treated as an Intra-Community Acquisition for VAT purposes. The supplier should be given the employer's VAT number and should not charge any VAT on the purchase.

If purchasing from abroad what type of invoice is required?

All invoices and the documented prices on the application should be in Euros.

Are mopeds/scooters covered by the scheme?

No. Bicycle includes pedal cycles or pedelecs but does not include motorcycles, scooters or mopeds.

Does the scheme apply to second-hand bicycles and/or safety equipment?

No. The scheme applies only to new bicycles and cycle safety equipment purchased from approved providers. A list of providers is available on the [Office of Public Works](#) website.

Does the scheme apply to bicycle parts rather than a whole bicycle?

No. The scheme only applies to the purchase of a whole bicycle or associated safety equipment.

Will the exemption apply where an employer purchases safety equipment only?

Yes. When purchasing bicycle safety equipment only the rules regarding the availability of the exemption once in any 5-year period and the €1000 limit on expenditure still apply.

Is there a minimum threshold on the amount of days a bicycle must be used?

No. However, the bicycle must be used mainly for qualifying journeys (i.e. travelling to and from work or between places of work).

Is anything other than bicycles or safety equipment eligible under the scheme?

No. Where invoices are provided to an employer purporting to be for bicycles and safety equipment but which relate in fact to other goods and services, the employee and/or the retailer so involved may, in making a false claim or in assisting in the making of a false claim, be liable to a penalty of €3,000.

Are directors eligible for the scheme?

Yes, the scheme is available to both employees and directors.

What records do employers need to keep for Revenue?

The purchase of bicycles and associated safety equipment by employers for employees will be subject to the normal Revenue audit procedure with the normal obligations on employers to maintain records (e.g. invoices and salary sacrifice agreements between the employer and employee).

In addition, while an employer will not be required to monitor the use of the bicycle and/or safety equipment and there are no penalties in the legislation for the employer in relation to operation of the scheme per se, (payroll and BIK/salary sacrifice aspects of the scheme are, of course, subject to the legislation and regulations concerning the

operation of PAYE), the employer will be required to obtain a signed statement from the employee or director that the bicycle is for his or her own use and will be used mainly for travel to and from work or between places of work.

In circumstances where an employee advises they are not using the bicycle for qualifying journeys any further tax relief due to be granted by way of salary sacrifice should be withdrawn.

Where Revenue become aware that the bicycle was not used by the employee himself/herself or was not used for qualifying journeys the relief granted can be clawed back by way of end of year review.

Is there an example available of the type of records an employer should keep?

The civil service is operating the scheme in all Departments. Employers may wish to use as an example of the type of declaration that an employee should make and the agreement they enter into the scheme currently available to civil servants which is available on the website of the [Department of Finance](#)

Will an employee be able to avail of the exemption where an employer spends in excess of €1000?

Yes, but only the first €1000 will be exempt from the benefit-in-kind charge to income tax.

What about VAT when expenditure exceeds €1000?

Purchases within the State - Where the proposed expenditure, inclusive of delivery charges, exceeds €1000, the invoice (VAT included) submitted to the employer should be for €1000 only. The applicant will be responsible for arranging payment of any balance directly to the supplier.

Example

Cost of equipment = €1,500 incl. VAT + €50 delivery charge = Total €1,550.

Invoice from supplier to employer = €1,000.

The employer, providing the application is otherwise in order, will approve the application, pay the supplier €1,000 as per invoice and arrange salary sacrifice for €1,000 over 12-month period.

Applicant is invoiced separately by supplier for balance of €550.

Purchases outside the State - where proposed expenditure inclusive of delivery charges, exceeds €1,000, the **Euro** invoice (Zero VAT applied) submitted to the employer should be for the total amount due to the supplier. The employer will calculate the final amount due for payment after applying V.A.T. at the appropriate rate*, and advise the applicant accordingly.

Any balance exceeding €1,000 will be required to be paid by the applicant to the employer immediately by way of Bank Draft.

The employer will then pay the supplier the amount invoiced. The employer will also forward the VAT due to the Collector-General, and arrange a salary sacrifice for €1,000 over a 12 month period.

Example

Cost of equipment = €1,300 (excl. VAT) + €100 delivery charge = Total €1,400.

Invoice from supplier to the employer = €1,400.

The employer applies VAT @ 23% = €322. Total due = €1,722.

Applicant will pay the employer €400 (Excess over €1,000) + €322 (VAT due*) = Total €722.

On receipt of this amount from the applicant, the employer, once the application is otherwise in order, will approve the application and will pay the supplier €1,400 as per invoice. The employer will also forward €322 VAT due to the Office of the Collector-General, and arrange salary sacrifice for €1,000 over a 12-month period.

*2012 VAT rate. Any VAT chargeable in the future will be at the rate applicable at that time

Where can I get further information?

Employers

Further information is available at item 6.6 in the [Employer's Guide to PAYE](#) or by contacting :-

Employer Information and Customer Service Unit
Telephone: 1890 25 45 65
+353 67 63400 if calling from outside the Republic of Ireland

By email: employerhelp@revenue.ie

Employees

Please contact your local Revenue office.

Region	Area Covered	Telephone No.
Border Midlands West Region	Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo Monaghan, Offaly, Roscommon, Sligo,	1890 777 425

Region	Area Covered	Telephone No.
Dublin Region	Westmeath Dublin (City and County)	1890 333 425
East & South East Region	Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford, Wicklow	1890 444 425
South West Region	Clare, Cork, Kerry, Limerick	1890 222 425