
PRACTICE NOTE

PN 196/17

Date: 21 February 2017

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 the introduction of a Cycle to Work Scheme. The purpose of the scheme is to help improve the fitness and health of Island residents and to build on the ever-growing popularity of cycling in the Island, with events such as the 2017 HSBC UK National Road Championships, which is to be held in the Island, expected to generate further interest and enthusiasm.

DETAILS AND CONDITIONS OF THE EXEMPTION

With effect from 6 April 2017, an employer may provide an employee with a bicycle and bicycle safety equipment providing that the main use of the bicycle and equipment is for the employee to travel between their home and their place of work.

Provided the necessary qualifications and conditions are met, the provision of the bicycle and bicycle safety equipment will be exempt from the benefit in kind charge which would otherwise be due under section 2G 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.

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

a) Purchasing the bicycle and equipment

In order to qualify for the exemption, the bicycle and equipment must be bought by the employer in a shop/shops carrying on business in the Island.

b) Purchasing limit and period

The exemption will apply to purchases, made by the employer, of bicycles and related safety equipment provided to employees, which do not exceed £1,000 for any particular 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.

Example

ABC Limited purchases a bicycle and bicycle safety equipment costing £750 on 30 June 2017 and provides this to employee X.

The three year period commences on 6 April 2017 and runs until 5 April 2020 (2017/2018, 2018/2019 and 2019/2020).

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

If, over the two subsequent tax years, further purchases of a bicycle and/or related safety equipment are made for the same employee they will be covered by the exemption provided the total cost of such items for that employee does not exceed £1,000 in the three year period.

Example

ABC Limited purchases new bicycle safety equipment costing £95 on 25 January 2020.

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

If the purchase costs for any employee exceed the £1,000 limit, the **whole amount** is chargeable to a benefit in kind for that employee, not just the excess amount.

Example

ABC Limited purchases a bicycle and bicycle safety equipment costing £1,500 on 30 June 2017 and provides this to employee A.

The total purchase cost exceeds the £1,000 limit and the amount of £1,500 is chargeable to a benefit in kind on employee A in 2017/2018.

The benefit in kind should be calculated using the normal rules, depending on whether the bicycle and equipment was only used by employee A, or it was given to them outright.

In the event that the costs for a particular employee exceed £1,000 within the three year period, the benefit must be reported in the usual way and the full amount will be chargeable to a benefit in kind charge in the year that the £1,000 limit is exceeded.

Again the benefit should be calculated using the normal rules and will depend on whether the bicycle and equipment was only used by employee A, or it was given to them outright.

REPORTING AND RECORD KEEPING

Bicycle and related safety equipment purchase costs that, in total, do not exceed £1,000 per employee in any three consecutive tax years are exempt from a benefit in kind charge and so do not need to be reported to the Division. However, 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 purchase 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.