

**Fair Ways proposed Cycle2Work scheme, August 2020.**

The following are a series of FAQ's to assist staff decide if Fair Ways should adopt the scheme.

**What is a tax-free bike scheme?**

Cycle2work is a government approved scheme that allows you to hire a bike and safety equipment for the purpose of commuting to and from work and for use at weekends and evenings. You can order your bike from any participating local retailer and from any Halfords store through cycle2work. The bike you hire will be provided at up to 32% less than the usual cost you would pay which can result in savings of up to £320\*.

**How does it work?**

You can choose a bike and safety equipment up to the value of £1,000 from a list of local bike retailers provided to you or any Halfords store. The value is spread across a period of 12 months. This is commonly known as a salary sacrifice or salary exchange scheme. You agree that each month the payment will be deducted from your gross salary in return for the use of the bike and safety equipment you use for commuting. This element of salary will not have Tax or National Insurance applied to it, making this a tax-free benefit.

**Can I choose any bike?**

As long as the store you choose to visit either stocks or can order the bike you want then you are not limited to any particular make or model, therefore you can choose the best bike that suits your needs and budget.

**How many times a week do I have to use my bike for work?**

The bike hired through the scheme is provided on the basis that you intend to make at least 50% of your trips or part trips to work using the bike. However, there is no requirement for you to specify what days/months of the year you will do this or record trips. N.B. you may also use your bike for leisure and weekends and whilst you are on holiday.

**Will my pension & other State Benefits be affected?**

Most pension schemes will continue to calculate your pension contributions on your original gross salary. If you are unsure, please check with the HR department.

**What happens if the bike gets stolen?**

It is important that you make suitable provision to safeguard the bike. You may take a specialist policy, but it is often easier to add the bike to your usual household policy. If the bike is stolen your employer will continue to deduct the monthly value from your salary until the end of the agreement.

**Do I need to maintain the bike myself?**

You are responsible for maintaining the bike for your own use. Your bicycle retailer will be able to advise you about the necessary servicing depending on how you use your bike.

**What happens if I leave my job before I've finished paying for my bike?**

Under the terms of the hire agreement you will agree to settle all outstanding monies before you leave Fair Ways. The outstanding balance will be deducted from your final net salary payment.

**What happens if I go on a career break?**

The outstanding balance due should be paid by the end of the 12-month hire agreement. Please contact payroll to make payment arrangements.

**What happens if I am absent from work?**

Under the terms of the hire agreement your salary reduction will remain in place and you agree that it will apply to any pay received (e.g. company sick pay or maternity pay). Salary reductions will not take your salary below the level of statutory sick pay, statutory maternity pay or any other statutory payment whose rules do not permit such a reduction. If you are temporarily not in receipt of salary payments for any reason but remain an employee your agreement will remain in place and salary reductions will be suspended until your salary payments restart.

**Will cycle2work affect my Tax credits?**

Most staff will benefit from joining the scheme. As each person's circumstances are different, we recommend you contact the Inland Revenue on 0845 300 3900 if you are unsure.

**What are the benefits of participating in the scheme?**

- A basic rate taxpayer can save up to 32%\* in Tax and National Insurance.
- You pay monthly and so can spread the cost over 12 months.
- You can choose from any make or model available from a range of local bike shops and Halfords stores.
- You can improve your health and fitness along with reducing your carbon footprint.

**Who is eligible?**

Cycle2work is governed by the Department for Transport. To receive the Tax benefits resulting from a salary sacrifice arrangement you will need to be a UK taxpayer, who can benefit from the Tax efficiencies of the scheme.

**What value of bike can I choose?**

You can choose to take between £100 and £1,000. When deciding on a bike value it's important to consider carefully the amount you can afford and the type of bike that best suits your needs. Once you have submitted your application you will not be able to increase or decrease the amount you have chosen.

**Can I use the scheme to get a bike for a family member, partner or friend?**

No - the bike must be used by you and mainly for commuting to work. However, the bike can be used in leisure time, so you may use the bike in your free time to cycle with friends and family.

**Is the bike mine straight away?**

The bike and goods remain the property of your employer for the duration of the agreement. At the end of the hire period you can choose to either extend the hire agreement at zero cost, purchase the goods at the fair market value at that time (plus VAT).

**What happens if I do not want to keep the bike at the end of the agreement?**

If you are offered the opportunity to take ownership of the bike and you do not wish to do so, you may be charged a one-off disposal fee.



**What is a salary sacrifice arrangement and how are the savings made?**

Salary Sacrifice basically means you have agreed with your employer to exchange a proportion of your salary in return for some form of non-cash benefit, in this case the hire of a bike.

\*Savings based on an average rate tax paying employee. Savings refer to the tax and National Insurance saved from the salary amount sacrificed and do not refer to discounted cycles or cycle products.

**making a difference, not a profit**