

# Human Resources

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## Bike To Work Scheme In Ireland

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## Background to the Bike to Work Scheme

The Cycle to Work Scheme is a tax incentive scheme which aims to encourage employees to cycle to and from work. Under the scheme employers can pay for bicycles and bicycle equipment for their employees and the employee pays it back through a salary sacrifice arrangement of up to 12 months. The employee is not liable for tax, PRSI, levies or the Universal Social Charge on their repayments, employers are also liable to employer's PRSI. Employers do not have to take part in the scheme. However if they do, they must offer it to all their employees, up to a maximum amount of €1,000

## Rules of the Scheme

The scheme applies to new bicycles and pedelecs (electrically assisted bicycles which require some effort from the cyclist). It does not cover motorbikes, scooters or mopeds.

### **Purchase of the following new safety equipment is also covered:**

- Cycle helmets which conform to European standard EN 1078

- Bells and bulb horns
- Lights, including dynamo packs
- Mirrors and mudguards to ensure that the rider's 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 along with white front reflectors and spoke reflectors

Your employer pays the supplier for the bicycle and sets up a 'salary sacrifice' arrangement from your salary over an agreed time frame (which cannot be more than 12 months). This generally means that you visit the shop, select the equipment you wish to buy and have the shop invoice your employer directly for the cost. Note that the tax exemption does not apply if you pay for the bicycle and are reimbursed by your employer – they must pay for the bicycle.

The repayment for the bicycle and equipment is then deducted from your gross salary (this

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means before income tax, PRSI, pension levies or Universal Social Charge are deducted). These deductions can be made weekly, fortnightly or monthly depending on your salary payment arrangement. Your employer can also buy the bicycle on your behalf and not require you to pay for it.

You can only avail of the scheme once in a five-year period. This applies even if you do not purchase equipment up to the €1,000 limit.

You must use the bicycle and safety equipment mainly for qualifying journeys. This means the whole or part (for example between home and train station) of a journey between your home and your normal place of work. Employers do not have to monitor this but you will be asked to sign a statement saying that the bicycle is for your own use and will be mainly used for qualifying journeys.

There is a limit of €1,000 on the amount that can be spent (this includes bicycles, safety equipment and delivery charges). If you spend more than this limit you are liable for a benefit-in-kind income tax charge.

## Frequently Asked Questions

### **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.

### **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.

### **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).

**Squires Gilbride - Chartered Accountants & Advisors are located in Dublin, Ireland.**

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