



THE BUCHAN SCHOOL



KING WILLIAM'S COLLEGE

King William's College, The Buchan School & The Buchan Nursery Cycle to Work Salary Sacrifice Scheme Policy & Procedure

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Cycle to Work Salary Sacrifice Scheme Policy & Procedure

Policy Review - History:

Please be aware that a hard copy of this document may not be the latest available version, which is available from the HR Office, and which supersedes all previous versions.

Those to whom this policy applies are responsible for familiarising themselves periodically with the latest version and for complying with policy requirements at all times.

1. Policy Statement

King William's College (KWC) is committed to the health and wellbeing of its employees by encouraging travel to work in a sustainable way by means other than car, other motor vehicle or public transport. This policy applies to all employees of KWC who are employed by KWC, have satisfactorily passed their probationary period and have a contract that is expected to be valid for no less than 3 full years.

2. Purpose and Objective

Purpose

The purpose of the Cycle to Work Scheme policy and procedure is to provide a mechanism to enable KWC employees to sacrifice a proportion of their salary in return for their employer providing them with a tax-exempt benefit of a bicycle and bicycle equipment up to the value of £1,200 for a pedal cycle and up to £1,800 for an electrically assisted pedal cycle per employee over a period of 3 income tax years.

Objective

The Scheme and policy will provide those who wish to cycle to work with a procedure through which to access a tax-free benefit. The objective of the Scheme will be to promote a healthier lifestyle as well as fitter and healthier staff which have been proven to increase productivity and improve attendance. There are additional environmental benefits such as reduced emissions, reduction in parking needs and less traffic congestion.

3. Overview of the Scheme

In April 2017, the Isle of Man Government introduced a new tax exemption so that a pedal cycle and related safety equipment could be provided as a tax-exempt benefit. The Cycle to Work Scheme will allow KWC employees who meet the conditions outlined in Section 4 to obtain cycles and cycle safety equipment from their employer.

Access to the tax exemption is dependent on the following conditions being met:

- Provision of a bicycle and bicycle safety equipment is for use by an employee to travel between their home and place of work
- The employer purchases the bicycle and equipment from a retailer based on the Isle of Man
- The cost to the employer is no more than £1,200 per employee in any period of three income tax years. In the case of an electric cycle, the cost to the employer may be

increased to £1,800 per employee in any period of three income tax years. The additional amount, up to a maximum of £600, for an electric cycle only, can be provided as a tax-exempt benefit as long as the employee is not in receipt of any other chargeable benefits during the tax year in which the cycle is purchased.

A chargeable benefit, for example, could be housing assistance or rent paid by the employer. If an employee is in receipt of additional chargeable benefits over £600 the exempt benefit in respect of the purchase of an electric bike will be limited to £1,200.

Any costs in excess of the exempt benefit amount must be met by the employee at the time of acquisition. For further information please contact the HR Office.

The Cycle to Work Scheme operates on the basis of a salary sacrifice. The employee, in entering the Scheme, agrees to a contract variation to accept a lower salary in exchange for the employer providing the cycle and cycle equipment. As a consequence, they will pay reduced income tax, national insurance and pension contributions. This may also result in reduced pension benefits.

There are no provisions for withdrawing from the Scheme once entered, unless the employee leaves employment with KWC or a change in the Employee's personal circumstances occurs which directly affects the Employee's circumstances (a "Lifestyle Change") such as pregnancy, redundancy, death of a child/partner, redundancy of a partner, cessation of employment or change in working hours.

4. Eligibility for the Scheme

To participate in the Cycle to Work Scheme the employee must meet the following conditions:

- Hold a contract of employment which outlasts the duration of the three-income tax year salary sacrifice period,
- Must be attending work at the point of application,
- Completed probation period
- Equipment purchased must be used mainly for qualifying journeys i.e. journeys (in whole or in part) between home and work or journeys between workplaces

Under the Cycle to Work Scheme, the following items will be exempt from a charge to income tax, subject to the monetary limits mentioned previously:

- Pedal cycles (valued up to £1,200)
- Electric cycles (valued up to £1,800)
- Helmets
- Bells and horns
- Lights
- Mirrors and mudguards to ensure riders' 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

Please note that any costs relating to additional equipment, as listed above, remain subject to the overall limits of £1,200 for a pedal cycle and equipment and £1,800 for an electric bike and equipment.

5. Terms of the Scheme

By participating in the Cycle to Work Scheme employees are agreeing to vary their terms and conditions of employment by reducing their gross contractual salary by the value of the cycle and cycle equipment purchased over three income tax years.

The maximum spend for any cycle and cycle equipment purchased under the agreement is £1,200 (inclusive of VAT) for a pedal cycle and equipment and £1,800 (inclusive of VAT too) for an electric bike and equipment. Any additional costs must be met by the employee and paid directly to the retailer. Ownership of the cycle and equipment will pass immediately to the employee.

An employee entering into the Scheme must be aware of the following:

- Any cycle or cycle equipment purchased must be suitable for travel to and from work
- Employees are responsible for insuring the cycle and cycle equipment purchased under the Scheme against theft, loss or damage. Replacement equipment is not provided under the Scheme
- Employees are responsible for ensuring that they have adequate insurance cover in the event of any accident that results in personal injury to themselves or others and King William's College will not be liable for any consequential loss
- If the cycle or equipment are lost or stolen, under the terms of the agreement, the employee must replace the items at their own expense
- Employees are responsible for maintaining the cycle and equipment
- Employees must not hire out, transfer or otherwise dispose of the cycle or cycle equipment during the period of the salary sacrifice
- Salary sacrifice means that the proportion of salary reduced to pay the cost of the items will be non-contributory for pension, tax and National Insurance.
- Full records of all purchases made under the Scheme will be retained by the employer and will be made available for inspection by the Income Tax Division as necessary.

6. Procedure for Participating in the Scheme

An eligible employee can join the Scheme at any time during the year, providing that they are not already participating, as follows:

- Employee visits an Isle of Man based bicycle retailer, and requests a written quotation in relation to any equipment they would like to buy under the Scheme.
- The retailer must be based on the Isle of Man and registered for VAT
- The employee applies to the HR Office / Finance to purchase the cycle and cycle equipment by completing the form at Appendix A.
- The HR Office will issue a contract addendum to the employee confirming the amount of salary sacrifice and the amended salary. This will constitute a change to the employee's terms and conditions, and the Employee must sign the addendum to their contract of employment. A copy of this addendum will be placed on the employee's personal file. Updated amendments will be provided where there is an underlying salary change during the 3 year period.
- The Finance Manager will provide the employee with a purchase order to the retailer for the cycle and equipment to the value of quotation which should be no greater than £1,200 inclusive of VAT for a pedal cycle and £1,800 for an electric bike

- Employee presents the purchase order to the retailer together with photographic evidence of identity, and collects the equipment.
- Employee must pay any costs in excess of the exempt amount directly to the retailer at the time of collection
- The retailer submits the invoice to King William's College, marked for the attention of the Finance Manager
- The Finance Manager authorises the invoice submitted by the retailer and completes the form, before submitting a copy to the HR Office and Payroll Team.
- If an employee ceases employment with King William's College before the end of the three year income tax period, they are obliged to pay the outstanding balance from net pay, i.e. without any tax exemptions. This amount will be deducted from the last pay, or if this is not possible, e.g. the amount exceeds the last net pay, this must be repaid within 14 days of the leaving date
- Employees who do not comply with the terms of the Scheme or who breach the Scheme requirements may, in certain circumstances, be subject to disciplinary action

7. Termination of the Scheme

As per section 3 there are no provisions for withdrawing from the Scheme, however the agreement will be terminated if the following occurs:

- The employee leaves employment with King William's College.
- The employee becomes ineligible to participate in the Scheme due to a lifestyle event, such as divorce, death, redundancy which directly affects childcare requirements.
- If a lifestyle event does occur the employee must inform the Chief Operating Officer of the change by no later than the 1st day of the month in which the change is to be applied.
- If an employee is permitted to leave the Scheme due to a change in lifestyle, there is no guarantee they will be allowed to re-enter the Scheme at a later date.

8. Frequently Asked Questions

Refer to Appendix B

9. Review of Policy

To be reviewed every 2 years after initial implementation date or 2 years after any changes have been made.

10. Privacy Notice

In the course of your employment, engagement or other basis of work undertaken for the school, we will collect, use and hold (process) personal data relating to you as a member of our staff. This makes the school a data controller of your personal information, and this Privacy Notice sets out how we will use that information and what your rights are.

A copy of the Staff Privacy Notice can be accessed within the Employee Handbook or from the HR Office. A copy is given to all new employees upon commencement of employment and existing employees were given a copy at the point the Privacy Notice was originally issued.



KING WILLIAM'S COLLEGE

**King William's College, The Buchan School &
The Buchan Nursery School
Cycle to Work Scheme Procedure**

Application Form

FULL NAME:	
JOB TITLE:	

I would like my employer, King William's College, to purchase a bicycle and bicycle equipment as outlined below:

Name address of retailer (must be IOM based)		
Make and model of bicycle		
Basic Cost £	VAT Rate £	Total cost (inc. VAT) £
Details of bicycle equipment:		
Total cost To not exceed £1,200 for a pedal bike and equipment or £1,800 for an electric bike and equipment		£

Please ensure that information provided is accurate and is supported by a quotation from the retailer. Any person who wilfully submits false information renders themselves liable to disciplinary action.

I confirm that I have read the Cycle to Work Scheme Policy and accept the terms contained therein.

I understand and accept that I will sacrifice salary over 3 income tax years in return for the provision of the cycle and safety equipment as detailed above. This will result in a reduction in my NI/Tax and pension contributions and this could affect my pension entitlement.

I confirm I am purchasing the cycle and equipment for my own use in order to cycle to work and that I am solely responsible for indemnifying myself in the event of loss, injury or damage, however caused.

I have signed an addendum to my contract of employment.

If I cease employment with King William's College before the end of the repayment period, I accept that any outstanding amount will be deducted from my final pay, where this is not possible, e.g. the amount exceeds the net pay in the last pay, I will pay all outstanding amounts within 14 days of my leaving date.

Applicant Signature _____ **Date:** _____

Once completed please return this form and quote to the Finance Manager

For Office use only:

Retailer Invoice received and authorised for payment	
Copy of Application form and signed contract addendum passed for HR Office / Payroll	

Where Can I Buy the Cycle and Safety Equipment?

To participate in the school's scheme and to qualify for a Benefit In Kind Exemption (BIKE'), you must purchase the bike and equipment from a participating retailer in the Isle of Man, which is VAT registered.

Does the Scheme Include the Purchase of Electric Bikes?

In 2018 the IOM Treasury extended the Benefit In Kind Exemption to include electric power assisted pedal bikes (or e-bikes). The maximum purchase cost allowable for e-bikes within the terms of the scheme is £1,800 including VAT (or £1,200 in the case of non-power assisted bikes). Please note that the additional e-bike £600 allowance is only tax exempt where the employee has no further benefits.

Can I Buy the Cycle and Safety Equipment from More than One Retail Outlet?

No, the bike and safety equipment must be purchased from the same retailer at the same time.

What if the Purchase Price for the Bike I Want is Higher Than the Maximum Allowable Under the Scheme?

Any excess amount over and above the allowable scheme amount (i.e. £1,200, or £1,800 in the case of e-bikes) must be payable by the employee at time of purchase. This is because any additional amount paid for by the employer would otherwise be treated as a benefit in kind and so liable for taxation.

Who is Responsible for the Maintenance and Insurance of the Cycle?

The employee is wholly responsible for the maintenance and insurance of the cycle and themselves. Participating employees are responsible for ensuring they have adequate personal liability cover to meet claims for personal injury to, or damage to, themselves or third parties arising out of the use of the cycle.

Am I Able to Use the Cycle for Personal Use, Other Than for Travel To, From and Between Work?

Yes, participating employees are also free to use their cycle for leisure purposes – this is even encouraged! As it is a cycle to work scheme, you are expected to use the cycle for journeys between home and work, although there is no minimum requirement stipulated, other than the employee is signing up to the main use of the bicycle and equipment being for the participating employee's travel to work.

This is in line with the Tax Office's Benefit in Kind Exemption rules (see Treasury's Income Tax Division Practice Note PN 196/17). As this is a staff-wellbeing scheme, it would not be appropriate for the school to dictate or regulate the actual home to work usage.

How Will Participating in the Scheme Affect My Terms and Conditions of Employment?

The Cycle to Work Scheme is a salary sacrifice scheme. This means that by joining the Scheme you agree to a reduction in your gross pay only for the period of 'repayment', equivalent to the Scheme purchase amount. There will be no impact on pay awards or incremental entitlements. Because the gross pay is reduced, the Income Tax, National Insurance and superannuation

contributions will also be reduced. This could impact upon any final pensionable pay calculation, and you are advised to consider this potential impact (e.g. if you are approaching retirement within a three year period), before submitting your application to join the Scheme.

Participation in the Scheme may also have an impact on work-related benefits such as maternity pay and sick pay, as these would be calculated based on a reduced salary or wage.

So, what is the Benefit to Me of Joining the Scheme?

Participating employees benefit by way of an interest free loan of up to £1,200 (or £1,800 in the case of e-bikes) for a period of up to 3 tax years maximum. Because it is achieved through salary sacrifice, the employee is effectively able to make a saving on the bike purchase to the equivalent of the tax/NI element of the salary sacrifice.

What about VAT?

There is no VAT saving off the purchase price. The school pays up front the full cost including VAT, and the employee reimburses to the school the full amount including VAT, through the salary sacrifice deductions.

How Long Do I Have to Pay Back to My Employer the Amount of the Purchase?

The amount must be repaid through salary or wage deductions over a maximum of 36 months, during a maximum period of 3 consecutive tax years. You can in your application request repayments over a reduced period e.g. a single tax year or 2 tax years if you prefer. You cannot, however, benefit from a further purchase under the scheme (over and above the £1,200 or £1,800 limits) until 3 tax years have elapsed.

Can I Vary the Amount of Salary Sacrifice/'Repayment' Term at a Later Date?

Once the salary sacrifice arrangement is set up, it will not be possible to accelerate or decelerate the term of repayment.

What if I Cease Employment with the school?

Employees leaving the school regardless of reason (e.g. voluntary, contract termination, redundancy, retirement etc.), before their period of salary sacrifice is complete, must settle all outstanding monies before they leave. Any outstanding balance would be deducted from their net final salary or wage. This becomes contractually binding at time of purchase.

Where Can I Find Out More Information on the Benefit in Kind Exemption Rules?

More can be found by reading Treasury's Practice Notes on the Cycle to Work Scheme (PN 196/17 and PN200/18).

These can be found on the IOM Government's website:

<https://www.gov.im/media/1355289/pn-196-17-cycle-to-work-scheme-benefit-in-kind-final>.

<https://www.gov.im/media/1360551/pn-200-18-cycle-to-work-scheme-benefit-in-kind-final-240118.pdf>