



Employment taxes update

Benefits in kind – Cycle to Work

Employment taxes have become more complex and burdensome in recent times mainly due to Revenue changes in the tax treatment of Benefits-in-Kind (“BIK”). However there are some Revenue concessions available which can enable tax savings for both the employee and the employer.

Cycle to Work Scheme

Revenue issued a Guidance Document in December 2008 about the provision of Bicycles for Directors and Employees – Exemption from Income Tax in respect of Benefit in Kind. The purpose of this concession is to exempt employees from BIK arising from the purchase by their employer of a bicycle and related bicycle safety equipment, where the bicycle and equipment is used by the employee mainly for ‘qualifying journeys’.

Benefits for Employees

Employee is not liable for PAYE, PRSI and USC on value of bicycle and related bicycle safety equipment

Benefit for Employers

Employers are not liable for employer PRSI (10.75%) on value of bicycle and related bicycle safety equipment

€1,000 Limit

There is a limit of €1,000 on the amount of expenditure an employer can incur in respect of any one employee (including any delivery charges that may occur). Any amount above this figure will be subject to a BIK income tax charge and Employer’s PRSI. The exemption can only be availed of once in a 5-year period and it is not cumulative. If an employer spends €500 at 2 separate times within this 5-year period on the one employee, only the initial €500 is exempt from BIK.

Qualifying Journeys

A qualifying journey is defined as the whole or part of a journey between the employee’s home and his/her normal place of work, or between his/her normal place of work and another place of work. ‘Part’ of a journey would be from home to the train station, for example. The employer is not required to monitor the use of the bicycle/safety equipment but is obliged to obtain a signed statement from the employee that the bicycle and

related bicycle safety equipment is for his or her own use and will be used mainly for qualifying journeys.

Qualifying Bicycles / Safety Equipment

The exemption covers pedal bicycles and tricycles and pedelecs (an electrically assisted bicycle which requires some effort on the part of the cyclist in order to affect propulsion). It will not cover motorbikes, scooters or mopeds. It will not apply to expenditure incurred by an employer in the purchase of bicycle parts rather than a whole bicycle.

The following list is covered by the exemption and is deemed to be ‘qualifying safety equipment’;

- Cycle helmets which conform to European standard EN 1078
- Bells and bulb horns
- Lights, including dynamo packs
- 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 along with white front reflectors and spoke reflectors

Provision and purchase of bicycles / safety equipment

The exemption will only apply where bicycles/safety equipment are made available by the employer generally to all of its employees. The employer must purchase the bicycle/safety equipment. The exemption will not apply where an employee purchases a bicycle/safety equipment and get reimbursed by the employer. However, there are no limits as to where the bicycle / safety equipment may be purchased by the employer. It is up to the employer to decide how they will operate the scheme and if they choose to impose any restrictions on the choice of vendor.

Salary Sacrifice

An employer and employee may enter into a ‘salary sacrifice’ arrangement operated through

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the employee's payroll. Under this arrangement, the employee agrees to 'forego' part of his / her salary to cover the cost of the bicycle / safety equipment. The full cost must be recovered within a maximum period of 12 months from the date of provision of the bicycle / safety equipment. The amount of salary 'sacrificed' will then be exempt from PAYE, PRSI and USC. It will also be exempt from employer's PRSI.

Conditions applicable to this exemption / salary sacrifice

The employer is not required to notify Revenue that the scheme is in place or that any bicycles / safety equipment has been purchased. However the normal obligations on employers to maintain records will apply: (e.g. deliver dockets, invoices, payment details, salary sacrifice agreements, signed statements from employees that the bicycle / safety equipment is for own use and will be used for travelling to and from work)

For Revenue to regard salary sacrifice arrangements as being effective for tax purposes the following conditions must be met:

- There must be a bone 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 (signed by the employee)
- There must be no entitlement to exchange the benefit for cash
- The choice exercised (i.e. the benefit instead of cash) cannot be made more frequently than once in a 5-year period
- The choice exercised must be binding for the relevant year for which it is made

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