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www.cycletoworkalliance.org.uk

Cycle to Work Alliance welcomes VAT clarification by HM Revenue and Customs

The cycle to work scheme is an extremely popular Government-supported initiative bringing environmental, sustainable transport and health benefits through an increase in bicycle ownership and cycling.

The Cycle to Work Alliance believes the new rulings are a helpful clarification on the tax implications of the scheme for participating companies. Scheme participants can now plan with certainty on how to apply the benefits of the cycle to work scheme for their employees.

The scheme offers participants tremendous benefits in terms of savings on the purchase of a bicycle. These will typically amount to up to 43% savings even after the application of the new ruling.

The new ruling on VAT does not mean a blanket reduction in benefit of 20%. For those fully VAT registered the impact on savings will not apply at 20% of the purchase value of the bike as this will be offset by an increase in Income Tax and National Insurance Contributions' savings, which will continue to apply.

Savings under the scheme vary according to individual tax circumstances of companies. Scheme providers Cyclescheme, Cycles Solutions, Evans Cycles and Halfords, will now work with clients, and others keen to be involved in the scheme, to prepare bespoke packages to ensure companies receive the maximum saving allowances and therefore benefits for participating employees.

The Cycle to Work Alliance also welcomes HMRC's decision to delay the introduction of the new VAT treatments until the 1st January 2012, this provides the industry with five months lead time to incorporate the new rulings into scheme guidelines.

-ENDS-

Notes for editors:

- The Cycle to Work Alliance is a group of the leading providers of the cycle to work scheme, including Cyclescheme, Cycle Solutions, Evans Cycles and Halfords.
- The cycle to work initiative is a tax-efficient, and on the whole, salary-sacrificed employee benefit that provides a way of encouraging more adults to take up cycling. Introduced in the 1999 Finance Act, the scheme encourages employers to loan bicycles and cycling safety equipment to employees as a tax-exempt benefit for the purpose of cycling to work. Under the scheme, employers buy cycling equipment from suppliers approved by their scheme administrator, and

hire it to their employees. At the end of the loan period, the employer may choose to give the employee the option to purchase the equipment.

- To date over 400,000 people have taken advantage of the scheme, which involves over 2,220 bike retailers and 15,000 employers.
- HMRC's brief can be found here: <http://www.hmrc.gov.uk/briefs/vat/brief2811.htm>
- For more information please see www.cycletoworkalliance.org.uk or contact Alexandra Arikoglu at alexandra@westminsteradvisers.co.uk or 0207 222 9500