

Provision of bicycles and associated safety equipment by employers to directors and employees

Part 05-04-08

This document should be read in conjunction with section 118(5G) of the Taxes Consolidation Act 1997

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1 Introduction

Section 7 of the Finance (No.2) Act 2008 introduced an exemption from an income tax charge under section 118 of the Taxes Consolidation Act 1997 (TCA) in respect of a benefit in the form of a bicycle or associated safety equipment provided to a director or employee by his or her employer, where the bicycle/associated safety equipment is used by the employee or director mainly for qualifying journeys.

This is commonly referred to as the “cycle to work scheme” and the exemption is contained in section 118(5G) TCA.

2 Effective date

The exemption applies to expenditure incurred by an employer on or after 1 January 2009.

3 Financial Provisions (Covid-19) (No. 2) Act 2020

Section 9 of the Financial Provisions (Covid-19) (No. 2) Act 2020 provides for increases to the allowable expenditure under the cycle to work scheme and also provides that employees and directors can avail of the scheme more regularly.

It provides for two exemption limits depending on the type of bicycle purchased.

4 Exemption limits

4.1 Limits from 1 August 2020

The exemption applies to the first €1,250 expenditure incurred by an employer in connection with the provision of a bicycle and/or bicycle safety equipment in respect of any one employee or director. However, a higher exemption limit of €1,500 applies in the case of the provision of an electric bike (which may also include bicycle safety equipment).

An employee or director can only avail of the exemption **once** in any 4-year period (previously 5 years), commencing with the date the employee is first provided with a bicycle or bicycle safety equipment.

An employer may incur expenditure in excess of the above limits. This does not preclude the employee or director from availing of the exemption. However, it is only the **first** €1,250 of the expenditure (or €1,500 in respect of electric bikes) that is exempt from income tax.

4.2 Limit prior to 1 August 2020

Prior to 1 August 2020 a single limit applied to both bicycles and pedelecs (electric bikes) of the first €1,000 expenditure incurred by an employer. The exemption could only be availed of once in any 5-year period.

If an individual availed of the scheme within the four-year period prior to 1 August 2020, he or she cannot immediately avail of the uplift in the scheme limits. The individual will be able to avail of the increased limits once the four-year period has expired.

4.3 Examples

Example 1

On 1 December 2020, an employer incurs expenditure amounting to €1,100 on the purchase of a bicycle for an employee. On 15 December 2020, the employer incurs a further €150 expenditure in the purchase of bicycle safety equipment for the same employee.

There is no income tax charge in respect of the expenditure of €1,100 as it is covered by the exemption.

The 4-year period commences on 1 December 2020. The expenditure of €150 incurred by the employer on 15 December 2020 is not covered by the exemption, as this would be a second claim for the exemption within the 4-year period. Accordingly, the employer must operate tax on this amount.

The employee will not be in a position to avail of the exemption under section 118(5G) again until 2024.

Example 2

On 1 February 2018, an employer incurs expenditure amounting to €750 on the purchase of a bicycle for an employee. On 1 September 2020, the employer incurs a further €400 expenditure on the purchase of bicycle safety equipment for the same employee.

There is no income tax charge in respect of the expenditure of €750 as it is covered by the exemption. The expenditure of €400 incurred by the employer on 1 September 2020 is not covered by the exemption, as this would be a second claim for the exemption within the 4-year period. Accordingly, the employer must operate tax on this amount.

The employee will not be in a position to avail of the exemption under section 118(5G) again until 2022.

Example 3

On 1 November 2020, an employer incurs expenditure amounting to €2,000 on the purchase of an electric bike for an employee.

The first €1,500 of the expenditure is exempt from tax under the provisions of section 118(5G). The balance of the expenditure incurred (i.e. €500) is not covered by the exemption and accordingly the employer must operate tax on this amount.

5 What does the relief apply to?

5.1 Qualifying Bicycles

The benefit-in-kind exemption applies to pedal cycles, tricycles and pedelecs. A pedelec means a bicycle or tricycle which is equipped with an electric motor (with a maximum continuous rated power of 0.25 kilowatts) which cuts out when a speed of 25 kilometers per hour is reached, or sooner if the cyclist stops pedaling the bicycle or tricycle. The exemption does not apply to motorbikes, scooters or mopeds.

5.2 Qualifying bicycle safety equipment

The following items are all qualifying bicycle 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 bicycle 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.

5.3 Qualifying Journeys

The bicycle/safety equipment must be used by the employee or director mainly for qualifying journeys. Qualifying journeys means the whole or part (e.g. between home and train station) of a journey between the employee's or director's home and normal place of work, or between his or her normal place of work and another place of work.

There is no obligation on an employer to keep a record of the usage of the bicycle/safety equipment by an employee or director. However, the employer should obtain a signed statement from the employee or director that the bicycle/safety equipment will be for his or her own use and will be used mainly for qualifying journeys.

5.4 General availability

The exemption only applies where bicycles/safety equipment are made available by the employer generally to all of its directors and employees. The exemption does not apply where the employer provides a bicycle and/or bicycle safety equipment for selected employees or selected directors.

5.5 Purchase of bicycles/safety equipment

The employer must purchase the bicycle/safety equipment. The exemption does not apply where an employee or director purchases a bicycle and/or bicycle safety equipment and gets reimbursed by his or her employer.

6 Delivery charges

If an employer incurs delivery charges in respect of the bicycle/safety equipment, these charges are covered by the exemption, provided the maximum value of the benefit, including delivery charges, does not exceed the relevant limits set out in section 4 above.

7 Salary sacrifice arrangements

Similar to the travel pass scheme (see Tax & Duty Manual [Part 05-03-11](#)), an employer and employee may enter into a salary sacrifice arrangement whereby the employee agrees to sacrifice part of his or her salary in lieu of a benefit in the form of a bicycle or bicycle safety equipment [see section 118B(2)(a)(iii)]. In such circumstances, the employee will not be liable to tax or PRSI or levies on the salary sacrificed. The maximum amount of salary that can be sacrificed is €1,500 in respect of electric bikes and related safety equipment, and €1,250 in respect of all other bicycles and safety equipment. Where salary sacrifice arrangements are used, they must be completed over a maximum of 12 months from the date of provision of the bicycle/safety equipment.

Salary sacrifice arrangements that meet the following conditions may be regarded as being effective for tax purposes:

- There must be a bona 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;
- There must be no entitlement to exchange the benefit for cash;
- The choice exercised (i.e. benefit instead of cash) cannot be made more frequently than once in a 4- year period; and
- The choice exercised (i.e. benefit instead of cash) must be irrevocable for the relevant year for which it is made.

8 Employers – notification and records

An employer is not obliged to notify Revenue of the provision of bicycles/safety equipment to its employees and directors. The purchase of bicycles and associated safety equipment by employers for directors and employees are subject to the normal Revenue audit procedure with the normal obligations on employers to maintain records (e.g. delivery docket, invoices, payment details, etc.). The employer is also obliged to keep all salary sacrifice agreements entered into between the employer and employees/directors, together with all signed statements from employees/directors regarding use of the bicycles/safety equipment.