

Provision of Bicycles for Directors and Employees
- Exemption from Income Tax in respect of
Benefit-In-Kind

Guidance Document

Revenue 

December 2008

1. Introduction

Section 7 of the Finance (NO. 2) Bill 2008 proposes the introduction of a tax incentive aimed at encouraging more employees to cycle to and from work. The proposal is to exempt from income tax the benefit-in-kind arising from the provision of a bicycle/bicycle safety equipment by an employer to an employee or director, where the bicycle/associated safety equipment is used by the employee or director mainly for qualifying journeys.

2. Effective date

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

3. Limits

There will be a limit of €1,000 on the amount of expenditure an employer can incur in respect of any one employee or director. Additionally, the exemption from income tax in respect of the benefit-in-kind can only be availed of once in any five-year period by an employee or director.

4. Qualifying journeys

The bicycle/safety equipment must be used by the employee or director mainly for qualifying journeys. This 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. While an employer will not be required to monitor the use of the bicycle/safety equipment, the employer will be required to obtain a signed statement from the employee or director that the bicycle is for his or her own use and will be used mainly for qualifying journeys.

5. Qualifying bicycles/safety equipment

The exemption will cover pedal bicycles and tricycles, and pedelecs (an electrically assisted bicycle which requires some effort on the part of the cyclist in order to effect propulsion). It will not cover motorbikes, scooters or mopeds.

The following safety equipment will be covered by the exemption:

- 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

6. Provision of bicycles/safety equipment to all employees and directors

The exemption will only apply where bicycles/safety equipment are made available by the employer generally to all of its directors and employees.

7. Purchase of bicycles/safety equipment

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

8. Salary sacrifice arrangements

Similar to the travel pass scheme, an employer and employee may enter into a salary sacrifice arrangement whereby the employee agrees to forego part of his or her salary to cover the costs associated with the purchase of the bicycle/safety equipment. In such circumstances, the employee will not be liable to tax or PRSI or levies on the salary forgone. 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.

In the specific context of the provision of a bicycle/bicycle safety equipment, Revenue will be prepared to regard salary sacrifice arrangements which meet the following conditions 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 5- year period.
- The choice exercised (i.e. benefit instead of cash) must be irrevocable for the relevant year for which it is made.

9. Miscellaneous Questions and Answers

9.1 Will an employee be able to avail of the exemption where an employer spends in excess of €1,000?

Yes, but only the first €1,000 will be exempt from the benefit-in-kind charge to income tax.

9.2 Where an employer incurs an expense of less than €1,000 in year one in the provision of a bicycle and/or associated safety equipment, will the employee be able to claim exemption from the benefit-in-kind charge in respect of the difference between €1,000 and the amount spent by the employer, within the 5- year period?

No. An employee can only avail of the exemption once in every 5 years. It does not matter that he or she may have been exempted from a benefit-in-kind charge for an amount less than €1,000. The exemption is available once in every 5 year period.

9.3 Will the exemption apply to expenditure incurred by an employer in the purchase of bicycle parts rather than a whole bicycle?

No. The exemption only applies to expenditure incurred in the purchase of a whole bicycle or associated safety equipment.

9.4 Will the exemption apply where the employer does not provide bicycles but incurs expenditure on the purchase of bicycle safety equipment?

Yes. The rules regarding the €1,000 limit on expenditure and the availability of the exemption once in every 5-year period will apply in the case of bicycle safety equipment, as it will in the case of bicycles.

9.5 Can an employee buy the bicycle/safety equipment and get a refund from his or her employer?

No. The employer must purchase the bicycle/safety equipment.

9.6 Can a bicycle be bought anywhere, e.g. online from abroad, or will it have to be bought in Ireland or from a pre-approved selection of shops?

There are no limits as to where the bicycle should be purchased by the employer.

9.7 Can employees choose the bicycle/safety equipment themselves?

It is for employers to decide how they will operate the scheme. Some employers may allow employees to select the bicycle/safety equipment from the retailer of their choice and the employer may then put in place appropriate invoicing and delivery arrangements with the retailer.

However, other employers may offer more limited options to employees. An employer could, for example, allow an employee to choose only from the range available from a single retailer.

9.8. Will there be any minimum threshold on the amount of days a bicycle must be used?

There will be no threshold on the amount of days a bicycle should be used. However, the bicycle must be used mainly for qualifying journeys (i.e. travelling to and from work or between work places).

9.9 How will the exemption operate? Does an employer have to notify Revenue that they are providing bicycles/safety equipment for directors and employees? What kind of documentation is required?

There will be no notification process involved but the purchase of bicycles and associated safety equipment by employers for directors and employees will be subject to the normal Revenue audit procedure with the normal obligations on employers to maintain records (e.g. delivery dockets, invoices, payments details, salary sacrifice agreements between employer and employee, signed statements from employees that the bicycle/bicycle safety equipment is for own use and will be used for travelling to and from work).

9.10 Is an employer liable to pay VAT on bicycles/safety equipment purchased for employees and directors? Can an employer claim an input credit in respect of the VAT?

Yes, VAT is payable. The employer will not be able to claim an input credit in respect of the VAT payable as the bicycles will not be used for the purposes of taxable supplies.

9.11 If the employer incurs delivery charges in respect of the bicycles/safety equipment, will these be covered by the exemption?

Yes, provided the maximum value of the benefit, including delivery charges, does not exceed €1,000. The exemption is limited to the first €1,000 - where the cost exceeds this amount, a benefit-in-kind income tax charge will apply to the balance.

Queries on the exemption from benefit-in-kind charge in respect of bicycles/safety equipment provided to employees and directors.

▪ **Employers**

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▪ **Employees**

Please contact your local Revenue office.