

Cycle to Work Scheme

	Cost of bike and accessories	Cost to employee	
		Higher rate tax payer paying NIC above upper earnings limit	Basic rate tax payer paying NIC between lower and upper earnings limit
	£	£	£
Bike	800.00		
Safety accessories	100.00		
Value of goods	<u>900.00</u>		
VAT recovered by employer *	(134.04)		
Cost to be charged to employee through salary sacrifice	<u>765.96</u>	765.96	765.96
Employees PAYE saving through salary sacrifice		40% (306.38)	(153.19) 20%
Employees National Insurance saving through salary sacrifice		1% (7.66)	(84.26) 11%
Cost to employee		<u>451.91</u>	<u>528.51</u>
Saving based on cost of £900 **		50%	41%

* It has been assumed that the employer is VAT standard rated and will pass the benefit of the VAT recovered to the employee

** Savings are illustrative and are based on the employees PAYE and National Insurance rates in the examples. The savings are reduced if the employer sells the bike to the employee at the end of the hire period.