

Part 05-04-08 Provision of bicycles and associated safety equipment by employers to directors and employees

Section 118(5G) TCA 1997

This document was last reviewed May 2017

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 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.

Effective date

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

Limits

The exemption applies to the first €1,000 expenditure incurred by an employer in or in connection with the provision of a bicycle or bicycle safety equipment or both a bicycle and bicycle safety equipment in respect of any one employee or director. Additionally, an employee or director can only avail of the exemption once in any five-year period, commencing with the date the employee is first provided with a bicycle or bicycle safety equipment.

An employer may incur expenditure in excess of €1,000. This does not debar the employee or director from availing of the exemption. However, it is only the **first** €1,000 of the expenditure that is exempted from income tax.

Example 1

On 1 February 2012, an employer incurs expenditure amounting to €750 in the purchase of a bicycle for an employee. On 1 March 2012, the employer incurs a further €200 expenditure in 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 5-year period commences on 1 February 2012 and ends on 31 January 2017. The expenditure of €200 incurred by the employer on 1 March 2012 is not covered by the exemption, as this would be a second claim for the exemption within the 5-year period. Accordingly, the employer must operate PAYE/PRSI/INCOME LEVY/USC AS APPLICABLE on this amount.

The employee will not be in a position to avail of the exemption under section 118(5G) again until 2017.

Example 2

On 1 March 2012, an employer incurs expenditure amounting to €1,500 in the purchase of a bicycle for an employee.

The first €1,000 of the expenditure is exempt from tax under the provisions of section 118(5G). The balance of the expenditure incurred €500 is not covered by the exemption and accordingly the employer must operate PAYE/PRSI/INCOME LEVY/USC AS APPLICABLE on this amount.

Qualifying Bicycles

The benefit-kind exemption applies to pedal cycles and 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 kilometres is reached, or sooner if the cyclist stops pedaling the bicycle or tricycle. The exemption does not apply to motorbikes, scooters or mopeds.

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 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

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.

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.

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.

Delivery charges

If an employer incurs delivery charges in respect of the bicycles/safety equipment, these charges are covered by the exemption, 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 expenditure incurred by the employer exceeds this amount, the excess is chargeable to income tax under Schedule E and PAYE must be operated on the excess.

Salary sacrifice arrangements

Similar to the travel pass scheme (see Tax Instruction 5.3.11), 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. 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 €1,000. 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 5- year period.
- The choice exercised (i.e. benefit instead of cash) must be irrevocable for the relevant year for which it is made.

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 dockets, invoices, payments 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.