

## **Chapter 7 - The provision of bikes and safety equipment ('cycle to work scheme')**

### **Part 05-01-01g**

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

Document last reviewed November 2024

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## 1 Introduction

This manual outlines the tax treatment, as set out in section 118(5G) of the Taxes Consolidation Act 1997 (TCA 1997), applicable where a bicycle and/or safety equipment (as defined in [paragraph 2](#) below) is provided by an employer under the cycle to work scheme (“CWS”).

The cycle to work scheme applies to expenditure incurred by an employer on or after 1 January 2009, for the provision of a bicycle and/or bicycle safety equipment to an employee, where certain qualifying conditions are met.

The scheme provides that a charge to tax will not arise on the provision of a bicycle and/or safety equipment to the employee. In addition, employer's PRSI is not payable on the cost of the bicycle and/or safety equipment.

An employee can avail of both a Travel Pass and the CWS. See Tax and Duty Manual (“TDM”) [Part 05-01-01f](#) for further information on the provision of Travel Passes by an employer.

## 2 Definitions

### 2.1 Bicycle

A bicycle means a pedal cycle - i.e., a bicycle or tricycle which is propelled by the physical efforts of the cyclist. A bicycle also includes a pedelec.

A bicycle does not include bicycle parts, electric bike conversion kits, motorbikes, scooters or mopeds.

### 2.2 Pedelec

A pedelec, or electric bike, is 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 pedalling the bicycle or tricycle.

### 2.3 Cargo bicycle

A cargo bicycle is a bicycle with a frame specially designed to carry large or heavy loads, or passengers other than the rider. A container or a platform may be integrated into, or attached to, this frame in front of, or behind, the rider.

An e-cargo bicycle is a cargo bicycle with a pedelec configuration.

A bicycle cannot be converted into a cargo bicycle by simply attaching a container or a trailer. The frame must be specially designed to carry large or heavy loads or passengers.

### 2.4 Bicycle Safety Equipment

Bicycle safety equipment includes the following items:

- 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 the bike can be safely secured,
- Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs, and
- Reflective clothing along with white front reflectors and spoke reflectors.

Child seats, child helmets and trailers are not included in the scheme.

## 2.5 Qualifying Journey

Qualifying journey means the whole or part of a journey between the employee's home and normal place of work, or between his or her normal place of work and another place of work. This includes, for example, journeys between the employee's home or normal place of work and a train station.

An employee's normal place of work is the place where he or she normally performs the duties of his/her employment. See TDM [Part 05-01-06](#) for further guidance on determining an employee's normal place of work.

### 3 Qualifying Conditions

#### 3.1 Spending Threshold

The exemption applies to expenditure up to the relevant spending threshold only.

An employer may choose to incur expenditure in excess of the permitted threshold set out in legislation. This will not preclude an employee from availing of the exemption, however any expenditure in excess of the relevant threshold will be chargeable to tax and Income Tax, PRSI and USC must be operated on same.

Prior to 1 August 2020 there was one exemption limit irrespective of the type of bicycle purchased. Section 9 of the Financial Provisions (Covid-19) (No. 2) Act 2020 provided for increases to the allowable expenditure under the cycle to work scheme. For new bicycle purchases on or after 1 August 2020 up to 31 December 2022, there were two exemption limits, depending on the type of bicycle purchased.

From 1 January 2023, there are three exemption limits, with a higher threshold applying for cargo and e-cargo bikes.

##### 3.1.1 Limits from 1 January 2023

From 1 January 2023, 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.

A limit of **€1,500** applies in the case of the provision of an electric bike (which may also include bicycle safety equipment).

A higher limit of **€3,000** applies where the bicycle provided is a cargo or an e-cargo bike and related safety equipment.

##### 3.1.2 Limits from 1 August 2020 to 31 December 2022

From 1 August 2020 to 31 December 2022, 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.

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).

##### 3.1.3 Limit prior to 1 August 2020

Prior to 1 August 2020 a single limit applied to both bicycles and electric bikes and/or safety equipment. This exemption limit was €1,000.

##### 3.1.4 Delivery Charges

If an employer incurs delivery charges in respect of the bicycle and/or safety equipment, these charges are covered by the exemption, provided the total cost of the bike/safety equipment, including delivery charges, does not exceed the relevant threshold.

Any excess is chargeable to income tax under Schedule E and Income Tax, PRSI and USC must be operated on same.

### 3.2 Bicycle must be new

To qualify for the exemption under the CWS, the bicycle or safety equipment provided must be new and unused. Second-hand bicycles or safety equipment will not qualify for relief under the scheme.

### 3.3 Bicycle must be used for qualifying journeys

The bicycle must be used mainly for qualifying journeys, that is, the whole or part of a journey between the employee's home and normal place of work, or between his or her normal place of work and another place of work – see [paragraph 2.5](#).

Home-based employees can avail of the scheme if the bicycle is used for work-related journeys, such as trips to the post office or to collect office supplies.

There is no minimum threshold on the amount of days that a bicycle purchased under this scheme should be used. However, the bicycle must be used mainly for qualifying journeys and the employer is required to obtain a signed statement from the employee or director that the bicycle and/or safety equipment will be for his or her own use and will be used mainly for qualifying journeys.

In circumstances where an employee advises that they are not using the bicycle for qualifying journeys any further tax relief due to be granted by way of the exemption should be withdrawn.

If Revenue becomes aware that a bicycle was not used by the employee himself or herself, or was not used for qualifying journeys, the relief granted can be clawed back by way of end of year review.

### 3.4 General Availability

The exemption only applies where the scheme is made generally available, by the employer, to all employees. The exemption does not apply where the employer offers the scheme to selected employees only.

Therefore, although participation in the CWS by directors and employees is voluntary, employers must make the scheme generally available to all in order for those who wish to avail of it to benefit from the exemption.

### 3.5 Employer Must Purchase Bicycle and/or Safety Equipment

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

## 4 Ability to avail of scheme

An employee or director can only avail of the exemption once in any four-year period.

This is another change which was introduced under section 9 of the Financial Provisions (Covid-19) (No. 2) Act 2020. Prior to 1<sup>st</sup> August 2020 an individual could only avail of the exemption once in any five-year period.

The tax year in which the bicycle is provided counts as the first year the scheme is used. For example, if an individual used the scheme during any month in 2021, they could use the scheme again from 1 January 2025.

These restrictions apply irrespective of whether the bicycle was used for the full period or not, for example, if the bicycle was stolen part way through the four or five-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 since they last used the exemption has expired.

### **Example 1**

On 1 February 2021, an employer incurs expenditure amounting to €750 on the purchase of a bicycle for an employee. On 1 March 2021, the employer incurs a further €200 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.

However, as an employee can only avail of the exemption once in any four-year period, the additional €200 incurred by the employer on 1 March 2021 is not covered by the exemption, as this would be a second claim for the exemption within the 4-year period. In this case, the 4-year period commences in 2021 and ends on 31 December 2024.

Accordingly, the employer must operate Income Tax, PRSI and USC on this amount (i.e., €200). The employee will not be in a position to avail of the exemption again until 2025.

### **Example 2**

On 1 March 2019, an employer incurs expenditure amounting to €1,250 on 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) TCA 1997. The balance of the expenditure incurred (i.e., €250) is not covered by the exemption as the increased exemption limit only applies to bicycles or safety equipment purchased from 1 August 2020 onwards. Accordingly, the employer must operate Income Tax, PRSI and USC on the excess over €1,000.

**Example 3**

On 1 December 2020, an employer incurs expenditure amounting to €1,100 on the purchase of a bicycle (not being an electric bicycle) for an employee. On 15 December 2020, the employer incurs a further €150 expenditure on 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 threshold of €1,250. However, the 4-year period commenced on 1 December 2020 and therefore 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) TCA 1997 again until 1 January 2024.

**Example 4**

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) TCA 1997. The balance of the expenditure incurred (i.e., €500) is not covered by the exemption as it is in excess of the relevant exemption limit and accordingly the employer must operate tax on this amount.

**Example 5**

On 1 March 2023, an employer incurs expenditure amounting to €1,700 on the purchase of an e-bike for an employee. The bike is not an e-cargo bike as its frame has not been specially designed to carry heavy loads or passengers. On 1 April 2023, the employer incurs a further €1,200 expenditure on the purchase of a 1-seat bike trailer for the same employee.

The higher limit of €3,000 is not available. There is no income tax charge in respect of the first €1,500 as it is covered by the e-bike exemption. Employer must operate Income Tax, PRSI and USC on the excess amount of €200 and the €1,200 incurred on the purchase of the trailer.

As an employee can only avail of the exemption once in any four-year period, the 4-year period commences in 2023 and ends on 31 December 2026.

The employee will not be in a position to avail of the exemption again until 2027.

## 5 Operation of Scheme

Subject to satisfying the qualifying conditions, it is for employers to decide how they operate the scheme.

There are no restrictions as to where the employer can purchase the goods from. However, all invoices and the documented prices on the paperwork for the purchase should be in Euro, regardless of where the bicycle is purchased.

Some employers may allow employees to select the bicycle and/or safety equipment from the retailer of their choice and the employer may then put in place appropriate invoicing, payment and delivery arrangements with the retailer.

Other employers may offer more limited options to employees. An employer could, for example, allow employees to choose their bicycle and/or safety equipment from a specific range or a single retailer only.

## 6 Salary Sacrifice Arrangements

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 and/or bicycle safety equipment.

Section 118B TCA 1997 provides that the benefit-in-kind (“BIK”) exemption may apply to such arrangements where they are a Revenue Approved Salary Sacrifice arrangement.

TDM [Part 05-01-01k](#) includes information in respect of Revenue Approved Salary Sacrifice arrangements generally. However, in the specific context of the provision of a bicycle and/or bicycle safety equipment, Revenue is prepared to accept that an approved salary sacrifice arrangement will be in place where all of the following conditions are satisfied:

- there must be a bona fide and enforceable alteration to the terms and conditions of employment (exercising a choice of benefit instead of salary) with the consent of the employer,
- the alteration must not be retrospective and must be evidenced in writing, and
- there must be no entitlement to exchange the benefit for cash.

The maximum amount of salary that can be sacrificed in lieu of a bicycle and/or bicycle safety equipment from 1 January 2023 is €1,250, €1,500 or €3,000, depending on the type of bicycle purchased. From 1 August 2020 to 31 December 2022 the amounts were €1,250 and €1,500. Prior to 1 August 2020 the amount was €1,000, in line with the prior exemption limit that applied. In addition, an employee cannot exercise the choice to sacrifice a portion of their salary in lieu of a bicycle and/or bicycle safety equipment more frequently than once in a 4-year period.

Where salary sacrifice arrangements are used, they must be completed over a maximum period of 12 months from the date of provision of the bicycles and/or safety equipment (i.e., the full cost must be recovered within this period).

### 6.1 Failure to operate the scheme correctly

Incorrect application of the provisions of the scheme, either by:

- allowing an employee to avail of the scheme more frequently than once every 4 years,
- allowing the employee to avail of salary sacrifice in excess of the value of the bicycle and related equipment, or in excess of the relevant threshold limits,  
or
- facilitating access to goods other than those covered by the scheme,

will result in the exemption provided by the salary sacrifice arrangements being withdrawn and the full income affected will be subjected to tax at the employee's marginal rates, together with employer and employee PRSI and USC.

If invoices are provided to an employer purporting to be for bicycles and safety equipment but in fact relate to other goods and services, the employee and/or the retailer so involved may, in making a false claim or in assisting in the making of a false claim, be liable to a penalty of €3,000.

## 6.2 Mix of Benefit-in-Kind and Salary Sacrifice

An employer may wish to provide a bicycle and/or bicycle safety equipment to an employee:

- partially by way of direct provision of benefit (i.e., the employer covering part of the cost of the bicycle directly), or
- partially by way of salary sacrifice.

The provision of a bicycle and/or safety equipment in this manner will be fully allowable under the CWS provided that the value of the bicycle and/or safety equipment does not exceed the relevant threshold limit and all other qualifying conditions of the scheme are met.

Any excess over the relevant spend threshold is taxable.

## 6.3 Employee Leaves Employment

If an employee leaves his/her employment (by way of termination, resignation or retirement) before the Salary Sacrifice is completed, he or she should settle the full outstanding balance before the date of ceasing employment or retirement.

## 7 VAT on Purchase of Bicycle and/or Safety Equipment

### 7.1 Purchase within the State

Employers will not be able to claim input credit in respect of the VAT payable on bicycles and/or safety equipment purchased in Ireland as they will not be used for the purposes of taxable supplies.

Where the proposed expenditure, inclusive of delivery charges, is in excess of the relevant threshold limit the invoice (VAT included) submitted to the employer is usually capped at the relevant threshold limit.

The employee will generally be responsible for arranging payment of any balance directly to the supplier. However, where the employer pays any excess over the relevant threshold limit on behalf of the employee, a taxable BIK arises on this excess.

#### **Example 6**

The cost of equipment purchased for an employee, inclusive of VAT, is €1,500. Delivery charges of €50 apply and therefore the total cost incurred is €1,550. The bicycle purchased is not an electric bike.

In this case the supplier will issue two separate invoices, one to the employer for the sum of €1,250 (being the allowable spend threshold under the scheme) and one to the employee, who is paying the remaining balance of €300.

The employer, providing the employee's application is otherwise in order, will approve the application, pay the supplier €1,250 as per the invoice and either:

- treat the amount as an exempt BIK under s118(5G) TCA 1997, or
- enter into a salary sacrifice arrangement with the employee for €1,250 over a 12-month period.

The employee will pay €300 to the supplier directly and no taxable BIK charge arises on this sum.

#### **Example 7**

The cost of equipment purchased for an employee, inclusive of VAT, is €1,500. Delivery charges of €50 apply and therefore the total cost incurred is €1,550. The bicycle purchased is not an electric bike.

The employer, providing the employee's application is otherwise in order, will approve the application, pay the supplier €1,550 as per the invoice and either:

- treat €1,250 as an exempt BIK under ss118(5G) TCA 1997, or
- enter into a salary sacrifice arrangement with the employee for €1,250 over a 12-month period,

and

- treat the €300 excess over €1,250 as a taxable BIK, operating Income Tax, PRSI and USC on same.

## 7.2 Purchases Outside the State

Under the terms of s24(1) of the Value-Added Tax Consolidation Act 2010 (as amended), bicycles and/or safety equipment purchased from a VAT registered supplier in another EU Member State will be treated as an Intra-Community Acquisition for VAT purposes. Where the bicycle and/or safety equipment is purchased from a supplier in another EU Member State, the supplier should be given the employer's VAT number and should not charge any VAT on the purchase.

Where proposed expenditure (inclusive of delivery charges), exceeds the relevant threshold limit, the Euro invoice (Zero VAT applied) submitted to the employer should be for the total amount due to the supplier. The employer will calculate the final amount due for payment after applying VAT at the appropriate rate and advise the employee accordingly.

Any balance exceeding the relevant threshold limit will be required to be paid by the employee to the employer immediately by way of Bank Draft.

The employer will then pay the supplier the amount invoiced. The employer will also forward the VAT due to the Collector-General.

### **Example 8**

The cost of equipment purchased for an employee, excluding VAT, is €1,300. Delivery charges of €100 apply and therefore the total cost incurred is €1,400. The bicycle purchased is not an electric bike.

The supplier will issue an invoice to the employer equal to the VAT exclusive cost i.e., €1,400. The employer will then apply VAT @ 23% to this amount increasing the total cost by €322 to €1,722.

The employee will pay the employer the €472 for the bicycle, being the excess of the VAT inclusive amount over the €1,250 spend threshold.

On receipt of this amount from the employee, the employer (once the employee's application is otherwise in order), will approve the application and will pay the supplier €1,400 directly, as per the invoice. The employer will also forward €322 VAT due to the Office of the Collector-General, and:

- treat the amount as an exempt BIK under s118(5G) TCA 1997, or
- enter into a salary sacrifice arrangement with the employee for €1,250 over a 12-month period.

Where the employee makes no payments to their employer, the employer will follow the same process in respect of paying the supplier and the Office of the Collector-General. The employer will then:

- treat €1,250 as an exempt BIK under s118(5G) TCA 1997, or
- enter into a salary sacrifice arrangement with the employee for €1,250 over a 12-month period,

and

- treat the excess over €1,250 of €472 as a taxable BIK, operating Income Tax, USC and PRSI on same.

## 8 Notification and Records

An employer is not obliged to notify Revenue of the provision of bicycles and/or safety equipment to its employees. In addition, there is no obligation on an employer to keep a record of the usage of the bicycles and/or safety equipment by an employee.

However, the purchase of bicycles and associated safety equipment by employers for directors and employees are subject to the normal Revenue compliance interventions and procedures with the usual obligations on employers to maintain records (e.g., delivery dockets, invoices, payments details, etc.).

The employer is also obliged to keep records of all Salary Sacrifice Agreements entered into between the employer and employees and/or directors, together with all signed statements from employees and/or directors regarding use of the bicycles and/or safety equipment.