

## CYCLE-TO-WORK SCHEME VAT ADVICE NOTE

### **Bicycles/Equipment purchased within the State;**

- In all cases where the proposed expenditure **WITHIN THE STATE**, including any delivery charges, exceeds €1,000, the invoice (VAT included) submitted to the employer should be for €1,000 only. The applicant will be responsible for arranging payment of any balance directly to the supplier.  
*e.g. Cost of equipment = €1,500 inc VAT. + €50 delivery charge = Total €1,550. Invoice from supplier to employer = €1,000. The employer, providing the application is otherwise in order, will approve the application, pay the supplier €1,000 as per invoice and arrange salary sacrifice for €1,000 over 12 month period. Applicant is invoiced separately by supplier for balance of €550.*
- Once the employer has approved an application, and the invoice has been certified for payment, it will not be possible for the applicant to withdraw from the arrangement as the purchase has been completed on their behalf. It is very important therefore that each applicant makes themselves fully aware of the final cost implications before committing themselves to the scheme.

### **Bicycles/Equipment purchased from approved suppliers abroad;**

- **All invoices, and the documented prices on the application, including those from outside of the State, should be in Euros.**
- Under the terms of Section 3A(1) VAT Act 1972 (Amended), a bicycle purchased by the employer from a VAT-registered supplier in another EU Member State will be treated as an Intra-Community Acquisition for VAT purposes. The supplier should be given the employer's VAT number, and should not charge any VAT on the purchase.
- In all cases where the proposed expenditure **OUTSIDE OF THE STATE**, including any delivery charges, exceeds €1,000, 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 V.A.T. at the appropriate rate\*, and advise the applicant accordingly. Any balance exceeding €1,000 will be required to be paid by the applicant 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, and arrange a salary sacrifice for €1,000 over a 12 month period.  
*e.g; Cost of equipment = €1,300 (excl. VAT). + €100 delivery charge = Total €1,400. Invoice from supplier to the employer = €1,400. The employer applies VAT. @ 21.5%\*, = €301. Total due = €1,701. Applicant will pay the employer €400 (Excess over €1,000) + €301 (VAT due\*) = Total €701. On receipt of this amount from the applicant, the employer, once the application is otherwise in order, will approve the application and will pay the supplier €1,400 as per invoice. The employer will also forward €301 VAT due to the Office of the Collector General, and arrange salary sacrifice for €1,000 over a 12 month period.*

- Applicants should be aware that under certain circumstances, such as when an expensive bicycle/equipment purchased from outside of the State exceeds a certain value, all of the applicant's salary sacrifice amount could be used solely to cover the VAT, or part of the VAT due. Also, the applicant will be required to pay the employer the balance of the VAT and any amount over €1,000 due, before the application can be approved.

*E.g. Cost of equipment = €5,000. (Excl. VAT). + €100 delivery charge = Total €5,100. Invoice from supplier to the employer = €5,100. The employer applies VAT @ 21.5%\* = €1,096.50. Total due = €6,196.50. Applicant will pay the employer €4,100 (Excess over €1,000) + €1,096.50 (VAT due) = Total €5,196.50 by way of Bank Draft. On receipt of this amount from the applicant, and providing the application is otherwise in order, the employer will approve the application and pay the supplier €5,100 as per invoice. The employer will also pay €1,096.50 VAT due to the Office of the Collector and arrange salary sacrifice for €1,000 over a 12 month period.*

**\*At time of issue of this circular, applicable VAT rate is 21.5%. Any VAT chargeable in the future will be at the rate applicable at that time.**