
Buying A Bike Through Your Business

Save thousands in tax

Tax Saving Last updated 30 September 2026

Summary:

What it is: Providing conditions are met, HMRC allows companies to buy bikes and safety equipment and lend them to the directors and other employees of the company free of charge with no taxable benefit in kind.

Approximate tax saved: This can save you thousands in tax if you were going to buy a bike anyway. In this example, we show how you can save £2,503 in tax. Actual savings will vary depending on your individual circumstances.

HMRC reference: <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim21664>

Here's how it works:

Companies are allowed to buy bikes and safety equipment and lend them to the directors and other employees of the company.

For the benefit of doubt, according to HMRC's Employment Income Manual [EIM21664](#), bicycles can also include electrically assisted pedal cycles such as VanMoof or other reputable brands.

Safety equipment includes things like helmets, bells, panniers, locks, pumps, repair kits and reflective clothing. The only things that do not count as safety equipment are cycle computers, waterproof clothing that is not reflective and cycle training.

The best part is that for small businesses, buying a bike will be classed as capital expenditure that qualifies for the Annual Investment Allowance (AIA), which effectively means the entire cost will qualify for corporation tax relief. This is providing that the bike is loaned to the employee (i.e. you) for free and not leased or hired to them.

This is a huge benefit if you're a director of your own limited company and are thinking about buying a bike to use for business travel. It could end up saving you thousands.

How the tax saving works:

Buying the bike personally

Let's assume you want a fancy new e-bike that costs £2,500 plus VAT at 20%, that's a total of £3,000.

If you wanted to make this purchase personally and are already a higher rate dividend tax payer, you would need to take a further £4,528 of dividends out of the company so that after paying £1,528 of Income Tax at 33.75%, you would be left with the net £3,000 you need to buy the bike.

So, in effect, the total cost if you buy the bike personally would be £4,528. Make sense so far? Good.

Buying the bike through the business

On the other hand, if the company buys the bike, the first thing it will do is recover £500 in VAT, leaving a net cost of £2,500 on which it can claim Corporation Tax relief.

In this case, let's assume you pay 19% corporation tax - giving you total corporation tax relief of £475 (£2,500 x 19%).

This means the net, after tax, cost of the bike is now just £2,025. vs £4,528 if buying it personally.

To be exact, that's a 55.2% saving - equivalent to £2,503, which is more than the price of the bike before VAT. The difference is phenomenal!

The rules:

If that saving isn't enough, according to HMRC's Employment Income Manual [eim21664](#) this benefit will also be exempt from Income Tax and National Insurance providing:

1. The bicycle is loaned and not given to the employee.
2. The bicycles and equipment are available generally to all employees if they want to start cycling. If you're a company director and the only employee in your company, this still counts.
3. The employees use them mainly for "qualifying journeys"

Unlike driving a car to work, qualifying bike journeys do include journeys between your home and workplace.

They also include journeys on a normal working day from your workplace to shops and other amenities where the return journey is no more than 20 miles.

Even better, the bicycle can also be used for pleasure purposes, including by members of your family, providing this is not the main use of the bicycle.

To make things easy, employees are not expected to keep detailed records of their journeys and HMRC will not challenge whether you are entitled to the exemption, unless there is clear evidence to suggest that less than half of the use of the bike or equipment is on qualifying journeys.

How do you claim this in Mighty?

Claiming this allowance in Mighty is incredibly easy. Mighty will automatically claim all corporation tax and VAT relief for you (if you're VAT registered).

How to do it in Mighty

1

Buy the bike using your business card in the business' name

2

Find the transaction in your bank feed

The screenshot shows the 'Categorise Transaction' modal in the Mighty app. The modal is titled 'Categorise Transaction' and has a close button (X) in the top right corner. It displays the following information:

- Name: VanMoof
- Description: VanMoof
- Transaction Date: 09/04/2023
- Money out: -3000

Below this information, there are fields for Category, VAT Type, VAT %, Amount, and Action. The Category is set to 'Bike', VAT Type is 'Standard 20%', VAT % is '20', and Amount is '500'. There are links for 'make a rule', 'add/view attachment (0)', and 'split transaction'.

Below these fields, there is a search bar and a set of tabs: 'Most used', 'Income', 'Day to day', 'Overheads', 'Paying yourself', 'Equipment', 'Tax', and 'Other'. The 'Equipment' tab is selected.

Under the 'Equipment' tab, there are three categories listed:

- Vehicles**: Car and vans bought through the business. A sub-category 'Bike' is highlighted with a yellow box, with the description 'Bikes bought by the business'.
- High value equipment**: High value, long lasting equipment e.g. Laptops.
- Low value equipment**: Consumable, low value equipment e.g. Batteries.

At the bottom of the modal, there are buttons for 'Previous', 'Approve', and 'Next'.

In the background, the main interface of the Mighty app is visible, showing a list of transactions. The first transaction is dated 07/04/2023, from Apple, for £-6.99. The second transaction is dated 05/04/2023, from VEED.IO BASIC, for £-18.00. There are also buttons for 'Switch Company' and 'Need Help?' at the bottom left, and a 'How it works' video link at the top right.

Categorise it as a bike under the Equipment tab

MIGHTY << Categorise bank transactions Create invoice Add expense James Morgenstern
Hello Limited

Dashboard
Bank
Sales
Expenses
Paying yourself
Taxes
Reports

Your bank balance
£ 29,482.82
Updated 11/04/2023 13:42:50

Transactions to categorise (313) How it works watch in 60 seconds

Search Date range 11/04/2021 - 10/04/2024 To approve (313) Approved All transactions

DATE	NAME	DESCRIPTION	AMOUNT	VAT	CATEGORY	
10/04/2023		WEBFLOW.COM	£-23.41	Standard 20%	Software mighty	Change Approve
10/04/2023		WEBFLOW.CO* TEMPLATE:	£-104.13	Standard 20%	Software mighty	Change Approve
09/04/2023		VanMoof	£3000.00			Categorise
08/04/2023	Superscript	SUPERSCRIPT	£-16.19	Standard 20%	Insurance mighty	Change Approve
07/04/2023	Apple	APPLE.COM/BILL	£-6.99			Categorise
05/04/2023		VEED.IO BASIC	£-18.00			Categorise

Switch Company
Need Help?

Read this guide online (always the latest version): <https://app.mightyaccounting.com/Knowledge/article/buying-a-bike-through-your-business>