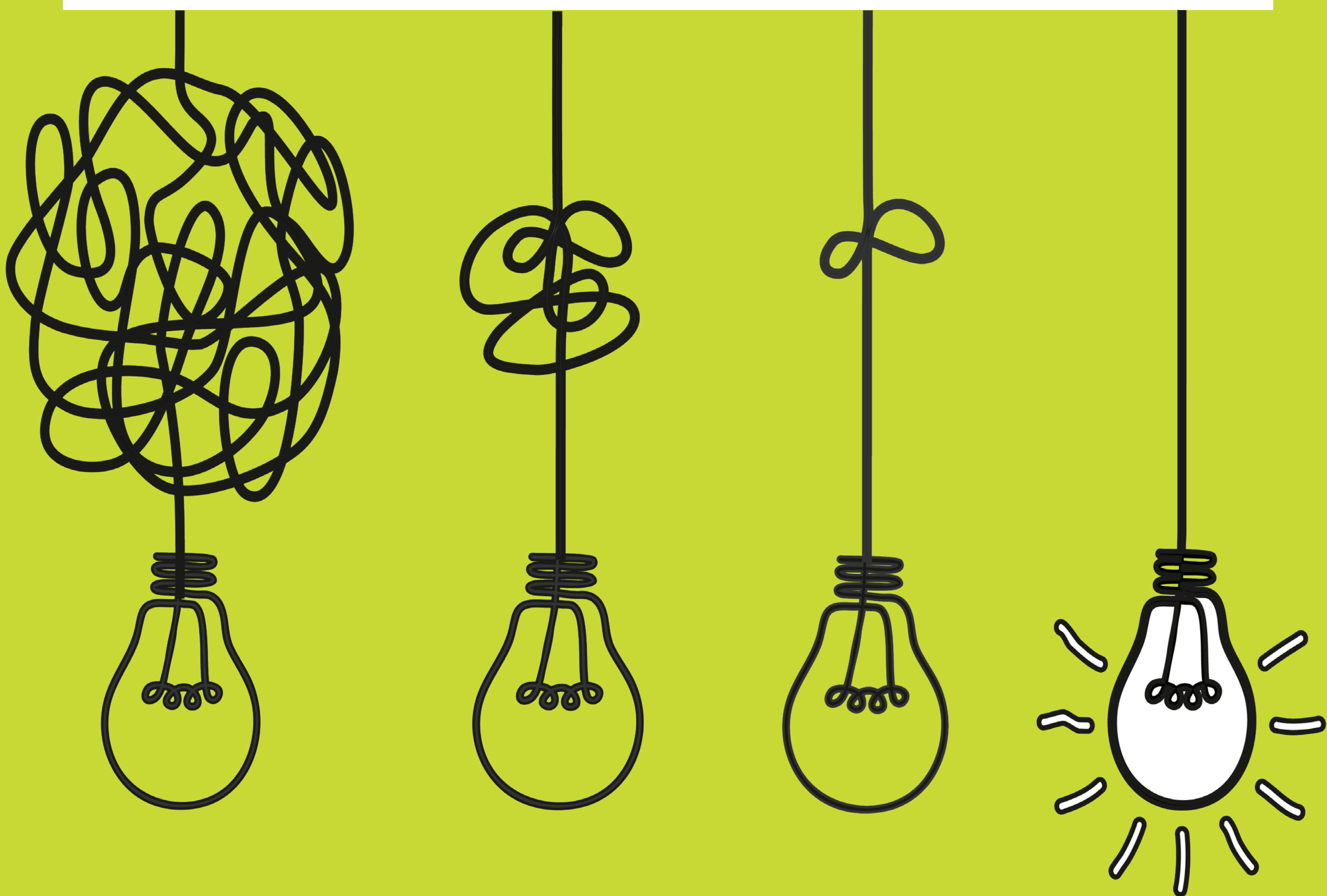
Expenses & Benefits

P11D/Payroll/PSA



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Overview

As an employer, you may provide your employees with certain benefits or reimburse expenses and you will need to consider whether there are any tax implications or reporting obligations.

Please see below the main examples of expenses and benefits, including the information that would be required:

Cars

- Make, model and registration number, whether automatic or manual.
- Original list price when new and standard accessories only.
- Employee's capital or private use contribution.
- Date vehicle first registered.
- Dates available to employee (if less than full year).
- CO2 emission figure (from Registration Document on cars registered on or after 1 January 1998).
- Engine size.
- Type of fuel/power (e.g. electric, diesel, hybrid & other).
- Whether fuel has been provided.

The taxable benefit is based on a percentage of the list price depending on the co2 emissions of the car. The percentage applied to electric cars is 1% in 2021/22 and 2% in 2022/23, and is not expected to increase above 2% in future.

Mileage payments

- Amounts paid to employees for business mileage in their private cars in excess of the HMRC approved amount, i.e. 45p per mile for the first 10,000 miles and then 25p per mile.

Vans with private use

- Date first registered.
- Period available (if less than full year).

This usually includes 'double cab' vehicles however each case should be carefully considered.

PRIVATE MEDICAL INSURANCE

— Amount paid per employee).

NON-BUSINESS EXPENSES

— Expenses paid to or on behalf of employees (e.g. gym or golf memberships).

HOME TELEPHONE

— Line rentals for telephones with private use.
— Cost of calls split into business and private calls (unless already charged to employee).

LOANS TO EMPLOYEES

— Interest free or low interest loans to any employee/director exceeding £10,000 at any time in the year.

ANY OTHER BENEFITS

— Vouchers and credit cards.
— Living accommodation.
— Relocation expenses.
— Assets provided for business use.
— Assets transferred to an employee.
— Entertainment, parties, etc.(excluding an annual event i.e. Christmas party costing < £150 per head)

TRIVIAL BENEFITS EXEMPTION

There is a statutory exemption for non-cash benefits up to a value of £50 (including VAT) per benefit per person.
To qualify the benefit must not be cash, must not be contractual and not provided in connection with services performed.
There is a £300pa cap for directors of close companies.

P11D Form

You need to submit a P11D form to report the expenses and benefits for each employee. This is issued to the employee to assist them with completing their own individual tax return. The P11D form should be submitted to HMCR but 6 July following the end of the tax year and payment must be made by 22 July (19 July if payment by cheque) following the end of the tax year to HMRC.

Employers must also submit a P11D(b) form which details the totals and tells HMRC how much Class 1A National Insurance you need to pay. The filling and payment deadlines are the same for a P11D(d) as a P11D.

Payrolling Benefits

You can now register to deduct tax on expenses and benefits through payroll. You can payroll all benefits except employer provided living accommodation and interest free/low interest loans.

By payrolling benefits, you no longer have to provide a P11D form to employees as they are taxed throughout the year. Employers are still required to submit a P11D(b) form to pay the Class 1A National Insurance.

PAYE Settlement Agreement (PSA)

It is sometimes possible to deal with expenses and benefits through a one-off payment where the employer pays the National Insurance and the tax, rather than employees being liable to tax.

You have to write to HMRC describing the benefits and expenses that you want a PSA to cover and they will then agree with you on what can be included, this is generally anything minor, irregular or impracticable.

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If you would like to find out more about Expenses and Benefits – P11D/ Payroll/PSA we at RRL can assist, please contact our Tax Partner, Steve Maggs:

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