



tax | form P11D - expenses and benefits

team



Anne Gregory-Jones
tax partner
020 7969 5520
agregory-jones@haysmacintyre.com



Lorraine Owens
employment tax manager
020 7969 5578
lowens@haysmacintyre.com



Joanne Hennessy
employment tax manager
020 7969 5579
jhennessy@haysmacintyre.com

tax year end reporting – expenses and benefits Form P11D

Employers are required by law to give particulars of the expenses payments, benefits and facilities provided to directors and employees who earn at a rate of £8,500 or more per year to HM Revenue & Customs (HMRC) by the end of each tax year (6 April to 5 April). This information must be provided on the official form P11D. A form P9D is used for directors or employees who earn at a rate of less than £8,500 per year.

make life simpler

You do not need to include expenses payments or benefits on a P11D if that item is covered by a P11D Dispensation or a PAYE Settlement Agreement (PSA).

haysmacintyre can assist you by applying and negotiating for these agreements with HMRC.

form P11D dispensation

A dispensation is a notice from HMRC that removes the requirement to report qualifying business expenses and benefits to them at the end of the year on forms P11D or P9D. It is important to ensure that your agreement includes all the relevant expenses applicable to your organisation. There is no point in putting an agreement in place only to discover that you have omitted one particular expense which then still requires you to prepare a P11D. haysmacintyre will work with you to ensure you have everything covered. Once granted, dispensations last indefinitely, unless reviewed or revoked by HMRC.

PAYE Settlement Agreement (PSA)

A PSA is a mechanism whereby the grossed-up tax and NIC liabilities on certain taxable benefits and expenses, chargeable on employees, are paid by the company. "Grossed-up" means that the company has to pay tax on the tax settled for the employee.

Benefits that are generally included in a PSA are ones that are minor, irregular or difficult to quantify on an individual basis. An example of this would be staff entertainment such as staff leaving drinks or other social events for staff only. The cost would give rise to a taxable benefit; however, to identify the cost attributable to each employee would be difficult. To avoid the charge being levied on the employees, an agreement is made with HMRC that the company will settle the tax liability on the employees behalf.

PSAs are also used by employers who wish to remove the tax burden from their employees for such minor items. For example, staff entertaining is often seen as a motivational tool, but to then tax your employee on the 'benefit' has an opposite effect.

Tax is calculated on the items covered by the PSA and will depend on how many employees pay tax at basic rate (20%) and how many pay tax at higher rate (40%). The tax due is then grossed-up. Class 1B NICs is calculated at 12.8% on the total value of the items and the grossed-up tax.

PSAs are annual agreements, which means that you need to make a new agreement each tax year.

haysmacintyre will work with you to identify the items to include in your application and negotiate on your behalf with HMRC should any queries be raised.

employer compliance healthcheck – peace of mind

Our clients have benefited from periodic healthchecks during which we undertake varying levels of review. Typically this involves a run through of your systems and procedures and a discussion around your particular business circumstances. The benefit of such a review is the opportunity for you to identify any problems you may have in advance of any HMRC employer compliance review and give you peace of mind; also to strengthen processes to ensure compliance is not compromised by process weaknesses.

With the benefit of our experience we can quickly identify any problem areas and make recommendations to you for remedial action. The review will be either a telephone call, a more in depth meeting with a summary report or, a full compliance review backed up by a written report and action plan depending on your particular circumstances.

From 1 April 2009 there is a new 'one penalty system' for inaccurate tax documents and returns across the main taxes. It replaces a wide variety of penalties and initially applies to:

- capital gains tax
- construction industry scheme
- corporation tax
- income tax
- national insurance contributions
- PAYE
- VAT

It applies to returns or other documents for return periods starting on or after 1 April 2008 that are due to be filed on or after 1 April 2009.

Under the new system if you take reasonable care to get your tax right, HMRC will not penalise you, even if you make a mistake.

taking reasonable care includes:

- keeping accurate records to make sure your tax returns are correct
- checking what the correct position is when you don't understand something
- telling HMRC promptly about any error you discover in a tax return or document after you've sent it

If you don't take reasonable care HMRC will penalise inaccuracies. Telling HMRC about inaccuracies will substantially reduce any penalty due, in some cases to zero. HMRC advice is that you should check your systems and records to help produce accurate tax returns.

If you would like us to assist you please contact our employment tax team . Similarly if you have concerns about any other areas of tax we can put you in contact with the appropriate specialist adviser at haysmacintyre.

about haysmacintyre

haysmacintyre, Chartered Accountants and tax advisers, comprises 24 partners and 160 staff based in Holborn, London. It provides high quality auditing and assurance, business and personal taxation, corporate finance, financial planning and other business support services.

Around 50% of the firm's business is within the corporate sector – small and medium sized enterprises, many of which are in the property, media and entertainment, technology, sports and business services sectors. The firm acts for a number of listed companies and assists new companies raise initial funds on the capital markets and through private equity. 30% of the firm's business is for charitable and not for profit organisations and the remainder is for professional practices and private individuals – whether senior executives, entrepreneurs or those with significant land or wealth at home or overseas.

haysmacintyre is a founding member of MSI Global Alliance (MSI), an international alliance of independent legal and accounting firms, with 250 members in 100 countries.

haysmacintyre

haysmacintyre
Fairfax House
15 Fulwood Place
London
WC1V 6AY

t 020 7969 5500
f 020 7969 5600
e marketing@haysmacintyre.com
w www.haysmacintyre.com



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