

P11D Reporting benefits and expenses

19 April 2017



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What are we going to cover?

- High level over view
- Comment on best practice
- Help to prevent errors whilst completing the forms
- Business Expense Payments Exemption (BEPE)
- PAYE Settlement Agreements (PSA)
- Trivial benefits exemption
- HMRC consultations update

Statutory return for...

- Directors and all employees regardless of their level of earnings
- Filing deadline before 7 July (after year end)
- Taxable on the individual

Business Expense Payments Exemption (BEPE)

- Dispensations have been replaced by BEPE from 6 April 2016
- All employers will be “self-assessing” their own expenses procedures
- Requirement to have a sound expenses policy in place containing:-
 - Clear guidance as to the nature and business reason for claiming expenses.
 - Requirement to provide complete and accurate expense claims supported by receipts.
 - Robust authorisation procedures

Benchmark scale rate payments

- HMRC have published scale rates

Journey time	Maximum amount of meal allowance
5 hours	£5
10 hours	£10
15 hours	£15

- Where a meal allowance of £5 or £10 is paid and the qualifying journey in respect of which it is paid lasts beyond 8pm a supplementary rate of £10 can be paid.

Bespoke benchmark rates

- Bespoke rates can be negotiated with HMRC
- The expense must be qualifying in nature; and
- It will be necessary to undertake a sampling exercise of the expenses incurred:
 - On a random basis;
 - of 10% of the eligible employees
 - for a period of one month
- Any agreement will be in place for a maximum of 5 years

Section A - Assets transferred

- The transfer of an asset, for example, a company car, previously provided by the employer
 - Cost/MV of assets (less employee deductions)
 - Measure of benefit = MV less payment by employee
 - If asset is purchased = higher of MV/cost
 - If asset is loaned = MV when provided

Section B - Payments made on behalf of an employee

- Provision of goods or service provided by the employer, for example, gas, electricity, water rates and telephone bills
- Notional payments?
 - Tax on notional payments i.e. readily convertible assets which are subject to PAYE
 - Measure of expense = PAYE paid and which is not made good by the employees within 90 days of the end of the tax year

Section C - Vouchers or credit cards

- Measure of the benefit is based upon the cost to employer of providing voucher, tokens, credit cards
- Liable to or exempt from Class 1 NICs (both employee's and employer's)
- If exchangeable for cash the benefit is based upon the face value of the voucher

Section D - Living accommodation

- **Step 1**- Basic charge – based on the Gross rateable value of the property (relates to the first £75,000)
- **Step 2** - Additional charge – excess above Step 1 is treated as notional loan using official rate of interest at the beginning of the tax year (2016/17 – 3%)
- **Step 3** - Ancillary benefits e.g. utilities
- Benefit is due based upon the accommodation being made available, not actual occupation

Section D - Living accommodation - Exemptions

- Exemptions under very limiting circumstances:
 - Provided by the **local community**; or
 - Provided for the **proper performance** of the employee's duties "**necessary**" rule; or
 - Provided for the **better performance** of the employee's duties "**customary**" rule; or
 - Provided as a result of a **security** arrangement
 - A **non-statutory exemption** applies in respect of representative accommodation which was first provided for the role prior to **6 April 1977** and the conditions upon its provision remain unchanged

Section E - Mileage allowance and passenger payments

- HMRC approved rates
- Measure of expense = excess of tax exempt amount
- Mileage and rates for this year
 - Car 45p first 10,000, 25p for all excess miles travelled
 - Passenger rate of 5p
 - Motorcycles 24p
 - Bicycles 20p
- Maintaining records – an area HMRC will challenge

Section F - Cars

- Benefit on car made available (including family members)
- Measure of benefit = not actual price paid, but...
- Manufacturer's/distributor's list price at date of registration and list price of optional extras, less employee capital contributions
- Calculate by considering
 - Capital contributions
 - Fuel power or type
 - CO2 emissions (registered on or after 1 January 1998)
 - Engine size (if not CO2 emissions data)
- Fuel benefit - £22,200 x % for car
- Private use cars
- Available for less than full year? = Reduction

Section G - Vans and van fuel

- Much cheaper than cars...
- Unshared vans
 - £3,170 charge a year weighing less than 3.5 tonnes
- Shared vans
 - The benefit scale charge is divided among employees who had use
- Van fuel
 - £598 a year in addition to any private fuel
- Business and insignificant private use is ignored

Section H - Interest free and low interest loans

- £10,000 de minimus limit
- Measure of benefit = averaging method
- What is the averaging method?
 - Add opening balance for new loans and closing for repaid
 - Multiply by number of months loan was outstanding and divide by 12
 - Multiply by average official rate of interest (3% for 2016/17 and 2.50% for 2017/18)
- Alternative = strictly actual method (directors loan accounts)
- Relocation loans – excluded from the calculation

Section I - Private medical treatment or insurance

- Measure of the benefit is the cost to the employer of treatment or insurance
- Less any amounts made good by the employee
- Exemptions
 - Yearly health screening
 - Medical check ups
 - Seasonal flu immunisations
 - Payments of up to £500 for the provision of medical treatment to help an employee return to work

Section J -Qualifying relocation expense payments and benefits

- Measure of benefit = excess over £8,000 of total of all qualifying expense payments and benefits
- Examples
 - Legal fees
 - Estate agents charges
 - Travel costs
- Relocation expenses
 - Overriding limit of £8,000 on amount qualifying expenses that can be paid tax free
 - The exemption applies to costs incurred during the year the employee relocates and during the subsequent tax year

Non-qualifying relocation expenses

- Measure of expense upon which no tax relief is due
- Employer's can see to include any qualifying relocation expenses paid in excess of the £8,000 limit or any non-qualifying costs within a PAYE Settlement Agreement
- Remember cash payments are subject PAYE and Class 1NIC
- Details to be reported at either section M or N

Section K - Employer's services supplied to employees

- Measure of benefit = marginal cost of providing the service (not MV)
- In-house services
 - No account of fixed costs
- Examples of exempt items include:-
 - Canteen
 - Workplace nursery
 - Training

Section L - Assets placed at the employees' disposal

- Measure of benefit = 20% of MV of asset when first provided – no reduction for depreciation of asset
- Benefit charge arises where the asset is made available not actual use

Section M - Subscriptions

- What are subscriptions?
- Measure of benefit = cost met by employer less relief
- Relief available when paid to a professional body
- Full details of the qualifying organisations can be found <https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3/approved-professional-organisations-and-learned-societies>

Section N

- Exceptional reporting of items that do not meet the BEPE guidance, which include:-
 - expenses where employers have been unable to deduct tax through the payroll
 - mixed-use expenses where business use is not clearly identified, and
 - to continue to report expenses that are fully taxable where the employer has not registered for online payroll reporting

Declaration – Form P11D(b)

- Declaration is made by the employer on the form P11D(b)
- Make sure it is complete and correct
- Step by step
 - Add up entries in brown boxes (total benefits liable to Class 1A NIC)
 - Adjust for any unusual circumstances, for example:
 - Overseas employees who hold a valid A1 certificate or a Certificate of Continuing coverage and pay Social Security in their home country
 - Apply 13.8% (Class 1A NI rate for 2016/17) to the adjusted amount
- Due date
 - To be filed before 7 July following the end of the tax year

Payments of Class 1A NIC

- Due dates
 - 19 July or 22 July where payment is made via BACS
 - Cleared funds must be with HMRC on the above dates otherwise the payment will be treated as being received late
- Interest on late payments
- Remember any pecuniary liabilities are subject to Class 1 NIC and should be accounted for via the payroll

Late and inaccurate returns

- Penalties for late/incorrect submission
- Initial penalty of £300 for each form not submitted
- P11D penalties of up to £60 per day for any continued delay in submitting a P11D
- P11D(b) penalties based upon the number of employees for whom a P11D is required
- £100 for every month the P11D is late based upon up to 50 employees. Increased by multiples of 50 employees for larger employers

PAYE Settlement Agreements

- Contract between the employer and HMRC
- Settling the tax and National Insurance due on taxable items where it is:
 - Impractical for the benefit to be passed on to the employee; or
 - The benefit is minor in nature; or
 - It is provided on an irregular basis
- PSA contracts need to be in place with HMRC before 7 July following the end of the tax year
- Liabilities are paid on a “grossed-up” basis

Statutory exemption for trivial benefits

- Statutory exemption introduced from 6 April 2016
- The gift must not be in recognition of services provided by the employee
- Minor entertainment costs
- Exemptions where a non-cash gift is given with a value of less than £50
- Anti-avoidance provision for close companies, limited to £300 for officeholders and family members

HMRC consultations

- Valuation of benefits in kind
- Employment status (Taylor report)
- Call for evidence – taxation of employee expenses
- Living accommodation

Questions



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