

# The P11D, Expenses & Benefits

Course book



...market leaders for payroll training

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## Course book

This document contains the text of the PowerPoint displays that are used during the presentation of the course

### **The P11D, Expenses & Benefits**

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## Session 1: Introduction to reporting expenses and benefits

### Why do we report benefits and expenses?

- To collect tax on non-cash items not paid through the payroll
- Most expenses and benefits provided to employees and directors must be reported to HMRC and any tax or National Insurance (NIC) paid
- The rules on what must be reported and paid differs depending on the type of expense or benefit
- Some expenses are covered by exemptions and are tax free for the employee and the employer does not need to report

#### Examples...

- Company cars & fuel
- Medical/dental
- Travel and entertainment expenses
- Assets

### How do you report expenses and benefits?

- **P11D form**
  - Usually submitted post year-end
  - Post year-end reporting now a problem – but why?
- **Payrolling**
  - Can also be reported through your payroll
- **PSA (PAYE Settlement Agreement)**
  - Minor or irregular expenses might be payable through PSA - *more tomorrow*



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## Record keeping

- Records must demonstrate that the amounts on your end-of-year forms are accurate
- Keep a record of...
  - The date and details of every expense or benefit provided
  - Any information to work out the amounts on end of year forms
  - Any payment your employee contributes to an expense or benefit
- Keep for 3 years from the end of the tax year they relate to
- Employees can request up to 3 years later and a copy must be provided within 30 days

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## Reporting on the P11D...

- P11D form completed for each director or relevant employee
  - Personal expenses of directors and owners paid through the Company
- Includes benefits provided to director or employee's family/household even if no employment contract
- Information entered on P11D is also given to director or employee
- Do not complete a P11D if:
  - There are no taxable expenses, payments or benefits to be returned for an individual
  - The expenses and benefits have been taxed through payroll

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## How do you submit the P11D?

### Online only!

- From tax year 2022-2023 no paper formats will be accepted
- Commercial software
- HMRC online service
  - [www.gov.uk/employer-reporting-expenses-benefits/reporting-and-paying](https://www.gov.uk/employer-reporting-expenses-benefits/reporting-and-paying)
  - Sign into Government Gateway
- Can be accessed by agents too

*Up to 500 P11Ds can now be submitted online via the Business Tax Account*

## Viewing statements

The screenshot shows the GOV.UK Business tax account interface. At the top, there is a navigation bar with the GOV.UK logo, the text 'Business tax account', and a 'Sign out' link. Below this, a 'BETA' banner indicates it is a trial service for PAYE for employers. A link for 'PAYE for employers client list' is visible. The main content area is divided into two columns. The left column is titled 'Tax Year 6 April 2023 to 5 April 2024' and features a large heading 'Annual statements'. Below this, it states 'You have no liabilities or payments for the current tax year 2023 to 2024.' Underneath is a section for 'Other years annual statements' with a list of links for tax years from 2017 to 2023. A note at the bottom of this section says 'This page not working properly? (opens in new tab)'. The right column is titled 'Jo Marshall' and contains 'Client information' with fields for Employer PAYE reference, Accounts Office reference, Variable Direct Debit set up, Payment plan set up, and Client name. Below this is 'Your reference:' with a link to 'View and change client details'. A horizontal line separates this from 'PAYE for employers records', which includes links for Annual statements, Payment history, Upcoming payments, Overdue payments, and Employment Allowance status. Finally, there is a section for 'Expenses and benefits forms' with links to 'File P11D, P11D(b) and P46(car) forms', 'Amend P11D form', and 'Amend P11D(b) form'.



## Business Tax Account (BTA) process

- Enter employee details
  - If used previously will already be held
- Select employee, then select the benefit(s) provided to the employee during the tax year
  - The CEV is manually added
- Complete for each employee
- Select Submit P11d(b)
- Manually enter the total of all Class 1A NIC benefits
- The portal will then calculate the Class 1A due (press the calculate button)

Class 1A NICs rate 14.53 per cent

Class 1A NICs payable £623.05

Calculate

Next Back



Pay As You Earn

Company Name , Ref PAYE Reference

Tax year 2022 / 2023

## P11D Expenses & Benefits

For your records only.  
Do not send to HM Revenue & Customs.

Employee Name  
National Insurance Number

### Select expenses & benefits

- Vans and van fuel

### Van details

Total cash equivalent or amount foregone in respect of all vans (Class 1A NIC) £ 3,600.00

Total cash equivalent or amount foregone in respect of fuel for all vans (Class 1A NIC) £ 688.00



## Online P11D amendments

What about amendments?

- Tell HMRC about changes to P11D expenses and benefits already submitted
- A temporary code will be issued
- 4 sections to complete:
  - Business and employee details
  - Details of original return
  - Make changes to your P11D return
  - Submit your return
  
- Applies to previous tax years too

**Make a note of your temporary access key:**  
**Q7R-OXMO-GEJ**

### What you can do next

Keep a note of your temporary access key:

**Q7R-OXMO-GEJ**

You will be asked for this each time you come back to continue working on this form.

This temporary access key is valid for 28 days.

Once you have submitted this form the temporary access key will expire.

[Continue](#)

The screenshot shows the GOV.UK website interface for the 'Tell HMRC about changes to P11D expenses and benefits' form. At the top, there is a navigation bar with the GOV.UK logo, the title of the form, and a 'Sign out' link. Below the navigation bar, a 'BETA' badge is displayed with the text 'This is a new service - your feedback will help us to improve it.' A '< Back' link is visible on the left. The main heading of the form is 'What is the tax year end you are submitting a declaration for?'. There are five radio button options for different tax year periods: '6 April 2022 to 5 April 2023', '6 April 2021 to 5 April 2022' (which is selected), '6 April 2020 to 5 April 2021', '6 April 2019 to 5 April 2020', and '6 April 2018 to 5 April 2019'. At the bottom of the form, there are two buttons: 'Save and continue' and 'Save and come back later'. A link at the bottom of the form reads 'Is this page not working properly? (opens in new tab)'.

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## Key deadlines

- **6<sup>th</sup> July** - P11D submission deadline
  - Employees must receive copy
  - P11D(b) submitted
- **19<sup>th</sup> July** - Class 1A NI must be paid if paying by cheque
- **22<sup>nd</sup> July** – Class 1A NI must be paid

*PAYE tax or Class 1 NI **paid monthly** through payroll*

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## P11D and National Insurance Contributions (NIC)

- Class 1A NIC – employer only NIC on benefits in kind
    - Total up all the brown boxes – CEV (cash equivalent figures) and multiply by **14.53%** plus the Class 1A on any payrolled benefits
  - Class 1 NIC – payable by employer and employee
    - The blue boxes should have gone through the payroll for Class 1 NICs
  - P11D(b) form is submitted to tell HMRC how much Class 1A NIC owed
    - If you receive a P11D(b) and have not provided taxable benefits a nil return required
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## P11D impact on the employee

- Employee provided with a P11D form by 6 July following the end of the tax year
  - E.g. by 6 July 2023 for the tax year 2022/23
- This summarises the value of the benefits that you have been provided which represent additional income and is taxable
- HMRC will amend the employees tax code to collect the additional tax due, using deductions from the employees annual tax allowance for the tax year
- **Note:** This change in tax code and increase in tax liability is likely to lead to queries by the employee

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## Penalties

- For each month the P11D is late there is a £100 penalty for each batch of 50 forms to max of 100% of Class 1A due
- Penalties for late payments
- Plus up to 100% of tax on the form for each incorrect form – based on behaviour
- Incorrect P11D and P11D(b) returns - a penalty is based on a percentage of potential revenue lost according to taxpayer behaviour and degree of culpability or guilt:
  - 100% (deliberate and concealed action)
  - 70% (deliberate but not concealed action)
  - 30% (careless action)
  - 0% (genuine mistake, after taking reasonable care)

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## Important definitions...

Expenses incurred wholly, exclusively and necessarily in the performance of the duties are not normally liable for tax and NIC (*s336 Income Tax, Earnings and Pensions Act 2003*)

- **Wholly incurred** – the expenditure must not serve a dual purpose, i.e. business purposes and non-business purpose
- **Necessarily incurred** – all holders of the particular employment (not the person) must incur the expense and it must not be possible to perform the duties of the employment without incurring the expense
- **Exclusively incurred** – the expenditure must be solely attributable to the performance of the duties and any private purpose must be incidental
- **In the performance of the duties of his employment** – the duties themselves must require the employee to incur the expenditure and the action giving rise to the expenditure must be done whilst the job is being carried out, **OR**
- **In the position to carry out the duties** - the expenditure is not a qualifying business expense so it can't be reimbursed tax/NIC free and the employee can't claim tax relief if the employer does not reimburse
- **Pecuniary liability** – the employee's debt settled by the employer

## OpRAs – Optional Remuneration Arrangements

### Type A and Type B

- A new calculation of the taxable benefit was introduced for benefits in kind provided via an Optional remuneration arrangement (OpRA)
- OpRAs were redefined as...
  - Type A giving up current salary *and*
  - Type B giving up future salary
- Previously tax-exempt benefits are now taxable if provided via an OpRA eg workplace parking



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## OpRA - protected benefits

Only 'protected benefits' can be provided tax-free via an OpRA...

- Pension contributions and advice
- Childcare (existing members only by 4<sup>th</sup> October 2018)
- Outplacement counselling & retraining costs
- Bicycles and bicycle equipment
- 'Green' cars <75 g/km CO<sub>2</sub>
- Holiday purchase – unpaid leave

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## **Session 2: Exceptions to reporting**

### **What can we ignore for P11D reporting?**

- Expenses and benefits put through the payroll
- PAYE Settlement Agreement (PSA)
- Employee not liable to UK tax – even if liable to tax an A1 certificate would wipe out the NIC liability
- Fully deductible business expenses – exemptions (previously dispensations)
- Trivial benefits (tax free to employees)
- Any amounts that have been ‘made good’ by the employee by 6<sup>th</sup> July
- Extra-Statutory concession e.g. A19 information supplied

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### **What are trivial benefits?**

- The following must apply to be considered a trivial benefit...
  - An individual monetary limit of £50 per benefit inc VAT
  - Cannot be cash, including reimbursements
  - Cannot be an entitlement / in terms of contract
  - Cannot be in recognition of service/performance
- Too regular HMRC may argue it’s recognition of service
- £300 annual cap for each director of a close company
- Can be non-cash voucher e.g. gift voucher
- Trivial benefits as part of OpRA won’t be exempt
- Any benefit in excess of limit – whole amount is taxable, not just excess

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## What are exemptions?

- Some employee expenses aren't reported to HMRC
- Replaces dispensations which were agreements from HMRC to ignore certain expenses and benefits for reporting
  - Dispensations should be covered by the exemptions
- To qualify for an exemption you must...
  - Pay back the employee's actual cost *or*
  - Pay a flat rate - benchmark or bespoke
- If using benchmark rates for employees you don't need to apply for exemption
- Bespoke rate must be agreed with HMRC

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## Useful exemptions...

HS207: [www.uktraining.com/21ntp](http://www.uktraining.com/21ntp)

- Meals at work
- UK & foreign business travel
- Subsistence expenses
- Employer supported childcare
- Some living accommodation
- Incidental overnight expenses
- Long service gifts
- Mobile phones & car phones
- Annual Party
- £500 pensions advice
- Business accommodation, services and supplies
- Training
- Uniforms & tools
- Annual medical checkup



## Subsistence (food)

- Benchmark rates for subsistence when travel in the performance of employee's duties
- The meal must have been incurred after starting journey
- Must be away from normal workplace or home for 5 or 10 hours (continuous)
- You can pay 5 or 10-hour rate plus late night rate - so maximum £25 in 24 hours
- If hotel fee includes breakfast, then rate is not payable on top
- No 'friends and family' scale rate – actual cost only

Condition	Rate
5 hours away	£5
10 hours away	£10
15 hours and ongoing at 8pm	£15

## Incidental overnight expenses (IOEs)

- You can pay up to £5 per night for IOEs in the UK (£10 outside UK) without any tax/NI implications
- IOEs are personal expenses incurred when travelling overnight for business e.g. laundry, newspaper, phone calls
- The expenses must be incurred and reimbursed i.e. not a round sum/flat rate
- Whole trip must be a business trip
- IOE must not exceed allowance for whole trip but individual nights can be under or over...
  - 3 nights x £5 = £15 - one night could be £6 and one £4
- If more is paid, the whole amount is taxable/NI'able
  - Unless paid back by employee



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## Working from home

For tax relief for homeworking the following must be met...

- Substantive duties are performed at home (duties form all or part of the central duties of employment - *EIM32780*)
- The duties require the use of appropriate facilities
- No such appropriate facilities are available on the employer's premises or the nature of the job means the employee lives so far from the employer's premises that it is unreasonable to expect them to travel to those premises on a daily basis
- At no time is the employee able to **choose** between working at the employer's premises or elsewhere

[bit.ly/3JkSxsD](https://bit.ly/3JkSxsD)

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## Homeworking allowance

- You can pay the employee £6 per week (£26 per month) homeworking allowance (unreceipted)
  - You can claim more if clearly the expenses are clearly evidenced and valid for business (receipted)
    - This is not allowed via salary sacrifice
  - Up to 5<sup>th</sup> April 2022 employees can claim the tax relief from HMRC on P87 form (changed from 21<sup>st</sup> Dec 22), PTA or SA return
    - Can claim up to 4 years after the tax year end
  - Repayment Agents – 15<sup>th</sup> March 2023, new legislation made legally binding assignments invalid
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## Working from home - summary

### Who can claim tax relief?

- If you have to work at home for all or part of the week...
  - There are not appropriate facilities for you to perform job on employer's premises
  - The job requires you to live so far from the employer's premises that it is unreasonable for you to travel there daily
  - You are required to work from home under government restrictions

### Who cannot claim tax relief?

- If you choose to work from home - this includes if...
  - Your employment contract **lets you** work from home some or all of the time
  - Your employer has an office, but you cannot go there sometimes because it's full
  - You work from home because of COVID-19

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## Reimbursements

- Eye test/glasses/lenses exemption...
  - When paid directly by the employer the exemption will be met
  - Where employees are reimbursed the cost, the exemption will not be met
    - Should be reported through the payroll for PAYE/NIC deductions as a cash payment
- This aligns with HMRC's changes on trivial benefits and meals in the workplace, where reimbursement of a personal cost is considered falling outside of the exemption
- This also aligns with the flu jab exemption, if organised and paid for by the employer, the benefit is tax exempt
  - But if reimbursing an employee, it is taxable



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## Catering at work

- You can feed people, or give them just drinks, tax-free at work provided...
  - Meals are available to all staff *and*
  - Are not overly lavish
- Employer provided – not reimbursed
- You can provide vouchers to homeworkers who can't participate
- In the hospitality sector, staff must not sit in the restaurant with the public - it must be a separate area
- Any salary sacrifice for catering renders the exemption null and void

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## Checking expenses

- You must have a robust and compliant expenses policy and thorough expenses checking
- Check payments you make at benchmark or bespoke rates
- Employees can't check their own expenses - someone else must ensure sure they are legitimate
- Employees should keep proof of expenses e.g. receipts or bills
- Watch out for reimbursements of trivial benefits, eye tests, flu jabs

*You can buy expense analyser software to help*

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## **Session 3: Payrolling of benefits in kind**

### **What is payrolling?**

- Payrolling benefits means the employer adds the cash equivalent of the benefit as a nominal adjustment to the employee's taxable pay processed through PAYE
- All taxable benefits can be payrolled except living accommodation and low or interest free loans
- ICAEW have called on HMRC to:
  - Add loans and accommodation as a payrolled benefit
  - Self assessment of payrolled benefits and data on P60
  - Set out a clear timeline to abolish P11D
  - Or fix the current issues with P11D
    - Amendments online
    - One off benefits
    - Non-employee benefits – not on PAYE reference

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### **Advantages of payrolling benefits**

- Removes the need for P11Ds - saving time and potential manual errors
- Employees pay tax on the benefit during the tax year in which the benefit was received - rather than in subsequent tax year
- The value of the benefits are visible in the employees' payslip

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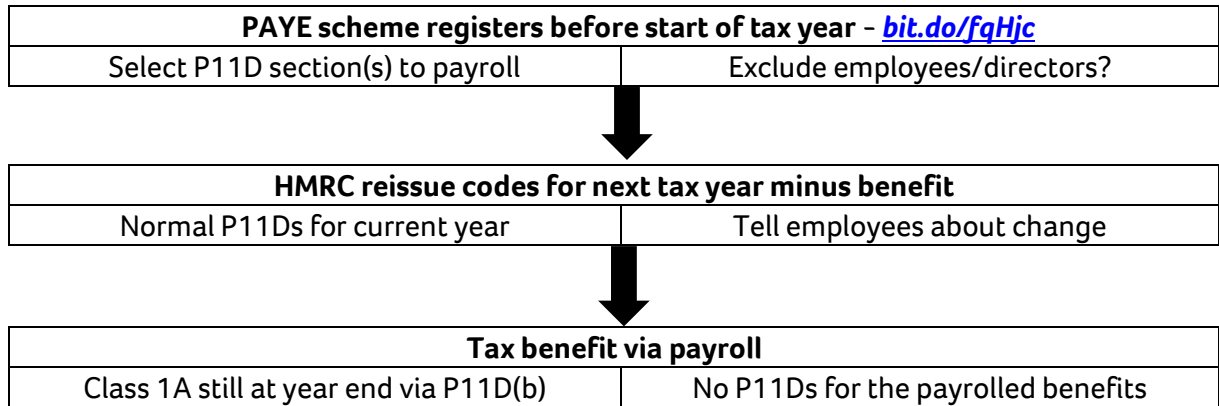
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## Payrolling benefits: how the process works



## Software considerations

- Can your software provider make necessary changes to payslips?
  - Can software produce payroll reports for Class 1a NIC?
  - 50% regulatory limit applies to cash (gross taxable pay) without benefit-in-kind
    - Unpaid tax carried forward
  - Total payrolled benefit reported in one field on Full Payment Submission (FPS)
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## Operational changes

- Cash Equivalent Value (P11D figure)
  - Divided by pay frequency and added as notional amount to taxable pay NOT Ni'able pay
  - Example: £600 medical benefit /12 = £50 per month added as notional amount to taxable pay
- Reconciliation – suggest in February that you reconcile what you've taxed employee on vs the CEV
- Display on payslip benefit & value or end of year statement by 1<sup>st</sup> June

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- Monitor each pay period for
  - Changes in value of benefit
  - New payrolled benefits
  - New starters with payrolled benefits
- At end of year has 'made good' estimate been accurate
  - If not amend in month 12, or
  - For car fuel by end of tax month 2 of next year
  - Use a YTD FPS to correct values if you need to

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## Session 4: The 14 sections of the P11D

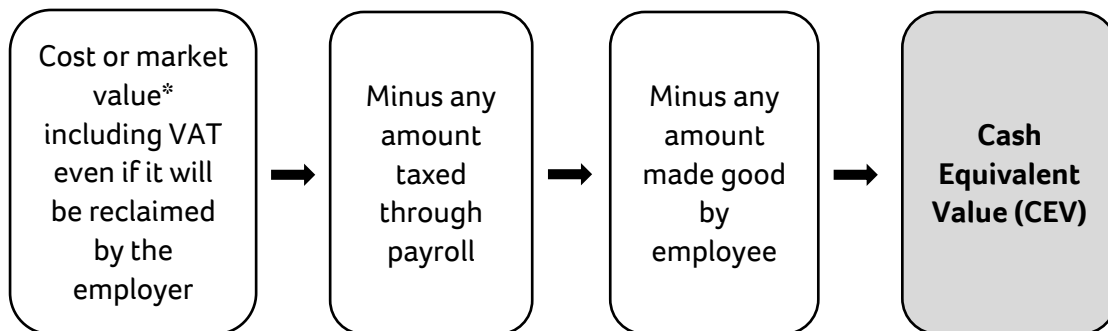
### P11D sections

- Always consider which section is most appropriate - there may be more than one!
- **Blue boxes** attract Class 1 NIC
- **Brown boxes** attract Class 1A NIC and are used for P11D(b)

A	Assets sold	H	Loans
B	Payments on behalf of employee	I	Medical insurance
C	Vouchers and credit cards	J	Relocation
D	Living accommodation	K	Services provided
E	Mileage allowance	L	Assets used
F	Cars and private fuel	M	Other items (mop up!)
G	Vans and private fuel	N	Taxable expenses

### What is the Cash Equivalent Value (CEV)?

The value on which an employee will pay tax according to the type of benefit provided by the employer



\*Market value isn't the value when new but the second-hand value



**Key**



Tax charge



Accumulate for  
P11D(b)



Tax and/or NI  
through payroll

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**PART 1: ASSETS TRANSFERRED AND USED**  
**SECTION A AND L**

***Section A: Assets transferred***

**What are ‘assets transferred’?**

Employer’s property sold or given to employees...

- Ex-company cars
- Office/computer equipment
- Gifts and awards
  - Includes prizes related to employer run lottery/raffle
- Clothing



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## Assets transferred – how do you calculate the CEV?

Asset transferred **before** use or depreciation, CEV = higher of:

- Market value at time of transfer, or
- Cost to employer of sourcing the asset *minus* any contribution from employee
  - Including tax reported in section L when it was just being used by employee

Asset transferred **after** use or depreciation, CEV = higher of:

- Market value at date of transfer, *or*
- Value when **anyone** first used the asset *minus* any contribution from employee
  - Including tax reported in section L when it was just being used by employee

**EXCEPT:** Computers & bicycles always market value at time of transfer *minus* 'made good' - bicycle cost matrix [bit.ly/36fPsTL](http://bit.ly/36fPsTL)

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## Section A: Tips and traps

- Remember this section doesn't include...
  - Any items/equipment you get back
  - Any equipment bought by employee and reimbursed
- Avoid tax charge by charging employee annual 'rent' equal to market value and don't transfer ownership
- Can you wait to transfer fast depreciating assets until significantly lower in value e.g. TVs?
- Selling new goods at a discount e.g. staff discount, staff shop
  - Be careful that HMRC can't argue they are sold below cost or will be reportable on P11D
- Use commercial sites/publications to get a valuation that HMRC will trust e.g. ebay

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## Section L: Assets placed at employee's disposal

### What are 'Assets placed at employee's disposal'?

- Covers all assets apart from cars, vans & living accommodation
- If significant private use, an asset becomes taxable to the employee and will be included in section L
  - e.g. TVs and furniture in living accommodation
- If the private use is insignificant or prohibited there is no charge or reporting e.g. computer equipment
- Also doesn't include...
  - Assets used in the workplace
  - Uniforms provided they are 'conspicuously logoed' and remain employer's property



Class 1A  
NICs

**Tip:** Check your policies – do they detail if significant private use is prohibited?

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### Assets used – how do you calculate the CEV?

If there is significant private use, the CEV is the higher of...

20% of the <b>original market value</b> (the annual rental value if it is land)	or	Rental/hire charge that could be obtained for asset
<b>Plus any additional expenses</b> in maintaining the asset		
<b>Minus</b> any 'made good' amount		

- **Original market value** based on when asset first provided to anyone not just this employee
- **Additional expenses** are only costs that are higher than if the asset were only used at work e.g. additional insurance

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### Section A/L example

- A business buys computer equipment worth £7,500
- The MD and his family are allowed to use the equipment throughout 2021/22 with no contribution
- It costs the business another £340 to insure and maintain

**What does section L of his P11D show for 2021/22?**

£7,500 x 20%	£1,500
<i>plus</i> £340 running expenses	<b>£1,840</b>

- In April 2022 they sell the equipment to him for £3,750 even though it was valued then at £5,000

**For 2022/23, what does section A of the P11D show?**

Original market value <i>minus</i> taxable value last year	£7,500 - £1,840	£5,660 ↑
Current value		£5,000
Minus 'made good'	£5,660 - £3,750	<b>£1,910</b>

*If the equipment's current value was £6,000, the value reported would be £2,250 (£6,000 - £3,750)*

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## PART 2: PAYMENTS MADE ON BEHALF OF EMPLOYEE SECTION B

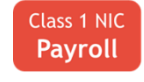
### What are 'Payments made on behalf of employee'?

When the employer directly pays a bill for a **contract in the employee's name**

- Personal telephone bill
- Personal credit card bill
- Utility bills
- Rent, direct to landlord where employee made contract
- Parking fines for own car
- Speeding fines for all cars
- Certain professional subscriptions
- Tax on notional payments i.e. failing to pay liability within 90 days of tax year end



**Note** – this section is **not** for private reimbursements – they go through payroll... or section N for tax and NI via payroll



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### Section B: Tips & traps

- Parking fines – do your policies reflect whose liability they are?
- Professional subscriptions would be tax exempt if featured on HMRC's List 3 - [bit.ly/3tyGBta](https://bit.ly/3tyGBta)
- Office or computer equipment purchased by employee due to COVID-19 and then reimbursed by the employer is NOT taxable and Ni'able under a temporary concession from 16.3.20 - 5.4.22

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## PART 3 – VOUCHERS AND CREDIT CARDS

### SECTION C

#### Section C: Vouchers and credit cards

- Section C includes non-cash vouchers in recognition of work e.g. retail vouchers
- Cash vouchers such as cheques go through payroll
- Expenses reimbursed via corporate credit cards and for private use should also be entered here – unless included elsewhere on P11D e.g. fuel
- Also subject to Class 1 NIC through the payroll at the time the reimbursements occur
- For items included in section C - the CEV is the cost to employer not just the value of the voucher
- Childcare vouchers are exempt from section C up to £55 pw for anyone in scheme before 4.10.18



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#### Section C: tips & traps

- Most companies that provide vouchers as incentives, process them via PSA instead of P11D
- If vouchers are provided for reasons unrelated to performance and they are below £50, they can be considered a trivial benefit
  - E.g gift at Christmas
- If the voucher is related to accessing a tax and NIC exempt benefit, then it doesn't need to be included on section C e.g.
  - Works bus
  - Fuel covered by a fuel scale charge
  - Hiring bicycle/safety equipment
  - Obtaining long service gift

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## PART 4: CARS, VANS AND TRAVEL SECTION E, F AND G

### Section E: Mileage allowance

#### Mileage allowance – what are the rules?

- This section relates to mileage for business travel in the employees own car – does not include normal commute
- Businesses can reimburse the employee 45p per mile (for first 10,000 miles) tax and NI free
  - 25p per mile for anything over 10,000
  - 45p covers: fuel, servicing, insurance, road tax, wear and tear
- Employers can pay an additional 5p per mile (tax and NICs free) for each passenger carried
- Anything over the limits will be considered profit and needs to be reported on the P11D and Class 1 NICs have to be accounted for via the payroll



Worksheet 6 2022/23: [bit.ly/3Y1fjtS](https://bit.ly/3Y1fjtS)

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#### Mileage allowance example

Employee travels 15,500 business miles and is paid 45p per mile for all miles totalling **£6,975**

#### What is reported on Section E of the P11D?

Step	Calculation	Total
Calculate miles @ 45p	10,000 x 0.45	£4,500
Calculate miles @ 25p	5,500 x 0.25	£1,375
Maximum exempt amount	4,500 + 1,375	£5,875
Calculate excess	6,975 – 5,875	£1,100

*No Class 1 unless more than 45p per mile paid*

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## Temporary/permanent workplace – the 24-month rule...

- There is tax relief on travel to temporary workplaces
- No tax relief on travel to permanent workplace (normal business commute)
- What is permanent?...
  - Employee spends more than 40% of time at workplace **and**
  - Is there for more than 24 months

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## Section E: Tips and traps

- Special mileage rates for use of own motorbikes and bicycles for
  - 24p per mile for motorbike
  - 20p per mile for own bicycle
- Offsetting ordinary commute...
  - Employer may ask employee to off-set mileage so expenses are only mileage costs over and above normal commute
  - E.g. A journey from home to a business meeting that's 28 miles away and usual commute is 15 miles - this commute can be deducted = 13 miles

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## Section F: Company cars and fuel

### What data will you need for section F?

To work out CEV this is the critical data...

- Make and model
- Date of first registration
- CO2 emissions from the registration certificate
- Engine size
- Type of fuel: D, A or F
- Dates available - don't enter 6<sup>th</sup> April if it was available in a prior year
- List price
- Accessories
- Capital contributions

D	Diesel cars
A	Any vehicle that isn't diesel e.g. petrol, hybrid
F	Diesel car meeting Euro 6d std (RDE2 diesel)

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### Company cars – calculating the taxable value

- If company cars provided you need to establish the taxable value of the vehicle
- The value on the P11D only relates to personal use of the car
- CEV is calculated by...

**Price of car x appropriate emissions percentage**

- May also need to consider...
  - Days unavailable
  - Employee contributions for private use

Class 1A  
NICs

Working sheet 2 2022/23: [bit.ly/3R99HLQ](https://bit.ly/3R99HLQ)

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## What is the 'price'?

**Price** of car x appropriate emissions percentage

Price *includes*...

- List price from the manufacturer at date of registration (no cap)
- VAT
- Delivery charges
- Accessories included
- Accessories after delivery over £100

- Ignore security features e.g. bullet proof glass
- Ignore cost of personalised number plates – it is not an accessory

**Minus** any capital contribution (down payment by employee)  
up to £5,000

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**Company cars 2022/23 – 2025 - finding the emissions percentage**

<b>Actual CO2 emissions</b>	<b>Electric range (miles)</b>	<b>% Petrol &amp; RDE2 diesel</b>	<b>% Diesel</b>
0	N/A	2	N/A
1-50	>130	2	6
1-50	70-129	5	9
1-50	40-69	8	12
1-50	30-39	12	16
1-50	<30	14	18
51-54		15	19
55-59		16	20
60-64		17	21
65-69		18	22
70-74		19	23
75-79		20	24
80-84		21	25
85-89		22	26
90-94		23	27
95-99		24	28
100-104		25	29
105-109		26	30
110-114		27	31
115-119		28	32
120 - 124		29	33
125-129		30	34
130-134		31	35
135-139		32	36
140-144		33	37
145-149		34	37
150-154		35	37
155-159		36	37
160-164		37	37
165 & above		37	37



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## Cars - 1<sup>st</sup> April 2025

- The appropriate percentages for electric and ultra-low emission cars emitting less than 75g of CO<sub>2</sub> per kilometre will increase by:
  - 1% in 2025/26 (fully electric 3%)
  - A further 1% in 2026/27 (4%)
  - And a further 1% in 2027/28 (5%)
    - Maximum appropriate percentage of 5% for electric cars
  - Maximum 21% for ultra-low emission cars (less than 75g)
    - Currently 19% (70g-74g)
- Rates for all other vehicle bands will be increased by 1% for 2025/26 up to a maximum appropriate percentage of 37%
  - To remain at that level in 2026/27 and 2027/28

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## Electric cars - 1<sup>st</sup> April 2025

Introduction of vehicle excise duty...

- If the electric car is registered before 1<sup>st</sup> April 2025 - £165 (from 1<sup>st</sup> April 2023 £180)
- If the electric car is registered after 1<sup>st</sup> April 2025 - £10 for the first year and then £165 each year after
- If the price of the car is more than £40k an expensive car supplement is added - an extra £355 (from 1<sup>st</sup> April 2023 £390)
- The expensive car supplement is payable in years 2, 3, 4, 5 and 6

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## P11D car calculation - example

Sarah has a company car - a petrol Audi A1 registered in 2022, with a list price of £23,000 and CO2 emissions of 93g/km. She contributes £1,500 to the initial cost of the car and a further £500 towards the use during the year. Over the year the car is unavailable for 40 days.

### What would be the value on the P11D?

Step	Calculation	Total
List price & accessories	23,000	£23,000
Minus capital contribution	23,000 - 1,500	£21,500
Multiplied by CO2 emissions	21,500 x 23%	£4,945
Minus days unavailable*	4,945 - 544	£4,401
Minus private use contribution	4,401 - 500	<b>£3,901</b>

\*Days unavailable calculation:  $40/365 = 0.11 \times £4,945 = £543.95$  - round up to **£544**

## Section F: tips & traps

- Car benefit calculator: [ccfcalculator.hmrc.gov.uk/CCF0.aspx](http://ccfcalculator.hmrc.gov.uk/CCF0.aspx)
- Remember you must notify HMRC if company car is provided or withdrawn using **P46 Car** – [bit.ly/3bqklHr](http://bit.ly/3bqklHr)
  - Mandatory for new, withdrawn or second cars but optional for replacements
  - Can be done using form or PAYE online or payroll software
  - Sent quarterly reporting changes in that quarter:

6 January to 5 April	5 April (electronic)
6 January to 5 April	3 May (printed)
6 April to 5 July	2 August
6 July to 5 October	2 November
6 October to 5 January	2 February



## Cars provided by OpRA arrangements

### How to calculate for 2019/20 onwards

If car is provided by OpRA you need to determine the which is higher – modified cash equivalent or salary foregone... ~

Value	Calculation	If value is higher...
<b>Modified cash equivalent</b> (value 1)	Price x emissions	Return to P11D working sheet 2 for non-OpRA car calculation
<b>Salary foregone</b> (value 2)	Cost of car and accessories sacrificed	Deduct pro-rated unavailability, capital contribution and any private use to reach the 'relevant amount' to report on P11D

*NB it was different for 2017/18 and 2018/19*

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### Example: Modified cash equivalent & relevant amount

Employee sacrifices £300 per month plus £50 per month from net pay as private use contribution

- Value 1 - **modified cash equivalent** of £2,700 based on price and emissions only
- Value 2 - **salary foregone** of £3,600 per year cash sacrifice
- **Salary foregone** of £3,600 is higher
- Private use contribution reduces the **salary foregone**
  - £3,600 - £600 p.a. private use = £3,000 **relevant amount**
- Report **£3,000** on P11D or payroll

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## *Fuel*

### Car fuel benefit calculation

- Where fuel covers business and personal miles the benefit is calculated...

Multiply appropriate CO2 percentage x HMRC set amount

Tax year	2022/23	2023/24
HMRC set amount	£25,300	£27,800

- E.g. petrol car with 112g/km emissions would pay 27% of £25,300 = £6,831 and class 1A for employer
- Employee can avoid by fully reimbursing for personal fuel, usually using Advisory Fuel Rates...

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### Advisory fuel rates (AFRs) – 1<sup>st</sup> June 2023

AFRs for use in company cars and reimbursement of free private fuel (rates reviewed quarterly)

Engine size	Petrol	LPG	Engine size	Diesel
Up to and including 1400cc	13p (13p)	10p (10p)	Up to and including 1600cc	12p (13p)
1401cc to 2000cc	15p (15p)	12p (11p)	1601cc to 2000cc	14p (15p)
Over 2000cc	23p (23p)	18p (17p)	Over 2000cc	18p (20p)

*(previous figures in brackets)*

Electric 9p (9p)

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## Charging electric cars

- No fuel scale charge for charging a company car at work
  - Own car can be charged free at work for private use
  - EIM23900 - Employer pays for a vehicle charging point to be installed at the employee's home:
    - Company car made available for private use - **No taxable benefit**
    - Employee's car used for business - **Taxable benefit based on cost to the employer**
  - Same applies if employer pays for charge card of £100 per year to allow individuals unlimited access to local authority vehicle charging point
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## Other transport considerations

- **Pool cars** - no reporting required provided cars shared by employees for business purposes and remain at the premises
    - Conditions must be met for whole year
    - Keep evidence
  - **Employees with a disability** - cars adapted are exempt as long as private use is only for commuting and travel to training
  - **Parking** – no reporting required for spaces at or near workplace unless part of OpRA  
[bit.do/fqNLT](http://bit.do/fqNLT)
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## Other transport considerations

- **Motorbikes**
  - Treated as 'asset used' so 20% of market value when first provided including running costs e.g. insurance
  - Only taxable on private use proportion if mainly for business - or ignore if insignificant
- **9+ seater** works buses: no benefit unless OpRA from April 2017
- **Late night taxis** from work to home are a taxable benefit unless strict conditions met – [bit.ly/3HPNb57](http://bit.ly/3HPNb57)

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## Section G: Vans

### Section G - what is a van?

- What is a van?
  - Primarily built to carry goods
  - Does not exceed a maximum fully loaded weight of 3,500 kg
- Restricted private use allowed without requirement to report – e.g. normal commuting
  - Keep evidence



Class 1A  
NICs

### Van & van fuel benefit charge

- Unrestricted private use and fuel standard reporting values...

	2022/23	2023/24
Van fuel	£688	£757
<b>Van benefit</b>	£3,600	£3,960
Zero-emission vans	Tax free	Tax free

- Values can be reduced if...
  - Van unavailable for 30 days in a row
  - Employee pays for use and fuel
  - Pool van (would be apportioned among employees)

P11D Worksheet 3 - [bit.ly/3kKUvZc](https://bit.ly/3kKUvZc)



## PART 5: LIVING ACCOMMODATION & RELOCATION SECTIONS D AND J

### Section D: Living accommodation

#### When is accommodation tax exempt?

Living accommodation is exempt from tax and class 1A NIC in certain circumstances...

- Necessary for or commonly provided for job (very few accepted)
  - E.g. vicars, farm workers, flat over shop/pub
  - No longer includes university/school tutors
- If provided due to security threat
- Provided to a carer in the home of the person being cared for

Even if accommodation exemption applies, **additional services** are considered a benefit e.g. furniture, utilities, repairs, cleaning, gardening

- Report in Section B or M depending upon who made contract
- Council tax and water rates are still exempt

#### Living accommodation - definition

- ‘Something that gives the occupant the necessary facilities to live a domestic life even if facilities are shared’

Includes...	Doesn't include...
<ul style="list-style-type: none"><li>• Houses</li><li>• Flats</li><li>• Holiday homes</li></ul>	<ul style="list-style-type: none"><li>• Hotels</li><li>• Board and lodging</li></ul> <p><i>Taxed in section M</i></p>

- It's about 'availability' not 'use'
  - E.g. directors who have use of holiday home are taxed on it even if they don't use it!
- Accommodation provided for employee at temporary workplace under 24-month rule is tax free



Class 1A  
NICs



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## Living accommodation calculation

- Complex calculation if taxable:
  - Basic charge, and potentially
  - Additional charge, *plus*
  - Assets supplied, *plus*
  - Bills paid, *plus*
  - Services supplied
- Several different P11D sections
- Working sheet 1 22/23
  - [bit.ly/3NhCzBm](https://bit.ly/3NhCzBm)

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## Other sections for accommodation

- Section B: pecuniary liabilities
  - Bills in name of employee paid by employer
  - Including repairs, maintenance and improvements if accommodation taxable
  - Subject to Class 1 NI when paid
- Section M: other items
  - Bills in name of employer
  - Including repairs, maintenance and improvements if accommodation taxable
  - Extra costs such as wages of cleaner, gardener

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## Other sections for accommodation

- Section L: assets used
  - Furniture
  - Appliances
- Anything reimbursed is via the payroll e.g., wages for domestic staff, utility bills claimed on expenses

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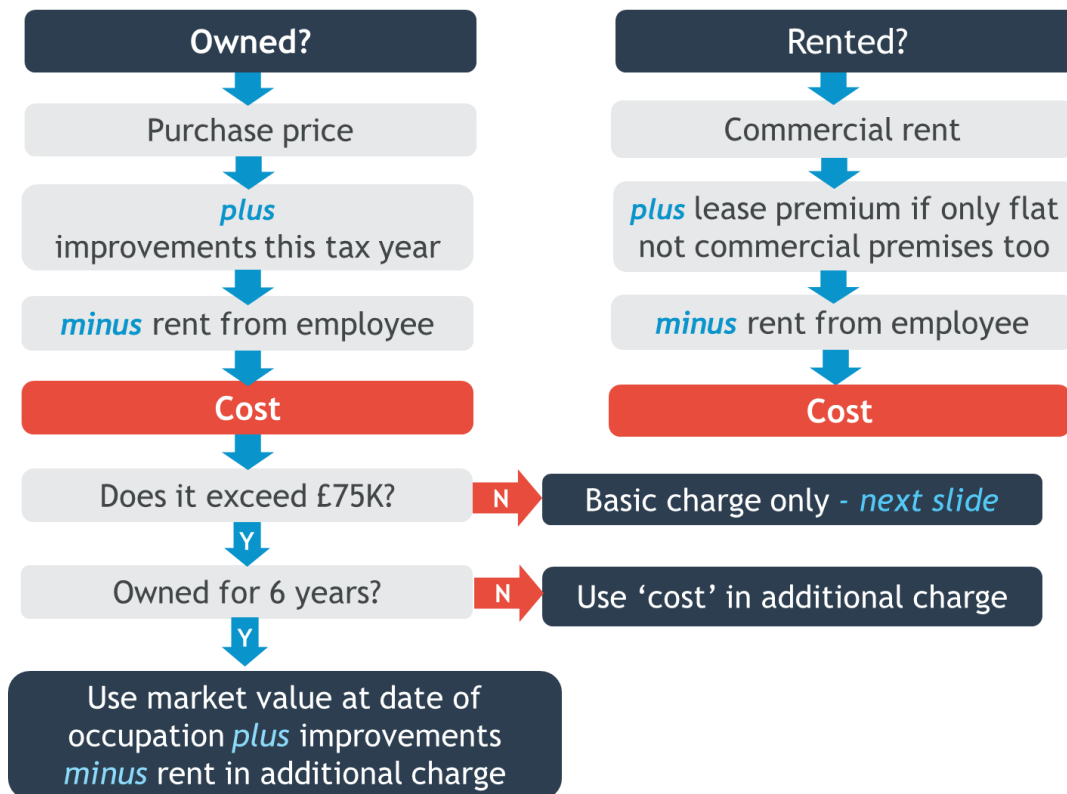
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## What is the cost? – renting v owning



### Example: Renting v owning (less than £75K)

#### Owning

- Property that cost £70k owned by employer has rateable value of £450 p.a.
- Rented for 7 months by employee
- $£450 \times 7/12 = £262.50$  = annual rental value
- Employee pays £50 per month -  $7 \times £50 = \mathbf{£350}$
- **No taxable benefit**

#### Renting

- Property is rented for £300 per month by employer
- Rented for 7 months by employee
- $£300 \times 7 = £2,100$
- Employee pays  $7 \times £50 = \mathbf{£350}$
- $£2,100 - £350 = \mathbf{£1,750}$  taxable benefit



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## Owned property: additional charge

- 'Cost' more than £75,000, and
- If property owned for 6 or more years at point employee occupies
  - Current value replaces purchase price
  - Minus £75,000 x official interest rate (2% 2022/2023), *plus*
  - Value of repairs & alterations unless legal or structural, *plus*
  - Basic charge, *less*
  - Anything 'made good' by employee
    - **Any rent not used to offset basic charge is carried forward to additional charge**

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## Section D: tips & traps

- Best practice – don't reimburse employee
  - Employer makes contract and employee makes good
- If only provided for part-year it is pro-rated
- If only part business use or shared then pro-rate
  - It must be clearly two separate areas, if a room is used as an office then whole value is reported and employee counter claims



## Section J: Relocation

### Relocation expenses on the P11D

- First £8,000 of qualifying expenses for relocation for valid work reasons are exempt
- What are valid relocation reasons?
  - Taking up a new job
  - Change of existing job
  - Workplace changes and old home not within travelling distance
    - It doesn't have to be sold just stop being the main residence - can be rented or owned
- Anything over £8,000 is reported in box J of P11D
- Employees have until the end of the tax year following relocation to utilise the £8,000



Working sheet 5 22/23: [bit.ly/3XJIRNM](https://bit.ly/3XJIRNM)

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### Qualifying relocation expenses...

- Disposal and acquisition costs – e.g. solicitors
- Removal costs
- Travel and subsistence while house hunting
- Temporary accommodation for employee
- Domestic goods for new residence
- Bridging finance
- Costs of using a relocation management company

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## **Bridging loans**

- Bridging loan – used to bridge gap between employee buying new house and receiving payment for current home
- If £8,000 not utilised, the balance can be used as a calculation to allow for a bridging loan
- Formula converts any unused relocation into amount that reduces the days the loan has been outstanding
- If all £8,000 used then report in Section H (loans) in full

*See appendix 3 for bridging loans example*

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## PART 6: LOANS - SECTION H

### Section H: Interest free and low interest loans

- Can provide interest free or low interest loans of up to £10,000 to employees tax and NI free
- If the balance of loans exceeds £10,000 it must be reported
- The CEV = interest due at the official interest rate minus amount paid by employee if any



Class 1A  
NICs

Working sheet 4 22/23: [bit.ly/3XJmdUC](https://bit.ly/3XJmdUC)

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### Two ways to calculate...

- **Normal averaging** - ideal if loan repaid in equal instalments
- **Exact** - if repayments vary
  
- Employee can insist on exact
- They will give different results depending when in the year repayments are made
  - HMRC may insist exact method used if repayments vary
- Use average interest rate if official rate fluctuates in-year

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### Normal method: if over £10K

Step	Action	Figure
Step 1	Balance at start of year/when loan taken out	A
Step 2	Balance at tax year end/repayment date	B
Step 3	Total A+B	C
Step 4	Divide C by 2	D
Step 5	How many full tax months loan outstanding	E
Step 6	Multiply D x E and divide by 12	F
Step 7	Multiply F by official interest rate for year 2.25% 2020/21 2% 2021/22	G
Step 8	Deduct any interest paid by employee	H
Step 9	CEV of loan is G - H	K

### Exact method for directors 2022/23 – example

Step	Action	Figure
Loan for £18,000 given on 25 June, one repayment of £1,800 on 20 January	Balance at year end is £16,200	
£18,000 o/s from 25.6 – 19.1 = 209 days	Official interest rate 2% (£18,000 x 2% = 360 x 209/365 = £206.14	A
£16,200 o/s from 20.1-5.4 = 75 days	Official interest rate 2% (£16,200 x 2%) = £324 x 75/365 = £66.57	B
Add A + B	£272.64	C
Deduct any interest actually paid by employee		D
CEV of loan is C - D	£272.64	E



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## Overdrawn Directors' Loan Accounts (DLA)

- 'Overdrawn' means director owes the company as at 9 months after the company's accounting year end
- Since 6<sup>th</sup> April 2016 overdrawn DLA will cost the company 33.75% in corporation tax (a s455 charge) due 9 months and one day after company year end, 25% prior
  - It is repaid to the company when the DLA is paid off
- It is reported on the P11D in the year it occurs if it is over £10K unless official interest rate is paid for every day outstanding

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## PART 7: PRIVATE MEDICAL TREATMENT SECTION I

### What medical treatment is taxable and tax free?

- Employer provided Tax and NI free medical expenses...
  - Eye tests and glasses as required by Display Screen Regulations
  - Annual medical check, including those required by the job
  - Costs of treatment and insurance for overseas workers
- What is taxable and included in section I of the P11D?
  - Private medical or dental insurance
  - Medical treatment unless Fit for Work exemption
  - Health screening/check up more than once a year
  - Eye tests and glasses unless computer user
  - Health counselling
  - Reimbursements e.g. for flu jabs (that would be section N and Class 1 NIC)
- CEV includes insurance premium tax

Class 1A  
NICs




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- The following are not taxable if the policy pays out to the employer who pays the employee...
  - Life assurance/Death-in-service
  - Group income protection
  - Critical illness cover, unless...
    - Extra cover provided via an OpRA – EIM06470 state this is an employer contribution, not an employee contribution
- If the policy pays direct to the employee, the premiums are taxable in section I
- Provision of PPE is non-taxable, reimbursement of costs of PPE also allowable 

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## The Fit for Work exemption and Employee Assistance Programmes (EAPs)

- Medical treatment up to £500 p.a. to help employee return to work is exempt
- Employee eligible if assessed...
  - Under Fit for Work recommendation
  - By any medical professional
- Taxable if via OpRA since 2017/18
- Anything exceeding £500 is reported in Section I
- From 6.4.20 EAP schemes can also be tax-free if they include related medical treatments, such as cognitive behavioural therapy (CBT) – HMRC guidance [bit.ly/36IFP3w](https://bit.ly/36IFP3w)

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## PART 8: SERVICES PROVIDED – SECTION K

### What are services supplied?

- The supply to employees of services that the employer supplies to its clients or that support its normal business e.g.

Catering	Childcare	Car servicing
Decorating	Building	Driving lessons
Conveyancing	Car hire	Holidays

- Cost = 'marginal additional expense' incurred *minus* any 'made good'
- Case – *Pepper vs Hart 1993*



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## PART 9: OTHER ITEMS – SECTION M

### Other items on the P11D

Is the contract for the supply made with the employer or the employee?

- If with the **employee** enter in the box for Class 1 items – blue box
- If with the **employer** enter in the box for Class 1A items – brown box



<b>M</b> Other items (including subscriptions and professional fees)	Cost to you or amount foregone	Amount made good or from which tax deducted	Cash equivalent or relevant amount
Description of other items	<input type="text"/>	£ <input type="text"/>	– £ <input type="text"/> = <b>15</b> £ <input type="text"/> <b>1A</b>
Description of other items	<input type="text"/>	£ <input type="text"/>	– £ <input type="text"/> = <b>15</b> £ <input type="text"/>
Income Tax paid but not deducted from director’s remuneration			Tax paid <b>15</b> £ <input type="text"/>

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**Other items on the P11D – Section M**

<b>What might be reported here</b>	<b>What is exempt?</b>
Childcare	Childcare vouchers up to exempt limit and workplace nursery
Counselling	Support under Fit for Work exemption
Educational assistance	Work-related training
Loans written off on termination	
Parking places/permits	'at or near work' but not via OpRA
Employer has contract for, and pays, bills in provided accommodation	Council tax and water rates in tax-free accommodation and remainder limited to 10% of net earnings
Entertaining	£150 per head can aggregate if 2 that in total do not exceed limit £50 per head trivial benefit
Sponsorship	
Sporting and recreational facilities	No benefit if these are generally available unless via OpRA from April 2017
Subscriptions and professional fees to sports or other clubs, for magazines, Class 1 line if you pay bill but employee made contract Class 1A if you arranged and paid NB Payroll for tax and NI if employee reimbursed or section N for tax only	If club used for business board & lodging or entertaining agree apportionment with HMRC Bodies on <i>List 3</i>
Hotel accommodation (not business related)	





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## PART 10: TAXABLE EXPENSES – SECTION N

### Section N: Taxable expenses

- This section covers expenses paid by employer for private use by an employee e.g. travel, entertainment, home telephone
- You have choices in the taxing of non-business expenses...
  - Reimburse them and then tax through PAYE by adding the amount to taxable pay as a notional amount
  - Gross them up for tax and reimburse the employee that way
  - Report them on the P11D - taxed via a coding adjustment
- Even if taxed via PAYE you must report on the P11D as a 'made good' amount
- All taxable expenses are subject to Class 1 NICs through the payroll, so it makes sense to do the tax and NIC through the payroll and report as made good on P11D

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### Taxable entertaining

- Regular off-site meals even if for all staff and you say there is a business element
  - Inviting a client(s) doesn't usually help!
  - But the new trivial benefit exemption can help
- On-site meals e.g. working lunches as
  - Not all staff
  - Not an annual party!

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## **Session 5: Counter Claiming**

### **What is a counter claim?**

- Chance for the employee to challenge what the employer has done in relation to expenses/benefits
- Common reasons for counter claim:
  - P11D/payrolled expenses actually have business element
  - Claim tax relief if mileage is under 45/25p
  - Homeworking allowance
  - Claim relief for laundry allowances and maintaining/replacing special equipment (not initial purchase)
  - Claim relief for unreimbursed professional fees and subscriptions

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### **How to make a counter claim**

- To successfully make a counter claim HMRC require...
  - Everyone doing that job would incur the expense
  - It is incurred whilst doing the job
  - The expenses are actually incurred (i.e. it's not an expense allowance given unreceipted)
  - No, or insignificant, private element
- Making the claim...
  - Via Self Assessment return
  - P87 if up to £2,500 (SA if over £2,500)
  - Personal Tax Account
  - Receipts and records retained
  - 4 years to make claim after year end

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[Personal tax account home](#)

## Tax relief for expenses of employment

Use this form if:

- you want to claim back employment expenses
- your employer hasn't paid back all of your expenses
- your allowable expenses are less than £2,500 for the year
- you've paid tax during the year you're claiming for
- you haven't completed a Self Assessment tax return for the year you're claiming for

You'll be able to tell HMRC about multiple tax years and up to 5 employments if you use the online form. To tell us about more than 5 employments, use the postal form.

If your claim is for more than £2,500 you'll need to complete a Self Assessment tax return. [Register for Self Assessment here.](#)

**Start now >**

### Before you start

To complete this claim you'll need:

- details of your employer, including PAYE reference from your P60 or payslip
- amounts of any expenses of employment you want to claim tax relief for
- your payment details, or your nominee's, if you're due a refund

If your claim is for the current tax year, we'll amend your tax code to make sure you pay the correct amount of tax.

You can track this form in your [personal tax account](#).

[Is this page not working properly? \(opens in new tab\)](#)

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## Session 6: Using a PAYE Settlement Agreement (PSA) and grossing up

### PSA - PAYE Settlement Agreement

- Enables employers to make a single annual payment for tax and NIC on certain expenses and benefits for employees instead of using P11D or payroll
- Must be minor, irregular or impracticable
  - Typically: Christmas parties over £150 per head, incentive awards, working lunches and team building exercises
- If you have a PSA, those benefits, do **not** need to...
  - Be put through payroll to work out tax and NIC
  - Be included in end of year P11D forms
  - Pay Class 1A NIC at end of year

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### PSA application and payment process

- Apply any time before the relevant tax year and no later than 6 July following end of tax year to which the PSA relates
- The agreement remains in place until you want to amend it, or HMRC revoke it
  - [bit.ly/3nqdiur](http://bit.ly/3nqdiur)
- If employer has included items it didn't agree, HMRC have to raise a compliance settlement
  - same outcome but messy!
  - [bit.ly/3LNOKP9](http://bit.ly/3LNOKP9)
- Payment of the tax and Class 1B is made by 22 October
- Guidance: [bit.ly/3tyrOhV](http://bit.ly/3tyrOhV)

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## PSA calculation

- Form PSA1 - [bit.ly/3VqXNyV](https://bit.ly/3VqXNyV)
- You need the following details to calculate the tax/NIC due...
  - The value of benefits/expenses provided for each PSA category agreed with HMRC
  - Number of employees that received each benefit/expense
  - The number of employees and value of the benefit/expense across each tax rate band (tax rate based on P60)
- Tax is paid on grossed up value as you are meeting a pecuniary liability i.e. the employee should be paying the tax
- Class 1B NIC paid on grossed up tax

**Tip:** Can anything be considered a trivial benefit?

## Sample PSA (2022 - 2023 = 14.53%)

Benefit	20% taxpayers	Tax due	Class 1B on benefit	Class 1B on tax	Total cost (tax + two lots of Class 1B)
Long service awards	10 @ £200 = £2,000	£2,000 x 20% x (100/80) = £500	£290.60	£72.65	£863.25
Incentive gift vouchers	80 @ £50 = £4,000	£4,000 x 20% x (100/80) = £1,000	£581.20	£145.30	£1,726.50
Benefit	40% taxpayers	Tax due	Class 1B on benefit	Class 1B on tax	Total cost
Incentive gift vouchers	18 @ £50 = £900	900 x 40% x (100/60) = £600	£130.77	£87.18	£817.95
Benefit	45% taxpayers	Tax due	Class 1B on benefit	Class 1B on tax	Total cost
Excess relocation	1 @ £2,500 = £2,500	£2,500 x 45% x (100/55) = £2,045.45	£363.25	£297.20	£2,705.90



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## Session 7: Summary and conclusions

### Key points...

- No dispensation, the responsibility is with the employer
  - Good record keeping and process documents are key to compliance
  - Check your expense policies – do they need updating?
  - Offer the tax free benefits, no reporting required so appealing to employees/prospective employees
  - Finance - keep methodical ledgers - it will make the process easier when completing the PSA1
  - Payroll reports: PSA data, Class 1A NIC for payrolled benefits
  - Counter claiming - are your colleagues aware of this?
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### Guidance

The P11D guide (year specific)	<a href="https://bit.ly/2NHI3qO">bit.ly/2NHI3qO</a>
HMRC manuals - PAYE, Employment Income (EIM) and PSA	<a href="https://bit.ly/37mGfSc">bit.ly/37mGfSc</a>
The A-Z of expenses & benefits	<a href="https://bit.ly/2RaPKab">bit.ly/2RaPKab</a>
CWG2 – employer further guide to PAYE and NICs (year specific)	<a href="https://bit.ly/3DlqgVX">bit.ly/3DlqgVX</a>
HMRC expenses and benefits for directors and employees - a tax guide 480	<a href="https://bit.ly/368x92K">bit.ly/368x92K</a>
Tax and NIC for employee travel: 490	<a href="https://bit.ly/3oS0vK3">bit.ly/3oS0vK3</a>
Class 1A NIC on BiK	<a href="https://bit.ly/38tIBHP">bit.ly/38tIBHP</a>
Working sheets for the 7 complex sections via HMRC online order page or Basic PAYE tools	<a href="https://bit.ly/3XNe3dZ">bit.ly/3XNe3dZ</a>

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## Appendix 1: Expenses and Benefits Glossary

Term	Description
Advisory fuel rate	An amount per mile, reviewed quarterly by HMRC, that can be used to reimburse company car drivers for business mileage or for them to reimburse private mileage
Approval notice	Permission from HMRC to use a bespoke rate for up to 5 years
Authorised Mileage allowance payments (AMAP)	a rate set by HMRC that can be reimbursed for business mileage in a privately-owned car
Authorised employer	An employer permitted to voluntarily payroll benefits so authorised not to complete P11Ds for relevant employees/sections
Asset Transferred	Something that belongs to the employer that is given or sold to the employee
Bespoke rate	Agreeing an employer -specific rate with HMRC for tax/NI-free scale rate for subsistence
Booklet 480	HMRC's guide to benefits and expenses (year specific)
Booklet 490	HMRC's guide to travel and subsistence
Capital contribution	An amount, not exceeding £5000, that can be contributed by the employee towards the list price of a company car
Cash Equivalent Value	The value of the benefit in kind if the benefit is not provided via an OpRA
Class 1A NI	Employer-only NI on benefits in kind
Class 1B	Employer-only NI on PAYE Settlement Agreements (PSAs)
CWG2	The employer guide to PAYE and national insurance (year specific)
CWG5	HMRC's guide to class 1A national insurance
Directors' loan account	Where a director owes the company money
Dispensation	Written confirmation from HMRC that something can be ignored as a taxable benefit in kind. These were abolished in April 2016 and replaced by exemptions
Exclusively incurred	Any private use is incidental to the main business use
Extra statutory concession	A normally taxable item that HMRC uses its care and management powers to exempt from a charge to tax
Green car	<75 g/km emissions



Incidental overnight expenses	Round sum amounts that can be paid tax- and NI- free to employees to cover off private costs when away from home on business
Limitation day	The last day of the tax year following the tax year in which the employee starts to perform the duties of a new job following a relocation
Made good	A reimbursement by the employee that reduces the cash equivalent value
Modified cash equivalent Value	The value of the benefit in kind if the benefit is provided via an OpRA
Money's worth	Something that can be turned into money
Necessarily incurred	You could not perform the job role without incurring this expense
Non-Qualifying loan	A loan where interest would not qualify for tax relief under any other regulations
Non-cash vouchers	Vouchers that can be exchanged for goods and services eg retail vouchers
OpRA	Optional Remuneration Arrangements – giving up salary, or future salary, in exchange for a benefit in kind
Passenger payment	A rate of 5p per business mile that can be paid to the driver In addition to an authorised mileage allowance payment, who takes other colleagues on a business journey
PAYE Settlement Agreement (PSA)	An agreement between an employer and HMRC to pay the tax liabilities of employees, rather than report them on a P11D are
Payrolled benefit	Adding an amount of notional pay to taxable pay each pay period to tax a benefit in kind though the payroll
Pecuniary liability	The employee's debt that is settled by the employer
Performance of duties	A benefit or expense that must be incurred for an employee to carry out his/her job role – tax/NI exempt
Position to carry out duties	A benefit or expense that facilitates the employee carrying out his/her job role – taxable and Ni'able
Pool car	A car driven by more than one person for business use and not available for private use
P11D	A year end return sent by 6 <sup>th</sup> July annually detailing any benefits in kind that an employee or director has received in the tax year
P11D(b)	An PAYE scheme level return of employer national insurance due on all benefits in kind provided to employees in a tax year and sent by 6 <sup>th</sup> July annually





P46(car)	1/4ly return of cars given to/removed from employees, in effect a partial interim P11D
Readily Convertible Asset	Stocks, shares or securities
S336 claim	An employee making a claim for tax relief for expenses that have been reported by the employer that are not taxable
Scale rate	A rate agreed by HMRC whereby the employer can reimburse subsistence and travel expenses without a receipt
Statutory exemption	A benefit in kind that is exempted from tax by legislation
Substitute listing	Providing HMRC with a spreadsheet of benefits in kind information rather than individual P11Ds
Taxed Awards Scheme	An agreement with HMRC for a third party to provide benefits in kind to someone else's employees
The Litany	Explaining to the vendor that you are making a purchase on behalf of the employer
Travelling appointment	A job role defined by a geographic area that has no permanent base
Trivial Benefit	A non-cash benefit that is exempt from tax and is provided for personal or seasonal reasons and is not worth more than £50 including VAT each time it is provided
Voluntary payrolling	Taxing benefits in kind through the payroll, not mandatory but if adopted certain rules must be followed
Wholly incurred	The expenditure does not have a dual purpose ie both business and personal
Working sheets	Calculation sheets to support the seven complex sections of the P11D



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## **Appendix 2: Letter - Payrolling of taxable benefits (2023/24 tax year)**

### **Simplifying the way that your benefits and expenses are taxed**

#### **DATE**

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From April 2023 your company funded [private medical insurance/gym membership/car INSERT/DELETE AS APPROPRIATE] benefits will be taxed in a different way.

There is no change to the amount of tax you will pay on these benefits, but the tax you do pay will now be reflected on your payslip each month, rather than through an adjustment to your tax code after the end of the tax year. This means that you will pay tax in “real time” and these benefits will no longer appear on your P11D benefit statement/you will no longer receive a P11D benefits statement from the 2023/24 tax year onwards (delete as appropriate of not all benefits are to be payrolled).

If you currently complete a self-assessment tax return, effective from the 2023/24 tax year you will no longer need to include separate details of your taxable benefits if they have been taxed through the payroll. You should report the information provided on your P60 ‘Gross taxable pay’ in the relevant field and leave the taxable benefits blank, as payrolled benefits will already be included in the gross taxable pay figure. You should let your accountant know about this if you have assistance with completing your tax return.

This change is because HM Revenue and Customs are changing the rules about how benefits can be taxed and reported to them, which has resulted in a simplification of the tax and payroll process for us.

#### **What changes will I see?**

On your April payslip you will see new entries equating to the monthly value of your taxable benefits (i.e. company paid private medical insurance premium and/or gym benefit [if applicable]). These are notional pay items, meaning that they will not be added to your gross cash pay; they will increase your taxable pay only, which will be used to calculate the tax due.

#### **Changes to your tax coding notice**

HMRC will remove way from your tax code the particular benefits in kind we have selected to tax this way. In the next few weeks you will receive an amended tax coding notice from HMRC in a letter to your home address to reflect this change, or if you have chosen to ‘go paperless’ you will receive a text message alerting you when the new code is visible in your personal tax account.



### Appendix 3: Bridging loans example

Step		Action	Calculation	Figure
	Loan of £100,000 given on 1.6 and repaid on 30.9	Multiply maximum amount of loan by 2% (official interest rate*)	$£100,000 \times 2\% = £2,000$	A
Step 1	£6,500 of relocation used	How much of £8,000 unused?	$£8,000 - £6,500 = £1,500$	B
Step 2		Divide B by A x 365 days	$£1,500 / £2,000 \times 365 = \mathbf{273 \text{ days}}$	C
Step 3	Number of days loan outstanding	1.6.21 - 30.9.21	= <b>123 days</b>	D
Step 4	Does C exceed D?	Yes, no tax charge	No, reduce days outstanding by C	Calc. CEV using exact method for reduced days

\*Official interest rate 2% for 21/22 and 22/23

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