

## REPORTING BENEFITS AND EXPENSES

It is important at this time of year to not overlook the filing deadline for any forms 'P11D' that may be required to report certain benefits and expenses provided to employees in the tax year ended 5 April 2022. Any forms required must be reported to HM Revenue & Customs (HMRC) by 6 July 2022, together with the annual Employer Declaration form P11D(b), to avoid late filing penalties. A copy of the form P11D must also be passed to the employee in question by the same date. Payment of the Class 1A National Insurance liability arising on the business is payable by 19 or 22 July 2022, as detailed below.

### Do all businesses need to complete the forms and which benefits/expenses are reportable?

Not every business will need to prepare forms P11D since they are only required if the employer has provided reportable and/or taxable benefits or expenses to employees during the tax year. However, any business (whether operating as a sole proprietor, partnership, limited company etc.) with employees/directors will need to consider their reporting requirements.

The list of taxable benefits and expenses that may need to be reported is long but some of the more common benefits include company cars and vans, provision of living accommodation, medical insurance and interest-free (or low interest) loans.

Employers should review their records for the tax year carefully to ensure that any benefits or expenses provided to employees (which includes directors) are analysed and reported where necessary. There are potentially significant penalties for not filing the forms where they are required, or for completion of incorrect forms.

There is the option to include the value of certain taxable benefits and expenses through your payroll, rather than including the details on a form P11D. This is known as 'payrolling' but you must have registered before the start of the tax year in question to make use of it, so if you haven't registered already, you will not be able to payroll any benefits for the current tax year ending 5 April 2023. If you payroll all of the benefits and expenses in a particular tax year (having registered before the start of the year) then you shouldn't need to file a form P11D for the employee(s) in question. Form P11D(b) will however still be required to account for any Class 1A National Insurance payable to HMRC.

### Is any tax and National Insurance payable on the benefits/expenses?

An income tax charge will usually arise on the employee based on the value of the taxable benefits included on form P11D. The employer may also have to pay Class 1A National Insurance on certain benefits provided and any Class 1A NI is payable to HMRC by 22 July 2022 if paid electronically (or 19 July if paid by cheque).

Employers should also be mindful that if they settle any personal liabilities owed by employees e.g. personal debts, or make payment for personal bills in the employee's name e.g. telephone bills, the value of such payments could well be taxable on the employee as earnings and liable to Class 1 (employee and employer) National Insurance.

### Are there any exemptions from reporting certain benefits/expenses?

There are a number of exempt benefits which employers can provide to staff without incurring a tax or National Insurance liability and which do not need to be reported on forms P11D. Again, the list of exempt benefits is lengthy but the more common items include car parking at or near the employee's place of work, annual parties and functions where the cost does not exceed £150 per head per year, childcare vouchers (up to the exempt amount), contributions to a registered pension scheme and provision of a mobile phone (one per employee).

There is also a general exemption from the requirement to report certain business expenses paid or reimbursed by employers to employees and a 'trivial benefits' exemption. Broadly, trivial benefits are 'non-cash' benefits provided to employees, where the cost of the item in question is £50 or less.

The most common items that will be covered by the general exemption for business expenses include reimbursement or payment of business travel (excluding ordinary commuting), subsistence costs associated with business travel, business entertainment expenses, credit cards used for business expenditure and qualifying fees and subscriptions.

### What about expenses/benefits provided to employees who have had to work from home during the pandemic?

Many employees continued to be provided with extra support from employers in 2021/22 to enable them to work from home. HMRC introduced some concessions in the previous tax year to ensure that employees are not taxed on the benefit of this support. Where the employee was required to work at home as the workplace was closed or they had to self-isolate, the following costs are not treated as taxable benefits if met by the employer:

- broadband internet connection (if it was not already available);
- computer equipment e.g. tablet, laptop and office supplies;
- reimbursing employees for the cost of home office equipment; and
- working at home allowance of up to £6 per week for the year ended 5 April 2022.

The broadband connection mentioned above would need to be in the employer's name to qualify for the exemption since if the employee is reimbursed for a personal contract, these payments are usually classed as earnings, as mentioned above. Furthermore, any private use of the broadband and equipment etc. referred to above has to be 'insignificant' (which is not defined) to allow the provision of these items to be tax free.

*The above is for general guidance only and no action should be taken without obtaining specific advice.*

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