

PEARSON MAY

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

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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 2023. Any forms required must be submitted to HM Revenue & Customs (HMRC) by 6 July 2023, 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.

HMRC have also recently confirmed that **all forms P11D and P11D(b) must now be submitted to HMRC online**. HMRC do provide free software via their PAYE online services in order to submit the forms online. Further information can be found online at www.gov.uk/payee-online.

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 2024. 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 2023 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, 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.

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

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