

Forms P11D: Reporting Benefits in Kind

Forms P11D must be completed for all directors and all employees if they receive any benefits in kind or reimbursement of expenses which were not incurred wholly, exclusively and necessarily for business purposes.

Forms P11D and P11D(b) for the year ended 5 April 2022 need to be submitted by **6 July 2022** to avoid penalties. The Class 1A National Insurance is payable by **19 July 2022**.

The following notes are guidance on some specific areas in connection with benefits in kind. **They are not intended to be exhaustive.** If you have a query over a benefit that is not covered in these notes, please contact us for advice.

Mileage Allowances

Where employees use their own cars for business purposes, the employer can pay an amount of up to 45p per mile for the first 10,000 business miles in the tax year, reducing to 25p per mile for excess miles. This does not need to be reported on form P11D if the travel was wholly for business purposes.

If the employer pays less than this, the employee can claim tax relief on the shortfall. Employers can agree with HMRC under the Mileage Allowance Relief Optional Reporting Scheme (MARORS) to make a report of shortfall amounts to HMRC if they wish and this will make it easier for employees to make the tax claim.

Company cars

Company car benefits are calculated as a percentage of the list price of the car concerned, graduated by reference to the car's CO2 emissions level.

For the year ended 5 April 2022 the figures are as follows

- Electric only cars are taxed at 1% of the list price,
- Other cars start at 2% where emissions are 1 gm/km or more, increasing on a sliding scale over this threshold.
- For cars with emissions below 50gm/km the benefit is also graduated depending upon the electric range
- There are slightly difference percentage rates for cars first registered from 6 April 2020, under new Worldwide Harmonised Light Vehicle Test Procedure (WLTP) testing standards for CO2 emissions were introduced.

The benefit is capped at a maximum 37% of the list price. For cars with emissions above 50gm/km, where the exact CO2 emissions figure does not end in 0 or 5, it should be rounded down to the nearest 5 g/km.

There is a 4% supplement on diesel cars (subject to the 37% cap) for all diesel cars registered before January 2021. This does not apply to newer diesel cars as they will be RED2 compliant.

HMRC provides detailed tables at:

<https://www.gov.uk/guidance/company-car-benefit-the-appropriate-percentage-480-appendix-2>

The approved CO2 emission figure should be available from the vehicle log book.

For cars without an approved emissions figure or registered before 1 January 1998, the benefit is calculated as a percentage of list price, graduated by the engine capacity. There is no reduction for the age of the car or for miles travelled.

The list price for this purpose is the original manufacturer's list price, not the 'forecourt' price, or the amount paid for a second-hand car.

Fuel benefit

Employees who have a company car and who are provided with free fuel for private use have an additional benefit. This is also linked directly to the CO2 emissions of the company car and the same percentage figure is used for both purposes.

To calculate the benefit charge on the free fuel the percentage figure is multiplied by a set figure for the year. For the year ended 5 April 2022 this is £24,600.

The charge is reduced proportionately where private fuel is withdrawn during the tax year.

There is no benefit in kind where the cost of the fuel for private use is reimbursed in full by the employee. This must be done by 6 July 2022.

Company vans

Employees are not liable to tax if they take their van home but are not allowed other private use of the vehicle (except in very limited circumstances). Where the private use is unrestricted, for 2021/22 the scale charge is £3,600. In addition, there is a £669 fuel charge if the employer provides fuel for private use.

There is now no benefit for zero-emission vans.

Mobile Phones

No tax will be due when employers make a mobile phone available to an employee for private use.

The exemption does not apply if the mobile phone is made available to members of the employee's family or household, unless as an employee in their own right. There is no charge if employers meet the specific cost of business calls only on an employee's own mobile phone.

There is no longer an automatic exemption where more than one mobile phone is provided to an employee.

Working from Home

Where an employee works regularly at home, under agreed flexible working arrangements, an employer may now pay up to £6 per week to assist with additional household costs tax-free without supporting evidence of the cost. If the employer does not pay this amount, the employee can claim for tax relief on the same amount.

Employees' eye tests and special glasses

The provision to employees of eye care tests and/or corrective glasses specifically for VDU use is exempt. The exemption also covers the provision of a voucher used to pay for such eye-care tests and corrective glasses.

Employer supported childcare

This has been replaced by Tax-Free childcare, but existing arrangements are unaffected for any employees who were registered before 4 October 2018, for as long as they stay with the same employer.

The exemption for workplace nurseries continues to apply.

Benefits that are trivial in amount

There is now a statutory exemption where trivial benefits are provided to employees. This does not apply to cash payments or equivalent ('money's worth') or where the benefit is a reward for work done or is contractual.

The maximum amount which can be trivial costs the employer £50 or less per employee but benefits can be provided on more than one occasion in each tax year. Directors of close companies are limited to a maximum of £300 for all trivial benefits provided per year.

The following are examples of common benefits that can normally be treated as trivial in nature. This list is not intended to be exhaustive.

Tea and coffee: *an employer may provide employees with access in the workplace to tea, coffee or water from a cooling dispenser. If this refreshment is available generally to all employees, the benefit is already exempt from charge. But, if the exemption does not apply, the Revenue will generally agree that these refreshments represent a trivial benefit.*

Small gifts to employees: *an employer may provide an employee with a small gift, such as an arrangement of flowers. If this is made in recognition of a particular event (e.g. an employee's marriage or birth of a child), and is not part of any reward for services, the benefit should be treated as trivial.*

Seasonal gifts: *an employer may provide employees with a seasonal gift, such as a turkey, a bottle of wine or a box of chocolates at Christmas. These gifts are trivial and as such are not taxable.*

Benefits and Salary sacrifice (optional remuneration arrangements)

From 6 April 2017, where a benefit is provided to employees under a salary sacrifice arrangement instead of cash pay, the taxable value of the benefit is the greater of the amount of salary foregone and the taxable benefit calculated under the normal benefit in kind rules.

This new rule does not apply to certain benefits, including payments into pension schemes, childcare, bicycles and ultra-low emission cars.

Where an agreement was already in place before 6 April 2017, the previous income tax treatment continued to apply until 6 April 2021 but this transitional relief ceased on 5 April 2021.

PAYE Settlement Agreement (PSA)

A PSA is a voluntary arrangement on the part of the employer under which the employer pays the tax and NIC due on certain benefits, rather than include them on form P11D. In this way, the employer bears the tax cost, instead of the employee.

Any benefits that are not trivial but are minor, irregular or impractical to apply PAYE to, or where it is difficult to apportion the value between employees, can be included in a PAYE Settlement Agreement.

To obtain a PAYE Settlement Agreement, you need to write to HMRC describing the benefits in kind to which you would like the PSA applied. An agreement is then signed with HMRC.

It is no longer necessary to renew the PSA each year.

Payrolling benefits in kind

HMRC is keen for employers to tax benefits via the payroll wherever possible, rather than include them in an annual form P11D. This can have benefits for employees but must be formally registered with HMRC in advance of the start of the tax year.

**If you are in any doubt as to whether transactions need to be reported, then please contact
Ensors for advice**