

Forms P11D: Reporting Benefits in Kind to HMRC

Forms P11D must be completed for all directors and all employees earning over £8,500 p.a., if they receive any benefits in kind or reimbursement of expenses which are not covered by a dispensation.

From April 2016 the earnings threshold will be abolished, so a form P11D will be required for all employees who receive taxable benefits. From that date also dispensations will be abolished. Instead, it will be the employer's responsibility to ensure that all taxable benefits are included in forms P11D.

The forms P11D and P11D (b) for the year ended 5 April 2016 need to be submitted by **6 July 2016** in order to avoid penalties. The Class 1A National Insurance is payable by **19 July 2016**.

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.

Dispensations

A dispensation eliminates the need to report certain items on form P11D. If there is no dispensation in place, then strictly the form P11D should include details of all expenses reimbursed to or paid on behalf of employees, even if the expenses were wholly incurred for business purposes. The dispensation is an agreement with H M Revenue and Customs (HMRC) that certain specific items need not be reported, where it can be demonstrated that the payments are only for business expenses, and that the employer meets the record keeping requirements.

As they have now been abolished, it is now too late to apply for a new dispensation.

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, even if there is no dispensation in place.

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 2016 the figures are –

- Cars with emissions below 50 gm/km and electric only cars are taxed at 5% of the list price.
- Other cars start at 9% where emissions are 51 gm/km or more, increasing on a sliding scale over this threshold. The benefit is capped at a maximum 37% of the list price. *For these cars only*, if 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 3% supplement on diesel cars (subject to the 37% cap). There is no reduction for age or miles travelled.

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.

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. There is no longer a cap of £80,000 on the list price.

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 2015 this is £22,100.

The charge is reduced proportionately where private fuel is withdrawn during the tax year.

Company vans

Employees are not liable to tax if they have to 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, the scale charge is £3,150. In addition, there will be a £594 fuel charge if the employer provides fuel for private use.

The benefit for zero-emission vans is £630.

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.

HMRC now accepts that smart phones qualify as mobile phones rather than computers.

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

Computer Equipment

Where a computer is provided by an employer because it is necessary for an employee to have it available at home or in the office to carry out the duties of their employment, it is highly unlikely that any private use made of that equipment will be significant when compared to the business need, in which case there will be no benefit in kind for small amounts of private use.

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.

Benefits that are trivial in amount

An employer can ask HMRC to treat a benefit as exempt from tax, on the grounds that the cash equivalent of the benefit taxable on the employee is so trivial as to be not worth pursuing.

There is currently no monetary limit below which a benefit is inevitably to be regarded as trivial in nature or above which it is automatically subject to tax and NIC's but a new limit of £50 will be introduced from 6 April 2016. As this will be a statutory limit, it will not be necessary to agree with HMRC that trivial benefits can be treated as exempt.

When considering whether a benefit is trivial, the following factors should be considered:

- the cost of the benefit provided to each employee, and not the overall cost to the employer of providing the benefit; and
- the circumstances in which the benefit is provided, i.e. if the benefit is a reward to the employee for services then it should be taxed, but if the benefit is more related to staff welfare, it could be accepted as a trivial benefit.

Cash benefits, and benefits that have a "money's worth", cannot be treated as trivial benefits, regardless of how small the amount concerned. Examples include:

- money, or something that can be turned into money; or
- something that is nearly as good as money in the employee's hands (for example an employer holds an account with a local retailer and the employee can obtain goods against that account, or where store vouchers are given to an employee); or
- where the benefit is something that clearly saves the employee money that he or she would otherwise expend, for instance where an employer provides home to work travel for an employee, and
- if the 'benefit' is subject to statutory limits (e.g. the £150 exemption for an annual party which an employer wishes to extend because the excess over £150 is trivial).

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 its 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 exempt from charge. 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. As long as 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. All of these gifts are considered to be trivial and as such are not taxable.

Requests that a trivial benefit should be ignored for practical purposes should be dealt with by the office responsible for dealing with the employer's returns on form P11D.

PAYE Settlement Agreement (PSA)

If benefits are not trivial but are minor, irregular or impractical to apply PAYE to, or it is difficult to apportion the value of a particular benefit, then they can be included in a PAYE Settlement Agreement.

A PSA is a voluntary arrangement on the part of the employer.

Some benefits can be included in a PSA rather than be included on form P11D. The employer then pays the tax and class 1B NIC by 19 October.

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.

The agreement needs to be reconfirmed annually, but HMRC will issue these each year.

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

Yvonne Graham
Tel: 01473 220022
e-mail: yvonne.graham@ensors.co.uk