

## Forms P11D: Reporting Benefits in Kind to HMRC

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.

The earnings threshold for completing the forms and dispensations for the payment of business expenses have now both been abolished.

The forms P11D and P11D (b) for the year ended 5 April 2017 need to be submitted by **6 July 2017** in order to avoid penalties. The Class 1A National Insurance is payable by **19 July 2017**.

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 as long as the travel was wholly for business purposes.

### 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 2017 the figures are –

- Cars with emissions below 50 gm/km and electric only cars are taxed at 7% of the list price.
- Other cars start at 11% 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 2017 this is £22,200.

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 £3,170. In addition, there will be a £610 fuel charge if the employer provides fuel for private use.

The benefit for zero-emission vans is £634. This reduction is being withdrawn gradually over the next few years.

### **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**

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 considered to be trivial costs the employer £50 or less per employee, but 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 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 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. 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.

### **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.

### **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**

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