

A Brief Guide to.....

P11D Expenses & Benefits

The P11D legislation is very complex, so good record keeping is essential. As a result, we have put together this helpful guide to common taxable and exempt expenses & benefits to help you better understand the taxation of expenses & benefits.

For the full list of expenses and benefits, visit <https://www.gov.uk/expenses-and-benefits-a-to-z>.

Bonuses & Gifts

The treatment of bonuses & gifts is dependent on the type of bonus received:

- **Cash bonuses** are treated as earnings so you will need to add the value to the employee's other earnings & deduct tax through PAYE, as well as Class 1 National Insurance. This is not a P11D Benefit.
- **Gifts** are reportable through P11D if they do not qualify as trivial benefits (see Trivial Benefits below), however, you must follow the specific rules for the gift.

Personal costs paid on an employee's behalf, common examples being gym/other club memberships, home telephones, school fees, clothing, goods and services.

What you have to do depends on who organises the expense/service and who pays the cost.

If you organise the benefit, or the contract is between you and the provider, and you pay the fees directly, you must:

- report the cost on form P11D
- pay Class 1A National Insurance on the value of the benefit

If your employee arranges the expense but you pay this directly to the provider, you must:

- report the cost on form P11D
- deduct and pay Class 1 National Insurance (but not PAYE tax) through payroll

If your employee pays and organises but you reimburse them:

- This counts as earnings. Add the amount to your employee's other earnings and deduct and pay PAYE tax and Class 1 National Insurance through payroll.

Long Service Awards

You don't have to report or pay on a non-cash award to an employee if all the following apply:

- they've worked for you for at least 20 years
- the award is worth less than £50 per year of service
- you haven't given them a long-service award in the last 10 years

For example, you can give a non-cash award with a value of up to £1,000 for 20 years' service.

Mobile Phones

An employer can provide one mobile phone to an employee, which is exempt from payment & reporting. Any additional phones are therefore reportable to HMRC.

If your employee arranges the phone but you pay the supplier, you must:

- report the cost on form P11D
- pay Class 1 National Insurance through payroll

The employee uses their own phone and you reimburse them, you must:

- deduct and pay Class 1 National Insurance and PAYE tax on the monthly phone tariff, through payroll.
- There are no additional reporting requirements.

Relocation Costs

Some relocation costs up to £8,000 are exempt from reporting and paying tax and National Insurance. These are called 'qualifying' costs and include:

- the costs of buying or selling a home
- moving costs
- buying certain things for a new home
- bridging loans

These are only qualifying costs when:

- a new employee is moving area to start a job with you
- an existing employee is changing their place of work within your organisation
- the employee's new home is reasonably close to the workplace and their old home is not
- the costs are paid before the end of the tax year that's after the one in which the employee started their job

For qualifying costs over £8,000, you may have to report and pay tax and National Insurance.

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Accommodation

If you provide accommodation for your employees, or members of their family, you may have tax, National Insurance and reporting obligations.

- This includes providing any furniture, heat/light, council tax, water costs, etc.
- Some accommodation is exempt.

The accommodation benefit has a particular method of calculation and expenses connected to this can be treated in various ways for tax and National Insurance. We can provide further assistance and advice if required.

Staff Parties/Social Functions

As an employer providing social functions for your employees, you have certain National Insurance and reporting obligations.

To be exempt, the party or similar social function must be all the following:

- £150 or less per head
- annual, such as a Christmas party, summer barbecue or virtual event
- open to all your employees

N.B. You can have multiple annual events so long as the combined cost of the events is no more than £150 per head.

Subscriptions & Professional Fees

Many subscriptions & professional fees are exempt from reporting and tax and National Insurance, whether paid directly or staff are reimbursed for these costs provided that the organisation is included on HMRC's list of approved professional bodies: (<https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3/approved-professional-organisations-and-learned-societies>).

If the organisation is not included on list 3, and you pay them directly, you must:

- add the cost of the fee or subscription to your employee's earnings when deducting Class 1 National Insurance (but not PAYE tax) through your payroll.
- report the cost on form P11D.

If the organisation is not included on list 3, and your employee pays and you pay them back, you must:

- add the cost of the fee or subscription to your employee's earnings
- deduct and pay PAYE tax and Class 1 National Insurance through your payroll

Trivial Benefits

You do not have to pay tax on a benefit for your employee if all the following apply:

- it cost you £50 or less to provide
- it isn't cash or a cash voucher
- it isn't a reward for their work or performance
- it isn't in the terms of their contract

This is known as a 'trivial benefit'. You don't need to pay tax or National Insurance or let HMRC know.

N.B. You cannot receive trivial benefits worth more than £300 in a tax year if you're the director of a 'close' company.

PAYE Settlement Agreement (PSA)

A PSA allows you to make one annual payment to HMRC to cover all the tax and National Insurance due on minor, irregular or impracticable expenses or benefits for your employees.

It cannot include wages, high-value benefits like company cars, or cash payments.

Common examples of what can be included are gifts and shop vouchers to employees that are not exempt as a 'trivial benefit', staff entertainment and non-business expenses that are over the daily limits.

A PSA has to be agreed in advance with HMRC, if an expense or benefit is provided before the agreement and should have been included in an employee's PAYE tax and National Insurance, it cannot be included.

If you think that any of this may apply to your business, or would like further information, advice and guidance please contact the tax department at the Ely Office:

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