

TAXABLE BENEFITS ADVICE



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Employee Benefits (P11D)

Form P11D is the employer's annual return of non-exempt expenses and benefits.

Employers are required to determine that expenses being reimbursed are **exempt business expenses** and that the employee has actually incurred the expenditure, otherwise reporting these on a form P11D will still be necessary.

Dispensations granted by H M Revenue and Customs (HMRC) to cover expenses or benefits for which full tax relief could be claimed were abolished with effect from April 2016. Almost all expenses or benefits that might previously have been covered by a dispensation will be within an exemption and will not need to be reported. Where the employer is satisfied that all the expenses and/or benefits they provide would be fully covered by the expenses exemption they do not need to show these on forms P11D.

Common items that will be covered by the exemption include:

- travel, including subsistence costs associated with business travel
- business entertainment expenses
- credit cards used for business
- fees and subscriptions.

The exemption does not apply to expenses or benefits that are paid or provided under a salary sacrifice agreement.

Who Needs a Form P11D?

You need to complete a form P11D in respect of all Directors and any employees who have been provided with non-exempt expenses payments and benefits.

VAT

All amounts shown on form P11D must include VAT.

Car Benefits

The key factors for determining the benefit charge for private use of provided cars is the list price and the level of the car's carbon dioxide (CO₂) emissions. There is no discount for high mileage and cars that are over four years old.

The cash equivalent of the car benefit is the list price, when new, multiplied by the appropriate percentage which is based on the level of CO₂ emissions. The emissions figure can be obtained from the vehicle log book.

For the years 2016/17 to 2019/20, the car benefit will be based on the percentage of list price as follows:

<u>Emissions in g/km</u>	<u>Percentage of list price</u>			
	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
0-50	7	9	13	16
51-75	11	13	16	19
76-94	15	17	19	22
95-99	16	18	20	23
100-104	17	19	21	24
105-109	18	20	22	25
110-114	19	21	23	26
115-119	20	22	24	27
Increasing by 1% per 5g/km up to a maximum				
Maximum	37	37	37	37

The diesel surcharge of 3% applies to all diesels. This surcharge will now continue to apply until April 2021.

Fuel for Company Cars

The full cost of all private fuel must be met by the employee, including travel between home and work. If the Employer provides any private fuel, a taxable benefit will arise. A percentage based on the CO2 emissions of the car is applied to the current flat scale charge for fuel of £22,600 (£22,200 2016/17).

Use of Company Vans

Drivers who have unrestricted use of company vans will have a taxable benefit of £3,230 (£3,170 2016/17) for the use of the van. In addition, where free fuel is provided for private motoring a scale charge of £610 (£598 2016/17) will apply.

A tax charge applies to zero-emission vans. This is 20% of the normal van benefit of £3,230 (£3,170 2016/17) and will increase by 20% each year until the van benefit charge for zero-emission vans will equal that of this that emit CO2, by 2022/23.

If a company van is only used on company business and by the employee from home to work, with any other private use being insignificant, then a benefit will not arise.

Home Telephone

If the Company pays either all or part of the home telephone bill, details must be shown. An agreement with HM Revenue & Customs is then made as to what proportion of the charges relates to the employment. Where the Employer pays rental or any part thereof, a taxable benefit will arise.

Mobile Telephones

The provision to an employee of a single mobile phone, including line rental and private calls, paid directly by an employer is exempt. HM Revenue & Customs have now reverted to their original classification of PDAs (such as a Blackberry) as mobile phones.

Round Sum Expense Allowances

Any amount paid as a round sum allowance to an employee is subject to PAYE.

Functions and Trips

If an employee's spouse or family accompany the employee on a business trip, the full expenses incurred are included on the P11D. The proportions relating to the spouse and family will be treated as a benefit in kind.

Staff Parties

An amount of up to £150 per employee is allowed. If you hold three functions for employees within the year at say £60 each, the exemption will cover the first two but the third would be taxable in full even though the full £150 had not been utilised.

Loans to Directors and Employees

Preferential loans give rise to a benefit in kind. The amount of the loan is currently charged at a rate of 3%. If the total balance outstanding on all beneficial loans does not exceed £10,000 throughout the year, no benefit arises.

Loans, which are written off are, with few exceptions, are charged to tax.

Trivial Benefit Exemption

From 2016/17 a new trivial benefit exemption has been introduced. The exemption applies to qualifying benefits up to a maximum of £50 (including VAT) for each employee and subject to three further conditions, as follows:

- the benefit cannot be a cash payment or cash voucher (this does not include the use of non-cash vouchers and credit tokens, i.e. those that can only be exchanged for goods and services)
- the employee must bear the cost, so this exemption cannot be used with salary exchange arrangements
- the benefit cannot be given to the employee of particular services they have or will perform as part of a contractual arrangement.

Directors of close companies and family members will have an overall limit of £300 in a year.

If the above conditions are met, the benefits need not be reported on a form P11D.

Time Limits

Completed Forms P11D have to be lodged with HM Revenue & Customs no later than the 6 July following the end of the tax year. Failure to submit the forms by the 6 July could result in an automatic penalty.

Class 1A National Insurance Contributions

Class 1A national insurance contributions, are payable annually by employers on taxable benefits provided to P11D employees. The current rate for Class 1A applicable to car, fuel and certain other benefits is 13.8%. This liability falls due for payment by 19 July.

Forms P11D are a complex area, the above highlighted areas are given as guidance only. The financial structure and management of your business may affect the benefits to be included on employer Returns.



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