



WHO NEEDS A FORM P11D

For 2020/21, you need to complete a form P11D in respect of all Directors and employees who have been provided with non-exempt expenses payments and benefits.

From 6 April 2016 all dispensations cease to exist. 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.

Receipts will need to be retained for the above as evidence of expenditure incurred, unless employers instead choose to use the approved scale rates set by HM Revenue & Customs. The scale rates apply to meal allowances and are as follows:

Travel Time	Allowance	Maximum if travel is still ongoing at 8pm
5 hours or more	Up to £5	£15
10 hours or more	Up to £10	£20
15 hours or more and ongoing at 8pm	Up to £25	£25

Alternatively employers can apply to HM Revenue & Customs to use a bespoke rate. They will need to undertake a sampling exercise to help determine the rate to apply.

WORKING FROM HOME

The provision of equipment, services and supplies to enable employees to work from home is an exempt benefit, if use is solely for business purposes, or any private use is minimal.

Payments made to employees to cover their working from home household expenses are exempt, provided that:

- The employee needs to work from home, either because necessary equipment is not available at the workplace, or they live too far away from the workplace
- The amount given is not more than the additional household expenses they are incurring
- The amount given is not more than £6 per week

If payments do not meet all of the above criteria, they are subject to PAYE.

TRIVIAL BENEFITS EXEMPTION

The exemption applies to qualifying benefits up to a maximum of £50 (including VAT) for each employee and is 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 is not entitled to the benefit as part of any contractual obligation (including under salary sacrifice arrangements)
- The benefit cannot be given to the employee in recognition 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.

VAT

All amounts shown on form P11D must include VAT.

COMPANY CARS

Where a company car is provided to an individual and this is therefore made available for personal use, a benefit will arise. Further detail as to how the benefit is calculated can be found in the car benefit notes on our website.

In order that the correct tax code is issued for 2021/22 it is essential that the section dealing with Motor Car details on the questionnaire is fully completed.

H M Revenue & Customs must be notified on form P46 (Car) within 28 days of the end of the quarters to 5 July, 5 October, 5 January and 5 April where a car or additional car is first provided or where a car is withdrawn and not replaced. This form is also required to be submitted where an employee provided with car becomes liable to tax or is appointed a director. Replacement car information may still be submitted but this must be on-line.

FUEL FOR COMPANY CARS

If the Employer provides any private fuel, a taxable benefit will arise under the fixed scale rules. To avoid this, the full cost of all private fuel must be met by the employee, including travel between home and work.

A percentage based on the CO₂ emissions of the car is applied to the flat scale charge for fuel of £24,500. From 2021/22, this figure will be increased to £24,600.

USE OF COMPANY VANS

A chargeable benefit only arises if an employee uses a company van for private journeys other than between home and work.

Drivers who have unrestricted use of company vans will have a taxable benefit of £3,490 for the use of the van. From 2021/22, this benefit will increase to £3,500. In addition, where free fuel is provided for private motoring a scale charge of £655 will apply. The fuel scale charge increases in 2021/22 to £666.

For 2020/21 the tax charge applying to zero-emission vans will be 80% of the normal van rates. This benefit will however reduce to nil in 2021/22.

MILEAGE ALLOWANCE PAYMENTS

The authorised tax-free mileage rates for 2020/21 are as follows:

	FIRST 10,000 MILES	OVER 10,000 MILES
Car or Van	45p	25p
Motor Cycle	24p	24p
Bicycle	20p	20p

An additional 5p per mile may be received tax-free where fellow employees are carried on business trips. Any amount in excess of these rates is required to be included on form P11D.

HOME TELEPHONE

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

ENTERTAINING

The full cost of employees entertaining expenditure must be declared. If this entertaining is incurred for genuine business reasons then it will usually be allowed by HM Revenue & Customs.

PERSONAL INCIDENTAL EXPENSES PAID BY EMPLOYERS

If an employee is away from home overnight on business and incurs incidental expenses not otherwise deductible for tax purposes (e.g. laundry, newspapers and telephone calls) which are reimbursed by the employer, provided such reimbursement does not exceed £5 per night in the U.K. and £10 per night outside the U.K. then no tax charge will arise.

ROUND SUM EXPENSE ALLOWANCES

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

CREDIT CARDS

Where an employee uses a credit card for private expenditure, the total sum including VAT must be shown on form P11D. If these amounts are incurred on genuine business expenditure then they will be covered by the exemption mentioned above and will not need reporting on a P11D.

LOANS TO DIRECTORS & EMPLOYEES

Preferential loans give rise to a benefit in kind. The amount of the loan is charged at a rate of 2.25% from 6 April 2020. If the total balance outstanding on all beneficial loans provided for any employee does not exceed £10,000 throughout the year, no benefit arises.

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

FUNCTIONS & 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.

THIRD PARTY BENEFITS

Perks (e.g. a sales person winning a promotional prize from a supplier) are chargeable benefits in kind and must be declared.

MOBILE TELEPHONE

The exemption for mobile telephones provided by an employer is restricted to one per employee. The phone must be in the name of the employer; otherwise the exemption will not apply.

COMPUTERS

A computer loaned by an employer and used privately by the employee carries a benefit, valued at 20% of the market value at the date the equipment is first provided. HM Revenue & Customs now accepts that smartphones such as iPhones and Blackberries satisfy the condition necessary to qualify as mobile phones, rather than as computers.