

OUR STEP-BY-STEP GUIDE TO COMPLETING FORMS P11D AND P11D(B)

FORMS P11D AND P11D(B)
PRACTICAL GUIDE TO COMPLETION 2016/17

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It is that time of year again – when you need to prepare your P11Ds. We are pleased to provide you with this handy guide to help you.

In this guide, our experts highlight the key changes from last year and provide a step-by-step guide to make your life easier. If you still have queries, please get in touch and we can give you tailored advice on what your company needs to do to ensure compliance.

P11D advice is just one of the areas in which we can help you. The Human Capital team at BDO offers a range of specialist tax advice designed to assist employers in maximising the value of their investment in the workforce. This is achieved by identifying potential opportunities for savings on costs, while motivating staff and managing risk at the same time. Our Employment Tax, Expatriate Tax and Reward teams work closely together, constantly looking at ways we can do more for your business.

EMPLOYMENT TAX SERVICES

Our team provides employers with balanced and objective solutions to a wide range of employment tax issues.

Salary exchange is the main mechanism used to access savings for both employers and employees in connection with some employee benefits, including pensions, company car arrangements and mobile phones. Case law has demonstrated the need for such arrangements to be implemented robustly and to be reviewed regularly to prevent HMRC arguing that the employer has failed to meet the necessary compliance requirements and is therefore liable for the full amount of any tax/NIC viewed by HMRC as due. We can help you address these issues. We can leverage our market expertise to ensure that not only are the benefits you provide appropriate to your organisation, but also that they are implemented cost-effectively and compliantly.

Other areas we can advise on include:

- Apprenticeship Levy
- Tax and policy issues arising when employment is terminated
- PAYE and NIC risk assessment and management
- P11D and PSA optimisation and cost review
- Employment status issues
- Expenses and benefits policies and procedures
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EXPATRIATE TAX SERVICES

Our Expatriate Tax team provides tax and social security advice to employers with internationally mobile workforces.

Ensuring all home and host country obligations are met

Employers and their assignees face the task of complying with unfamiliar legislation in foreign countries. We can relieve this burden by ensuring that all tax and social security obligations are met – both at home and in the host country.

Reducing employer and employee costs of international assignments

Effective planning for expatriate assignees relies on extensive, accessible knowledge of the home and host country tax law. Compensation packages should be carefully structured to ensure tax and social security contributions efficiency for both employer and assignee.

Our specialist expatriate tax advice includes:

- Tax returns and hypothetical tax calculations
- Global payroll capability
- Tax authority liaison and documentation world-wide
- Global tax and social security cost minimisation by reviewing company expatriate policies and remuneration packages, including pensions
- Tax equalisation and protection mechanisms to deal with varying tax and social security contributions exposure for employees world-wide
- Country specific planning through a network of tax and social security specialists in over 15 countries
- Assistance with expatriate employer compliance reviews
- Implementing short term business visitor arrangements, including smart app technology to assist.



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REWARD SERVICES

Reward is an important service that helps to ensure the right people stay with your business, now and in the future. There are a large number of factors that determine an employer's decision to implement incentive and bonus schemes and then how the schemes operate for tax, accounting, dilution and commercial implications. Structures are increasingly being scrutinised by the tax authorities as well as investor and regulatory bodies and even the media. We can help you assess your current position and identify what part share and cash based incentives should play in your overall reward strategy in the future, or how to structure management share acquisitions in MBOs or other transactions.

Our specialist services can help in these areas:

- Executive compensation advice for remuneration committees and boards of directors for listed and private companies
- International share plan design and compliance for all levels from senior management through to all employees
- Tax-efficient share structures for executives or other staff including tax advantaged and non-tax advantaged arrangements
- Assisting with online share scheme registration and filing
- Corporate transactions – MBOs, takeovers, demergers and IPOs.



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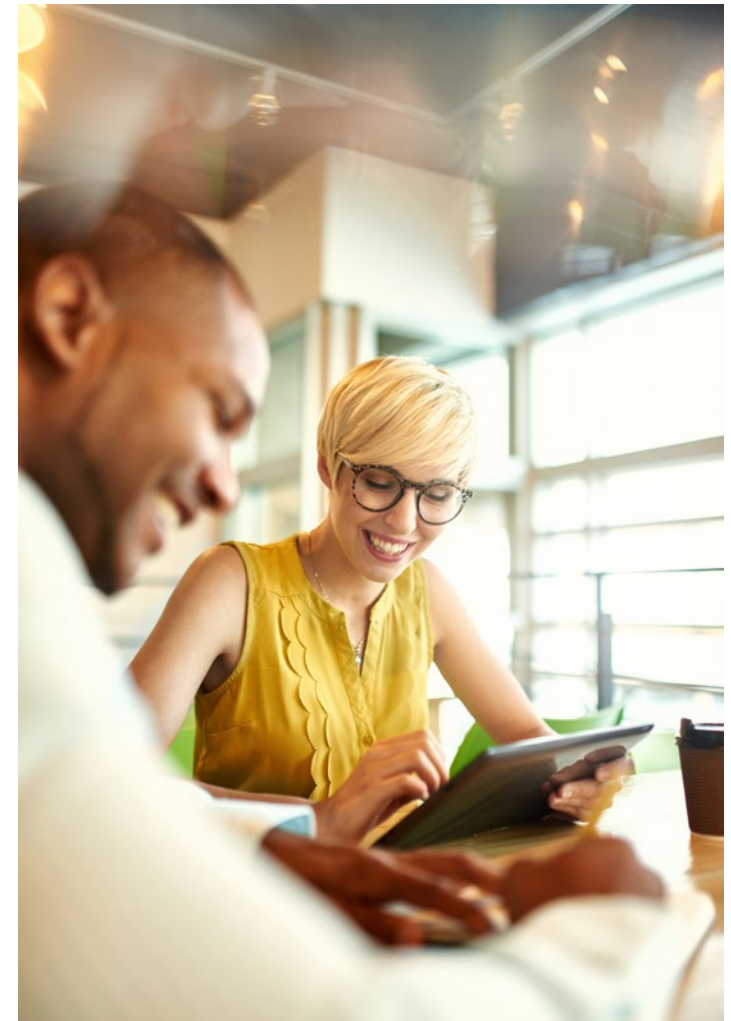
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TAX DISPUTE RESOLUTION

In the event of a tax enquiry or compliance check by HMRC, there are two pieces of advice that any experienced professional will give: first, don't panic and second, get expert help at the outset. You will need someone on your side who knows the jargon and understands how HMRC operates. Experience shows that professional advice at an early stage can help reduce the pressure and stress of an enquiry or check and can achieve a better settlement for you. Our team of specialists understand the processes involved when HMRC carries out such a visit or you receive the opening letter.

We can help you in the following ways:

- Having a detailed knowledge of the modus operandi of HMRC's Special Investigation teams
- Taking a proactive and pragmatic approach to managing the enquiry process and reaching a settlement
- Handling employer compliance checks or multi-tax reviews
- Challenging HMRC's interpretation of legislation to minimise any potential settlement
- Managing voluntary disclosures
- Negotiating penalties and reviewing settlement documentation
- Helping with formal Time To Pay arrangements and debt management with HMRC
- Providing mediators to assist in reaching a settlement with HMRC through Alternative Dispute Resolution (ADR) where an enquiry is long-running (in excess of 18 months) and the case is at stalemate.



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SOFTWARE

The use of software to prepare your P11D returns offers a number of advantages, including ease of online filing and carry forward of static data such as employee details, thereby minimising the repetitive nature of such tasks and the opportunity for errors. It is also clear that HMRC increasingly favours internet submission for returns and, for instance, for form P46 (car) the paper form offers less reporting options than the online version. Software can also help to improve accuracy with automated calculations and embedded rules for completing data fields such as the dates of availability for company cars which help to ensure the forms are correctly completed.

Our P11D software is one of the favourite solutions for production and filing of employee expenses and benefit returns. It is used by the majority of the top 20 firms of accountants as well as by companies across all industry sectors.

The system is versatile and can be tailored to suit your individual needs. The key to the software is its ease of use, with flexible facilities. It can simplify input, automate calculations and ensure accuracy of returns for any size of company. The P11Ds can be returned to HMRC on paper, disc or by electronic submission. If you would like more information about this product please email p11d@bdo.co.uk.



CONTACT

For more information about how BDO LLP specialist tax advice can help you in any of these areas, please get in touch with your local employment tax contact or:

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Benefits in kind are not yet included in real time information (RTI) returns for the majority of employers, which means that employers are still required to submit forms P11D and P11D(b) for 2016/17. From 6 April 2016, the requirement for P9D reporting has been removed and all taxable benefits in kind will have to be recorded on forms P11D regardless of the salary level of the recipient (subject to exemptions as set out below).

This guide is fully updated for the 2016/17 tax year and contains detailed information and commentary on the benefits and expenses that should be disclosed by the 6 July 2017 deadline.

CHANGES FOR 2016/17

The 2016/17 form P11D is very similar to the 2015/16 version. However, there are several changes to the benefit rules and the measure of the taxable value of benefits which are effective from 6 April 2016:

£8,500 threshold

The £8,500 threshold has been abolished for benefits in kind provided from 6 April 2016 and the P9D also disappeared, so all taxable benefits in kind will have to be recorded on forms P11D regardless of the salary level of the recipient. This is subject to any specific exemptions and exclusions for PAYE Settlement Agreements.

A new exemption has been introduced for ministers of religion earning less than £8,500. This includes an exemption from tax and NIC for all expense payments and benefits before the deduction of any allowable expenses.

A further exemption from tax and NIC applies to the cost of board and lodging provided to carers working in the home of the person they are employed to care for.

Car and van benefits and provision of private fuel

For vans, the benefit for unrestricted private use has increased from £3,150 to £3,170, and the van fuel benefit has increased from £594 to £598. The benefit for use of zero emissions vans remains charged at 20% of the full van benefit rate, i.e. £634 in 2016/17.

For cars, the fuel benefit multiplier has increased from £22,100 to £22,200, and the starting bands have increased to 7% and 11% for ultra-low emissions vehicles (ULEVs) and to 15% for cars with CO₂ emissions above 75g/km; there are 1% increases thereafter to the maximum of 37%.

Trivial benefits

There is a statutory exemption from tax and NIC for trivial benefits costing £50 or less (i.e. there is no need to report such benefits on forms P11D for 2016/17 onwards) but only where all four of the following conditions are met:

- The benefit is not cash or a cash voucher
- The cost of providing the benefit, or in some circumstances the average cost per person of providing the benefit, does not exceed £50
- The benefit is not provided through a salary sacrifice arrangement or any other contractual obligation, and
- The benefit is not provided in recognition of particular services performed by the employee in the course of the employment or in anticipation of such services.

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The exemption applies equally to benefits provided to the employee or to the employee's family or household.

Where the employer is a close company and the benefit is provided to an individual who is a director or other office holder of the company (or to a member of their family or household) the exemption is capped at a total cost of £300 per tax year.

If any of these conditions is not met, the benefit is taxed in the normal way, subject to any other exemptions or allowable deductions and it must be reported on a P11D as appropriate.

Abolition of P11D dispensation requirement – exemption of certain expenses payments and benefits

A statutory exemption from tax and NIC in respect of deductible expenses and benefits in kind provided to employees replaced the old system of P11D dispensations, from 6 April 2016 onwards.

The legislation only applies where employees would have been eligible for tax relief if they had incurred and met the cost of the expenses or benefits themselves. Employers must have sufficient controls and procedures in place to certify that only tax deductible business expenses are being reimbursed free of tax and NIC.

The exemption also allows employees, subject to HMRC agreement, to be paid a scale rate in respect of qualifying expenses rather than being reimbursed for the amounts that they have actually incurred.

The exemption allows employers to reimburse employees at the HMRC benchmark scale rates for qualifying subsistence costs when travelling for work, without having to undertake a

sampling exercise. Where employers do not want to use the HMRC benchmark rates they can agree a bespoke scale rate with HMRC. However, they will need to provide evidence, based on a sampling exercise, to demonstrate that the proposed rates are a reasonable estimate of the expenses actually incurred by employees.

If employers pay a rate that is not the HMRC benchmark rate or has not been approved by HMRC, the payment must be subject to tax and NIC withholding as salary.

The exemption does not apply where expenses are paid as part of a salary exchange arrangement.

Travel and subsistence involving intermediaries

From 6 April 2016, tax relief on travel to an assignment may not be available for workers who provide services under arrangements involving an employment intermediary.

If workers are subject to supervision, direction or control by any person, each assignment is treated as a separate employment. The location of each assignment will, therefore, be treated as a permanent place of work rendering travel to that place from home 'ordinary commuting'. This is intended to bring travel costs for workers engaged via an intermediary into line with other workers. Where a worker's circumstances are such that they would be properly considered as self-employed if engaged directly, the new legislation will not apply.

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Apprentices aged under 25

There is a zero rate of Class 1 secondary NIC for apprentices under the age of 25 earning up to the new 'apprentice upper secondary threshold' (AUST). For 2016/17 this is £827 per week (£3,583 per month or £43,000 a year) - the same level as the upper earnings limit. However, Class 1A and Class 1B NIC on benefits in kind must still be paid for such employees.

If the apprentice earns more than that, Class 1 secondary contributions will be payable on the excess. The other rules and NIC calculation methods have not changed.

The AUST is different to the upper secondary threshold (UST) which applies to employees under 21, although it is set at the same amount for 2016/17 (£827 per week).

Apprentices will continue to pay Class 1 primary NIC (employee contributions), and employers must deduct that amount from salary payments via the payroll in the usual way.

Voluntary payrolling of benefits

From 6 April 2016, HMRC introduced a statutory framework for the voluntary payrolling of benefits in kind (PBIK) and expense reimbursements. Benefits that are taxed and reported through payroll will not need to be reported on forms P11D.

It is an entirely voluntary scheme, and the normal P11D process is still in place for employers who do not wish to participate. It is also possible to choose to payroll some benefits and report the others on forms P11D. While it was initially envisaged that only a few benefits would be eligible for PBIK, it has since been expanded so that all benefits can be 'payrolled' with two exceptions – living accommodation and beneficial loans.

This does not affect the amounts of tax and Class 1A NIC that will be payable on the benefits provided, nor does it remove the P11D(b) reporting obligation.

Employers should register before the start of the relevant tax year, so the earliest year now available is 2018/19, i.e. registration before 6 April 2018. Registration is online, and is per payroll – so employers with multiple payrolls and PAYE references must register each separately.

FUTURE EVENTS

In addition to those changes effective from 6 April 2016, there are some important future changes to note which are anticipated.

Car and van benefit rules

For vans, the benefit for unrestricted private use will increase from £3,170 to £3,230 in 2017/18, and the van fuel benefit from £598 to £610.

For the use of zero emissions vans there will be an increase in the percentage charge of the full van benefit rate. Currently at 20% this will increase to 40% in 2018/19 and then by 20% a year until it reaches parity for all vans in 2021/22.

For cars, the fuel benefit multiplier will increase from £22,200 to £22,600 in 2017/18, but proposed band changes for ultra-low emissions vehicles (ULEVs) have been deferred until the next Parliament.

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Assets made available to employees without transfer

From 6 April 2017, HMRC is introducing a detailed method of calculating the taxable value (cash equivalent) of an asset provided to an employee which is made available for private use.

Sporting testimonials and benefit matches

From 6 April 2017, income from sporting testimonials and from benefit matches for employed sportspersons will be chargeable to income tax and subject to PAYE and NIC, irrespective of whether they are arranged by the sportsperson's club or by an independent testimonial committee.

This applies to income from events taking place on or after 6 April 2017 where the testimonial was granted or awarded on or after 25 November 2015.

An exemption of £100,000 will be available to set against testimonial income received, either from an individual match or a series of events in a testimonial year. The exemption is available provided that there is no contractual entitlement or customary practice to hold the sporting testimonial or benefit match, and the event is being arranged by an independent testimonial committee.

Changes to the measure of taxable value of benefit in kinds – Optional Remuneration Agreements

Where an employee agrees to a reduction in gross pay in return for their employer providing a benefit of some kind, the way the benefit is valued is changing from 6 April 2017. This includes cash allowances (such as a car allowance), flexible benefit packages with a cash alternative, and standalone salary sacrifice and

salary exchange schemes (known as Optional Remuneration Arrangements – ORAs).

From 6 April 2017, where an employee has an ORA, tax will be based on the higher of:

- The salary given up to receive it
- The taxable cash equivalent of the benefit itself, and
- The cost to the benefit of providing the benefit.

This applies to all benefits in kind, including those currently exempt except for some specific exclusions that include employer pension contributions, pensions advice, childcare vouchers and employer-provided childcare, cycles and cyclists equipment under the Cycle to Work scheme, and cars with emissions of 75g CO₂/km or less.

Arrangements between an employee and employer, which are binding on both parties and entered into on or before 5 April 2017, are protected until the earlier of:

- A variation in terms or renewal of the ORA, or
- The employee changes employer, or
- 6 April 2018 for most benefits (which extends to 6 April 2021 for company cars, school fees and accommodation).

The format of the 2017/18 P11D will be amended to reflect these changes.

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Off-payroll working in the public sector

From 6 April 2017, there are changes to the way the current intermediaries legislation (known as IR35) is applied to off-payroll workers in the public sector. Where the rules apply, individuals working in the public sector through an intermediary will pay employment taxes in a similar way to employees.

The responsibility for determining if the legislation should be applied will lie with the public authority the worker is supplying services to, rather than the worker's intermediary.

Where the rules apply, it is the fee-payer (which could be the public authority, agency, or another third party paying the intermediary) that has responsibility for calculating the tax and NIC due, and remitting this to HMRC. These amounts will be deducted from the intermediary's fee for the work provided.

Apprenticeship levy

The levy is charged from 6 April 2017 at a rate of 0.5% of an employer's 'paybill' which is classified as employee earnings for Class 1 NIC purposes. The classification will include earnings for employees aged under 21 and apprentices under 25. For levy purposes, the employer is the organisation that has the Class 1 NIC liability. There is also an annual allowance of £15,000 for each employer, or a group of connected companies or charities, to set against the levy. Employers and connected companies and charities with a paybill of less than £3m are, therefore, exempt from the levy. If an employer has a paybill of less than £3m and the full £15,000 levy allowance available (i.e. it is not shared with another connected employer) they do not have to pay the levy but can still take on apprentices and receive support under the levy.

Once the levy is collected by HMRC, it is passed to the Department for Business, Innovation and Skills and held in a digital account from which the employer is able to draw down to pay for qualifying expenditure on apprenticeship training.

PROPOSALS FOR 2017 THAT HAVE BEEN DELAYED

Lack of Parliamentary time before the snap General Election led to some proposed changes to employment taxes being dropped from Finance Act 2017. It is expected that these will be implemented by the new Government at a later date.

Employer-arranged pensions advice

There was to be a new tax and NIC exemption to cover the first £500 worth of pension advice provided or paid by an employer to an employee in a given tax year. This includes advice on both pensions and general financial and tax issues relating to pensions. It is not clear whether this will proposal will be implemented from 6 April 2017 as originally planned or from a later date.

Legal support

All employees (or former employees) that are called to give evidence, for example, at an inquiry, were to be able to receive legal support funded by their employer which would not give rise to a taxable benefit in kind. It is not clear whether this proposal will be implemented from 6 April 2017 as originally planned or from a later date.

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Other

It is expected that planned changes to the termination rules from April 2018, the rules for making good employee benefits for 2017/18 and later years and new rules for PAYE settlement agreements from April 2018 will be included in a future Finance Bill.

OVERVIEW

There are 14 sections in the 2016/17 P11D form lettered A–N. Some sections include more than one box, and there are a total of 24 boxes that potentially require the employer to enter an amount that could be liable to tax and perhaps Class 1A NIC. 11 of these boxes are blue and report information for tax purposes only; 13 are brown and the information is used both for tax and Class 1A NIC purposes. Section M 'Other items' has both blue and brown boxes. A fairly complex picture is emerging before even considering completing the P11D(b).

Six sections – 'Living accommodation' (D); 'Mileage allowance and passenger payments' (E); 'Cars and car fuel' (F); 'Vans and van fuel' (G); 'Interest-free and low interest loans' (H); and 'Qualifying relocation expenses payments and benefits' (J) – are supported by working sheets.

These are invaluable in calculating the cash equivalent of these more complex benefits. In all sections, employers must potentially report an amount for the cash equivalent or taxable payment. The figures must be calculated with great care because HMRC uses them for determining PAYE codes and employees use them for completing self-assessment tax returns. The entries in the brown boxes are used to calculate the Class 1A NIC liability.

The distinction between a blue or brown box is less clear when software is used to assist with completion of the returns. It may, therefore, be useful to keep a copy of the paper form to hand to help with checking the Class 1A NIC calculation. Forms P11D(2017) and P11D(b)(2017) are reproduced at the end of this guide.



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BLUE BOX OR BROWN BOX?

Whether to use a blue box or a brown box is sometimes very clear. For example, a company-owned car is subject to Class 1A NIC and the box is brown. Conversely, a reimbursement of a train ticket for a business journey is an expense payment that should be entered in a blue box.

However, it is sometimes less clear, and the matter turns on whether a 'payment to or for the benefit of an employee' is, or is not, a 'payment in kind' (contribution law terminology for a benefit in kind).

Normally, a Class 1 NIC liability will only arise on payments to or for the benefit of the employee that are not benefits in kind. If a Class 1 NIC liability exists, a Class 1A NIC liability cannot exist. However, most benefits in kind are not liable to a Class 1 NIC charge and, therefore, this leaves the way open for a Class 1A NIC liability. It is, therefore, worth looking in detail at what constitutes a payment to, or for the benefit of, an employee that is or is not a benefit in kind, as it is this that decides whether the box should be blue or brown.

A payment for Class 1 NIC purposes includes a payment 'for the benefit' of the employee, so it includes payments from the employer to third parties. This is not to be confused with a benefit in kind.

The question turns on the contractual arrangements for the supply of the goods or service. If the employer enters into the contract with the supplier and has title to and liability for the item in question, it will arrive in the employee's hands as a benefit in kind (brown box).

However, if the employee enters into the contract with the supplier, any payment by the employer, either by reimbursement to the employee or directly to the supplier, is not a benefit in kind, as it settles the employee's personal debt (blue box). Payments made by the employer directly to third parties, e.g. to BT for the employee's home telephone line for which the employee has the contract are, in the first instance, subject to Class 1 NIC (blue box section N).

Another example includes an employer paying the premium on personal insurance policies for which the employee contracts, e.g. life and medical policies (blue box section B).

Such payments may be described as expense payments and are potentially subject to Class 1 NIC. This is true of all expense payments, e.g. travelling, subsistence and entertaining. However, providing the payments are specific and distinct payments of employment expenses (or contributions towards toward them), they are not subject to Class 1 NIC. All payments subject to Class 1 NIC must be dealt with in the payroll in the earnings period in which payment is made. This is particularly important under RTI as HMRC has the ability to view payments during the year. All blue box entries are, subject to them being specific and distinct payments of or contributions towards, business expenses, liable to Class 1 NIC but not to Class 1A NIC. All brown box entries are subject to Class 1A NIC unless they are capable of being adjusted (see 'Completing the P11D(b)' section further on in this guide).

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References

All references to:

['Expenses and benefits, a tax guide' \(Booklet 480 2017\) are to the 2017 version](#)

['Employer's Further Guide to PAYE and NIC' \(Booklet CWG2 2016\) are to the 2016 version](#)

['Class 1A NIC on benefits in kind' \(Booklet CWG5 2016\) are to the 2016 version](#)

['Employee Travel: A Tax and NIC Guide for Employers' \(Booklet 490\) are to April 2016 version](#)

['Extra-statutory concessions' \(ESCs\) are to the April 2016 version](#)

EXPENSES OR BENEFITS?

Throughout this guide, unless the context demands otherwise, expenses are items potentially subject to tax and Class 1 NIC, and benefits are items potentially subject to tax and Class 1A NIC.

DUE DATES

You must submit the 2016/17 P11D and P11D(b) returns to HMRC and give employees copies of P11Ds by 6 July 2017. HMRC may seek penalties for late returns not filed, in the case of P11D(b) by 19 July 2017. Class 1A NIC must be paid by 19 July 2017, or by 22 July 2017 if paying electronically. Note that 22 July 2017 is a Saturday so the due date effectively moves to 21 July. Interest is payable on late payments (see 'Penalties and interest' section).

WHO NEEDS A FORM P11D?

Forms P11D must be supplied for the following:

- 1 Each director, including persons acting as or giving orders to directors, excluding:
 - A director of a non-profit making concern or a charity
 - Any full-time working director without a material interest in the company.
- 2 Each employee, who received expenses and/or benefits in kind (which are subject to tax and/or NIC). A director excluded under (1) above may require a P11D under this rule.

Any review of P11Ds by HMRC begins by asking if returns have been made for all relevant individuals.

Remember that taxable expenses and benefits to be reported include those made available to the individual's family or household (spouse, children, grandchildren, parents, servants, dependants and guests).

FORM P11D(B)

The form P11D(b) should be completed, the declaration signed and then sent to HMRC either along with or separately from the completed forms P11D. The process of completing form P11D(b) is discussed in more detail on [page 43](#).

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FORM P9D

Tax year 2015/16 was the final year for which P9Ds were required. Following the removal of the £8,500 threshold the forms have become redundant.

NATIONAL INSURANCE CONTRIBUTIONS (NIC)

References are made in this guide to NIC but it does not seek to cover the topic comprehensively.

VAT

It is important to make all entries and calculations VAT-inclusive, whether or not the VAT is recoverable.

DISPENSATIONS

Dispensations ceased to have effect on 5 April 2016, so 2015/16 was the last tax year for which they applied to P11Ds. See 'Abolition of P11D dispensation requirement' for a summary of the rules from 6 April 2016.

EMPLOYMENT TERMINATION SETTLEMENTS

An employment termination settlement is the 'termination package' that employers may agree with outgoing employees at the time the employment ceases. Do not use form P11D for reporting employment termination settlements. Employers must normally make a 'one-off' report of cash and benefits given or to be given to an employee because of the termination of his or her employment which are estimated to be worth more than £30,000 (also deducting PAYE as appropriate). Employers must report this in writing by 6 July following the tax year of termination.

Where an asset is transferred or other benefits provided to the employee on cessation of employment (e.g. redundancy) the value of the asset or benefits is ignored for PAYE purposes. If the total package, including the assets or benefits on termination, exceeds £30,000, the excess is taxable and should be reported to HMRC as outlined above. If the package is over £30,000 and is provided over a number of tax years, the benefits and payments are taxed in the year the benefits are enjoyed or the payments are received. Where payments and benefits fall within the definition of termination payments, no Class 1 NIC or Class 1A NIC is due. However this is an extremely complex area and it is easy to make mistakes, so professional advice is a necessity.

PAYE SETTLEMENT AGREEMENTS (PSA)

PSAs are optional arrangements that allow employers to include minor or irregular benefits and expenses in a separate return instead of reporting them on forms P11D and accounting for Class 1 NIC or Class 1A NIC. As a result, employees do not pay any tax or NIC; instead the employer agrees to settle the tax on a grossed-up basis and Class 1B NIC with HMRC annually. Class 1B NICs become payable on the relevant items in the PSA instead of Class 1 NIC or Class 1A NIC as appropriate. Class 1B NIC is payable both on the value of the initial benefit and on the tax payable under the PSA.

The PSA must be arranged before a PAYE and Class 1 NIC liability arises, because the liability is fixed and therefore cannot be changed by a PSA being agreed retrospectively. PSAs are annual agreements and must be renewed every year. This may mean agreeing the PSA before the start of the tax year in question.

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EMPLOYMENT RELATED SHARES AND SECURITIES – ANNUAL RETURNS

If employees or directors hold shares, securities or options over shares in your company you will be required to make a return to HMRC online. Tax advantaged share plans, non-tax advantaged share plans and other events involving equity and employees or directors must be registered and reported online. Reporting the information is a statutory obligation. In most cases, any share transactions involving employees are reportable.

Examples of what you must report:

- Shares, options or securities (which is broadly defined but includes instruments such as loan notes and warrants) issued to or acquired by employees or directors
- Any options which have been exercised
- Cash cancellation payments to employees or directors
- Options lapsing under some approved plans.

You must complete and file the forms with HMRC before 7 July following the tax year in which the reportable event takes place (i.e. before 7 July 2017 for the 2016/17 tax year). Online filing and self-certification for share schemes was introduced from 6 April 2014, and employers must register schemes (both new and existing schemes) online in order to be able to submit share scheme returns – paper returns will not be accepted. An employer's schemes may therefore all be registered so that this year only involves the actual reporting. However, if employers have new schemes or activity that does not relate to an existing

scheme registration, these schemes must be registered before the annual reporting can take place.

Where there are schemes to be registered in advance of the reporting process, the online registration process includes a time delay of 15 days as standard because HMRC issues an authorisation code to the registered PAYE address in the post. Therefore, it is vital to register any unregistered schemes as soon as possible (by mid-June 2017 at the absolute latest) to ensure that you can meet the online filing deadline for 2016/17.

A return must be submitted for every share plan registered – even if it is a nil return. HMRC no longer issue notices to file or reminders. There is no need to register a non-tax advantaged scheme if you have no reportable events for the year, but once a non-tax advantaged scheme is registered, a return (including a nil return) must be submitted annually.

If you are in doubt about your reporting obligations try BDO's free self-test tool at www.bdo.co.uk/share-plan-reporting-tool.



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With the online filing regime there are compliance penalties as follows:

- Failure to file a return by 6 July will result in automatic penalties – initially a £100 penalty for missing the deadline, plus additional penalties of £300 after three and six months if the return is still outstanding. If the return is more than nine months late, a further penalty of £10 per day may also be charged.
- Penalties for compliance failures can, therefore, mount up. Any failure(s) may also impact on HMRC's risk rating for the company and could subsequently result in an unwanted visit from HMRC.
- Penalties of up to £6,000 can also be applied for failure to submit the return in an electronic format or for careless or deliberate errors.

As well as the penalties that are now being strictly enforced, HMRC is increasingly using the employment related securities annual returns for the purposes of HMRC reviews. Late or incorrect returns will result in more detailed enquiries.



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A: 'ASSETS TRANSFERRED (CARS, PROPERTY, GOODS OR OTHER ASSETS)' (BROWN BOX)

Information required

The cost or market value of the assets at the date of transfer, the amount of any payment by the employee or from which tax has already been deducted, with the difference being the cash equivalent.

Measure of benefit

The benefit is normally the market value, less any payment made by the director or employee for the asset. Market value is defined as the price that it might reasonably have been expected to fetch in a sale on the open market. The notes below expand this definition to cover circumstances where this does not strictly apply.



Practical points

1. If the asset is purchased by the employer and is immediately transferred to the director, employee or member of his or her family or household, the higher of market value or cost determines the benefit. It is important that the employer actually purchases the asset and does not simply settle an employee's pecuniary liability, as this would create a liability to Class 1 NIC and fall to be reported in section B.
2. An asset transferred, used or depreciated since purchase is taxable on its market value.
3. If the asset (except a car, van, bicycle or cyclist's safety equipment or property that has been used as living accommodation) is firstly loaned and then transferred to the employee, the benefit is calculated by taking the market value when the asset was first provided as a benefit. Next, deduct the amount that has been assessed as a benefit in earlier years, the result giving the assessable amount unless the market value at the time of transfer is greater.
4. For those assets excluded above which have previously been made available as a benefit, including exempt bicycles, you should use the market value at date of transfer.
5. Any amount paid by the employee is deducted from the cost or market value to arrive at the cash equivalent.
6. Tax is deductible under PAYE from awards of readily convertible assets. These include assets tradable on recognised investment exchanges or for which trading arrangements either exist or may come into existence. Such awards are subject to Class 1 NIC, not Class 1A NIC. Awards of readily convertible assets are not reportable on form P11D.

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B: 'PAYMENTS MADE ON BEHALF OF EMPLOYEE' (BLUE BOX)

Employee payments

Form P11D has three 'catch-all' sections. The first part of this section is one of them. The others are section K: 'Services supplied' and section M: 'Other items'. If an employee holds the contract for the supply of goods or services, any sums paid by the employer must be reported in this section, e.g. gas and electricity bills. A less common example would be settling a holiday account.

Information required

A description of the payment and the amount paid.

Measure of expense

The amount paid.

Practical point

Where possible, contract directly with the supplier of the goods or service, thus avoiding employee's Class 1 NIC. These benefits would then be reportable in section K.

Tax on notional payments

PAYE applies to benefits provided in the form of readily convertible assets and to payments made in certain circumstances by intermediaries and foreign employers, i.e. notional payments. The tax due through the PAYE system may itself form a taxable benefit.

Information required

The PAYE tax due on a notional payment not paid by the employee either by deduction from salary or reimbursed to the employer or deemed employer within 90 days of receiving the notional payment.

Measure of expense

This is the amount of PAYE that was payable and not made good by the employee within 90 days of receipt of the convertible asset or the payment from an intermediary.



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C: 'VOUCHERS AND CREDIT CARDS' (BLUE BOX)

Information required

Detail the cost of providing benefits or paying expenses by way of the provision of a voucher, token or credit card exchangeable for money, goods or services. If the expenses have been reported elsewhere – for example, under section N: 'Entertainment' – do not repeat the details. Indicate any amount made good or that has suffered a tax deduction and report the difference as the taxable payment.

Measure of expense

This is the cost to the employer of providing the voucher, token or credit card, including any additional expenses. All employees are caught under specific legislation covering this topic.



Practical points

1. Vouchers are either liable to Class 1 NIC or exempt from NIC altogether; consequently none are liable to Class 1A NIC. If the employer pays the tax and Class 1B NIC in a PSA, a return on form P11D and payment of Class 1 NIC are not required. The rules on trivial benefits may now exclude vouchers from the form P11D for a particular individual.
2. If the voucher is exchangeable for cash, the employer is required to operate PAYE and NIC on the cash value of the voucher as though this forms part of pay (see [Chapter 5 of the 'Employer's Further Guide to PAYE and NICs' \(CWG2\)](#)).
3. Where a credit card is provided to an employee to purchase car fuel and pay other company car running expenses, HMRC accepts that this is accounted for in the car and car fuel scale charges. There is no need to report those details under this heading. Using a credit card to acquire assets and services for personal use creates a Class 1 NIC liability ([CWG5 Appendix 1](#)).
4. Common examples are transport vouchers, Christmas gift vouchers and luncheon vouchers.

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D: 'LIVING ACCOMMODATION' (WORKSHEET 1) (BROWN BOX)

Information required

The cash equivalent of the accommodation provided.

Measure of benefit

Two components – a basic charge and an additional charge exist.

Basic charge

The benefit is based on the greater of the gross rateable value of the property and the rent paid by the employer. The benefit is then reduced by any rent paid by the employee.

Additional charge

If the property (plus improvements measured from the next tax year after the expenditure is incurred) costs more than £75,000, there is an additional charge, unless the basic charge is already based on the open market rental value (ESC A91). If the employer has owned, or has had an interest in, the property for six years prior to the employee taking up occupancy, substitute market value for cost. Calculate the additional charge by taking cost or market value as appropriate and deduct £75,000 from that figure, then multiply by the official rate of interest at the beginning of the tax year (3% for 2016/17).

Ancillary benefits that are the employer's liability are chargeable to tax. Such benefits include running costs (e.g. repairs, heat and light) and the provision of company assets, such as furniture and appliances. Enter these in the brown box in section M of the P11D if you, as employer, enter into a contract with the supplier, as they are subject to Class 1A NIC. If the expenses are personal to the employee, they are subject to both tax and Class 1 NIC and should be entered in the blue box in section M of the P11D.

Practical points

1. Employees may be exempt from a tax charge, and the employer from a Class 1A NIC liability, on the accommodation benefit (see paragraph 21.2, [Booklet 480](#)) if the accommodation is:
 - a. Necessary for the proper performance of the employee's duties (e.g. farm workers or full time caretakers)
 - b. Provided for the better performance of the employee's duties and it is customary in this type of employment for employers to provide employees with accommodation (e.g. clergy and boarding school masters)
 - c. Provided as part of a special security arrangement as a result of a threat to the employee's security.

Certain directors cannot qualify for exemptions (a) or (b) (see paragraph 21.3, [Booklet 480](#)). Employers should not assume that an employee is exempt under these rules. Guidance should always be obtained from a professional adviser. If it is considered that an employee qualifies for one of these exemptions, the point should be stressed in the employment contract, an action which may help to defend marginal cases.

2. If the same accommodation is provided to more than one employee in the same period, the total benefit charged would not exceed the amount that would have arisen if the accommodation had been provided to a single employee.

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3. Employers should not charge a rent which exceeds the accommodation benefit charge and then assume that the balance may be set against any other benefits or expenses arising (see (4) below). Conversely, if the employee reimburses the employer for a specific expense, such as a gas bill, the amount paid cannot be deducted from the accommodation benefit.
4. Assuming the employer holds the contract, the other benefits arising from the provision of accommodation are chargeable only on form P11D employees. Running costs, such as gas, electricity, insurance and gardening will be taxable if met by the employer. The provision of furniture and appliances for the occupant's use is also taxable as a benefit. The annual value of this benefit is calculated by taking 20% of the market value of the asset when it is first provided for any employee's use (see section L below). If the exemption in (1) above applies, the charge on ancillary benefits is limited to the lower of the value of the benefits and 10% of the employee's net emoluments, which is broadly the amount that suffers PAYE deductions in the payroll.
5. Be very careful in considering repairs, modernisation or alterations to the property. These may be construed as additional benefits chargeable on employees or taken into account when calculating the additional charge for property costing over £75,000.
6. There are other points to note when considering the £75,000 limit. HMRC will not accept the cost being split between the occupiers, e.g. a £100,000 flat used by two directors cannot be divided into two £50,000 flats on the basis that the property is shared. Conversely the £75,000 limit applies to each property so that an employee with two company houses effectively gets a £150,000 limit.
7. If a property, such as a holiday villa, is freely available to an employee and his or her family to use, HMRC will charge the employee irrespective of the amount of time it is actually used. However, in practice, it is usually possible to reach a compromise with HMRC and it may help if a clause is inserted in the employee's contract to restrict availability to the employee's expected actual use of the property.
8. HMRC may consider reducing the chargeable benefit if it can be demonstrated that the property is used for the purposes of the business, i.e.:
 - a. Part of the accommodation is used for storage or as a showroom to which the employee has no access for private purposes.
 - b. The accommodation is not available to the employee at all when being used for business, e.g. when it is used to accommodate clients or is available for commercial letting. If the property is used to accommodate visiting employees, HMRC may accept that this is not taxable on the employee, just as a hotel cost would be considered allowable for tax purposes (see section M: 'Travelling and subsistence payments'). For practical purposes, it is important to keep accommodation diaries or visitors books to produce to HMRC to provide evidence of the business use of the accommodation.

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9. There is no tax charge on the provision for the employee, in premises occupied by the employer, of accommodation, supplies or other services used by the employee solely in performing the duties of his or her employment. This specifically excludes the provision of an office or stationery, for example, from a tax charge. Such items are not disclosed in form P11D.
10. There is also no tax charge on the provision for the employee of home office facilities provided the employer requires the employee to work at home and any private use is not significant. Such items are not disclosed in form P11D.

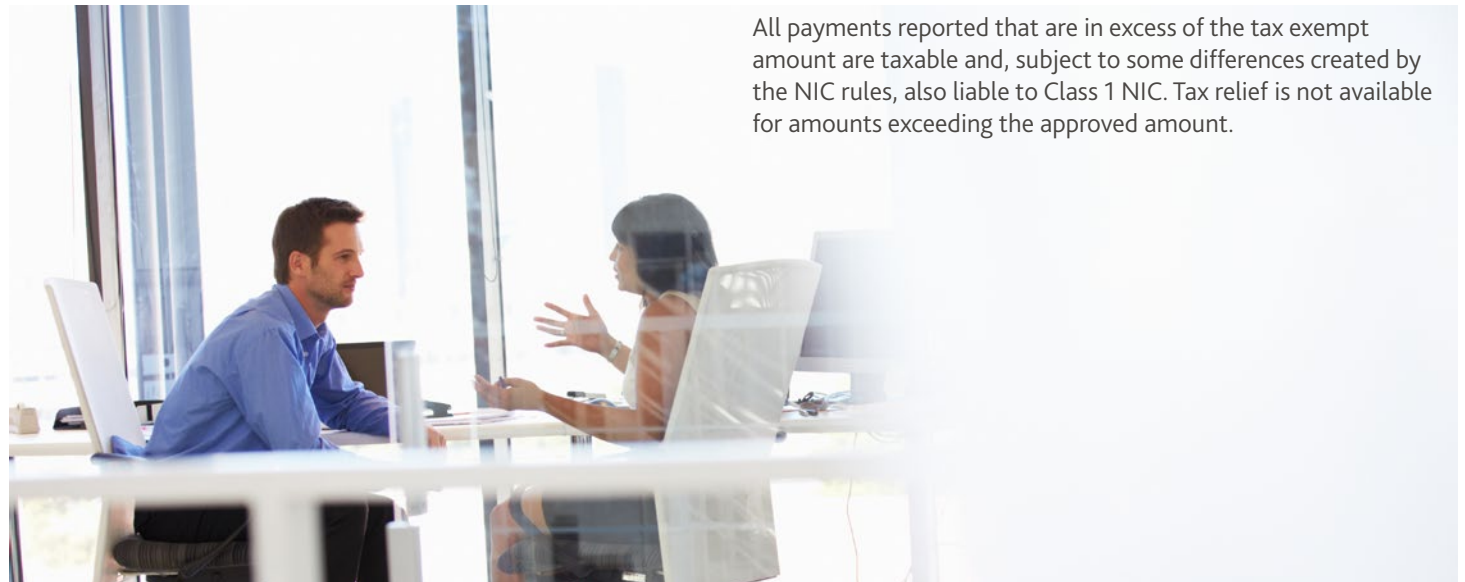
E: 'MILEAGE ALLOWANCE AND PASSENGER PAYMENTS' (WORKSHEET 6) (BLUE BOX)

Information required

The amount of allowances paid by the employer to the director or employee less any amounts that have suffered tax under PAYE and the approved amount. The approved amount is the number of business miles driven in the employee's own vehicle multiplied by the approved mileage allowance payment rate which is fixed by law. Employers should not report any details if the amounts paid to employees are equal to or less than the exempt amounts.

Measure of expense

All payments reported that are in excess of the tax exempt amount are taxable and, subject to some differences created by the NIC rules, also liable to Class 1 NIC. Tax relief is not available for amounts exceeding the approved amount.



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Practical points

1. The amounts which can be paid tax-free for the year to 5 April 2017 are as follows:

TRANSPORT MODE	UP TO 10,000 BUSINESS MILES	OVER 10,000 BUSINESS MILES
Cars and vans	45p	25p
Motorbikes	24p	24p
Bicycles	20p	20p

Where business mileage rates are paid at a level below the approved rate, or if no mileage is paid at all, employees are entitled to claim the difference up to the approved amount through their self-assessment returns or PAYE code.

2. Maintaining complete records of business travel is particularly important to an employee making a claim for expenditure or business motoring. Such records give support to a tax deduction claim.
3. All sizes of car engine enjoy the same tax relief, so downsizing to a smaller, greener engine which is more fuel-efficient will be more cost-effective for the employee compared with the cost of running the original vehicle. The rates for motorbikes and particularly bicycles are also generous and an obvious incentive for employees to use more environmentally friendly modes of travel at work.

4. An allowance for passenger payments benefits from a separate exemption of 5p per passenger per business mile which is distinct from the mileage allowance payments. Employees are not entitled to claim relief for any shortfall if their employer pays less than the maximum allowable. Drivers of company cars and vans may also be paid this allowance with no tax or NIC consequences.

NB In 2012, the Court of Appeal overturned a decision of the Upper Tribunal and allowed a reclaim of NIC deducted from car allowances paid to employees under certain conditions. As a reminder, the conditions to be satisfied are:

- A car allowance is paid to an employee for using a private vehicle on business
- A mileage allowance for business travel at less than 45p per mile is paid
- There is no direct link between salary and car allowance, and
- Sufficient records are available to demonstrate business mileage travelled.

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F: 'CARS AND CAR FUEL' (WORKSHEET 2) (BROWN BOX)

Information required

Initially, details are required of the make and model and the date first registered. Employers must then indicate the approved CO₂ emissions figure for cars registered on or after 1 January 1998, unless (exceptionally) this is not available. In this case, an alternative box is ticked.

The next detail required is to enter the engine size and key letter for the type of fuel or power, together with the date that the car was first made available (or ceased to be available) to the employee. There are three key letters in use: E (zero emissions/ electric), D (diesel) and A (all others).

Next enter the list price (market or other value), including the price of standard accessories that come with the car. The list prices of non-standard accessories are reported separately. Further boxes are provided for any capital contributions and any payments for private use made by the employee as well as for adding details about the withdrawal and reinstatement of free private fuel. Finally, enter the total car and car fuel benefits as necessary.

Cars

The benefit is based on both:

- The manufacturer's or distributor's UK list price (which should include VAT, car tax and delivery charges) on the day before the date of first registration, and
- The list price of optional extras – manufacturer or dealer-fitted when the car was first made available to the employee, and the price of any accessories added to the car thereafter – if they were added after 31 July 1993 and had a price of £100 or more. The price of an accessory for this purpose includes VAT, car tax (where appropriate) and the charges for fitting and delivery.

However, the costs of certain security enhancements do not need to be included as an accessory where they are provided to safeguard the employee.



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Follow these steps to calculate the car benefit:

1. Obtain the manufacturer's list price of the car including standard accessories and any non-standard accessories. Deduct any capital contribution made by the employee up to a maximum of £5,000. Classic cars and cars with no published list price should also be treated differently (see practical points (1) and (2) on page 29).
2. The fuel or power type will usually affect the amount of car benefit and the amount of fuel benefit.
3. If the car was registered on or after 1 January 1998 and it has an approved CO₂ figure, it is necessary to consult a table that provides a percentage which must then be used to calculate the benefit by applying it to the price of the car. The actual CO₂ emissions figure may be shown on the vehicle registration document. If not, the manufacturer or dealer should be able to provide the information.

Another source of information is provided by the VCA website.

The table is set out in five grams per kilometre steps:

CO ₂ EMISSIONS	% PRICE OF THE CAR	CO ₂ EMISSIONS	% PRICE OF THE CAR
0-50	7	150	27
51-75	11	155	28
76-94	15	160	29
95	16	165	30
100	17	170	31
105	18	175	32
110	19	180	33
115	20	185	34
120	21	190	35
125	22	195	36
130	23	200	37
135	24	205	37
140	25	210	37
145	26		

If the fuel type is D (diesel car of all Euro standards), a 3% supplement applies subject to the overriding maximum of 37%.

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4. If the car was registered on or after 1 January 1998 but has no approved CO₂ emissions data, then the percentage of the price of the car is based on the engine size of the car if it is piston-driven.

ENGINE SIZE OF CAR	% PRICE OF CAR
0 – 1,400	16
1,401 – 2,000	27
Over 2,000	37
Rotary engines	37

The percentages in this table are subject to the same diesel supplement as vehicles with a CO₂ emissions figure, subject to the 37% maximum. The resulting percentage is then used in the next step of the calculation at (6) below.

5. For cars registered before 1 January 1998, the calculations are more straightforward and the following percentages apply even if the vehicle has an approved CO₂ figure:

ENGINE SIZE OF CAR	% PRICE OF CAR
0 – 1,400	16
1,401 – 2,000	27
Over 2,000	37
Rotary engines	37

6. The percentages derived at steps 3-5 are then applied to the price of the car derived at Step 1 to give an amount of car benefit for the full year.
7. If the car has been unavailable for private use during part of the tax year, calculate the reduction due by reference to the number of days when the car was unavailable using the 30-day rule (see practical point 5 below).
8. From the amount left after (7), deduct any payments made by the employee for the private use of the car. These payments need to have been made on or before the tax year end.
9. Enter the result for each vehicle on form P11D.
10. Don't forget to enter the cumulative result for all vehicles.



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Car fuel

Fuel benefit is set at a percentage of £22,200, a figure fixed by legislation. The percentage used is the same as that used for calculating the car benefit. The main principle of the calculation is, therefore, straightforward. The amount as calculated is simply entered on the P11D for each car for which private fuel was provided together with the cumulative amount for all cars.

The P11D also requires the date the private fuel was withdrawn (if it was withdrawn) and if reinstated a tick box should be checked. These entries are required because the benefit ceases to accrue from the date private fuel is completely withdrawn, provided it is not reinstated before the end of the tax year.

Practical points

1. When purchasing a new car, the list price should be obtained on the invoice, even if a discounted price is paid. Agree a figure with HMRC for cars with no UK list price, particularly where cars are being purchased and imported from overseas.
2. Classic cars are those over 15 years old on 5 April 2017 and worth £15,000 or more. Do not use the list price for classic cars but use market value instead.
3. The definition of a car for benefits purposes does not include lorries or delivery vans, even though such vehicles may be used privately. Section G of the P11D covers company vans. Estate cars are cars for P11D purposes even though they may be used to deliver goods. HMRC defines double cab pick-ups as cars for benefit purposes if they have a payload of less than one tonne. Adding a removable hard top effectively reduces this limit as the hard top is treated as payload.
4. The only company cars used by employees that do not need to be returned are pool cars and cars not available for private use. The rules concerning pool cars are very tight and are rigidly applied by HMRC (see Chapter 15 of [Booklet 480](#)). To qualify as a pool car all the following must be satisfied:
 - a. The car must be available to, and used by, more than one employee and not ordinarily be used by anyone to the exclusion of others
 - b. Any private use by any employee must be incidental to business use, and
 - c. The car should not normally be kept overnight at or near the residence of any employee unless on premises occupied by the car's provider.

Private use means any travelling that a person is not necessarily obliged to do in the performance of the duties of his or her employment. In particular, private travel always includes home to permanent workplace journeys. A benefit arises if a car is made available for the private use of a director or employee (or members of their family or household) even if no such private use is actually undertaken. To avoid the charge, one has to establish that private use is prohibited, which can prove to be extremely difficult.
5. Car and car fuel charges are not proportionately reduced for all periods the vehicle is unavailable for private use. They are reduced only if the car is incapable of being used at all (e.g. because of repairs) for a period of 30 consecutive days or more, or has been withdrawn completely.

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6. Employees and directors will not be taxed on the benefit of a car made available for private use to a member of their family if the person to whom the car is made available is chargeable on the benefit in their own right. A charge will not be made on any relative when the person to whom the car is made available is not chargeable on the value of the benefit, provided:
 - a. That person receives the car in his or her own right as an employee
 - b. Equivalent cars are available on the same terms to unrelated employees, and
 - c. The provision of an equivalent car is in accordance with the normal commercial practice for such a job.
7. If two or more employees have shared use of a car made available by their employer for private use, only a single charge applies. The charge is apportioned between them having taken all the facts into account.
8. The charge covers all taxable benefits arising in connection with the car, other than the provision of a driver. Car parking at or near the place of work is, however, exempt from tax and NIC ([CWG2](#) Chapter 5). HMRC may seek additional benefit charges for garaging costs at the employee's home. Some HMRC officers may suggest cleaning and valet costs result in additional benefits, but others liken such costs to maintenance costs and exempt them from tax because they are covered by the main benefit. You should, therefore, give consideration to such a challenge before accepting an additional benefit arises from cleaning and valet costs. HMRC regards congestion charges incurred as being covered by the car benefit charge and similarly a fixed penalty notice should not result in an additional benefit where this is fixed to a company car, but further investigation regarding the implications may be required where a penalty notice is handed to the employee.
9. Payments made as a condition of the car being available for private use may be deducted from the car benefit (but not the fuel benefit, even if the sum paid exceeds the cash equivalent). It is also important to ensure the documentation states precisely what the payment is for.
10. It is very important to only enter dates of availability if the car was first provided or withdrawn during the year. Do not enter 6 April as a start date if the car was available in the previous tax year or 5 April as an end date if the car continues to be available in the following tax year. If dates are entered incorrectly then this may impact on the employee's tax coding.
11. The car fuel benefit will be nil if the employee reimburses the employer 100% of the cost of any private fuel provided. Reimbursement must be made by the end of the relevant tax year. However, via an administrative easement, HMRC accepts that reimbursement can be made up to 6 July following the end of the tax year.

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G: 'VANS AND VAN FUEL' (WORKSHEET 3) (BROWN BOX)

Information required

The total cash equivalent for all the van(s) and van fuel provided.

Unshared vans

The standard charge for a privately used van weighing less than 3.5 tonnes is £3,170 for the 2016/17 tax year. An employee who has two or more vans made available for private use at the same time will pay tax on the standard amount for each van. The standard charge is reduced pro rata for periods when vans become unavailable part way through the year or are incapable of being used for 30 or more consecutive days. Contributions for private use made by the employee will reduce the charge on a pound for pound basis.

Shared vans

The standard charge is the same as for an unshared van. This charge is divided, on a reasonable basis, among the employees who had use of the van for the period it was available.

Van fuel

The standard van fuel benefit charge is £598 for the 2016/17 tax year. This amount is charged in addition to the van benefit charge for any private fuel provided. The fuel benefit is only chargeable if the van benefit charge arises. It is reduced for periods of unavailability or for shared vans in a similar manner to the van itself.

Practical points

1. A van benefit charge of £634 (20% of the standard charge £3,170) will arise for vans with a zero emission rating, including electric vans.
2. Vans available only for business, ordinary commuting and insignificant private journeys are not treated as taxable benefits and the scale charges do not apply. Do not report these vans on form P11D.
3. Insignificant private use means occasional journeys, for example, a trip to dispose of old furniture. Note that HMRC does not regard weekly shopping as insignificant so the tax charge will apply to such vans.
4. Employers should be able to provide evidence regarding the use of the vans and a vehicle log of journeys undertaken in the van would help to provide this. Additionally, and where practical, employment contracts should include a clause or terms and conditions which formally specify that the van is not available for general and private usage, so as to exclude any such use that creates a chargeable benefit in kind taxable on the driver.
5. Legislation introduced in Finance Act 2008 ensures that reimbursement of private fuel costs for vans will not be treated as earnings for tax purposes. The same rules have effect for the provision of van fuel for private use as those that have effect for company car fuel.
6. Class 1A NIC is payable on van benefit.

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H: 'INTEREST FREE AND LOW INTEREST LOANS' (WORKSHEET 4) (BROWN BOX)

Information required

Do not disclose details if the aggregate of all loans to the employee does not exceed £10,000 at any point in 2016/17, otherwise disclose:

- Number of joint borrowers (if applicable)
- Amount outstanding at 5 April 2016 or the date the loan was made (if later)
- Amount outstanding at 5 April 2017 or the date the loan was discharged (if earlier)
- Maximum amount outstanding at any time in the year
- Total amounts of interest paid by the borrower in the year to 5 April 2017 (enter nil if none was paid)
- Date the loan was made or discharged in the year to 5 April 2017 (where applicable)
- The cash equivalent.

Measure of benefit

The cash equivalent is calculated for P11D purposes using the averaging method, as follows:

- Determine the average loan by adding the balances at 5 April 2016 and 5 April 2017 (or the opening balance for new loans, or closing balance for repaid loans) and divide by two
- For new or repaid loans, multiply the average loan by the

number of complete income tax months during which the loan was outstanding and divide by 12

- Multiply by the average official rate for the period of the loan (3% for most loans)
- Deduct interest paid
- Report the resulting cash equivalent.

Some examples are given in [Booklet 480](#) in Appendix 6.

Practical points

1. If the loan is one where any interest payments fully qualify for tax exemption no P11D disclosures are required. Full details can be found in Appendix 5 of [Booklet 480](#).
2. Relief or partial relief may be available for loans made in connection with relocation (see Appendix 7 of [Booklet 480](#)).
3. Either the employee or HMRC may elect for the alternative precise method, but for tax return purposes only. This method is not used automatically for completing form P11D.
4. A charge may arise even when the employee pays a market rate of interest, if the official rate increases. Making a fixed-interest and fixed-term loan at the official rate that applied in the year the loan was made avoids the charge.
5. Commercial loans are not beneficial loans, even if interest is charged at less than the official rate. Certain conditions are imposed, including the need to offer such loans to customers in the ordinary course of business.

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6. Controlling directors of small family companies sometimes withdraw regular sums during the year without PAYE being applied until fees to cover these amounts are voted at year end. If regular withdrawals leave a director's current or loan account overdrawn, the position must be fully disclosed on form P11D. When the taxable beneficial loan interest is calculated, HMRC will only give credit for directors' fees when payment occurs.
7. Non-qualifying directors' loans from a close company may be aggregated by election. The employer makes the election by aggregating the loans when completing form P11D. The director cannot later withdraw the election.
8. The beneficial loan legislation is extremely widely drawn and includes any manner of facilitating loans, for example, where an employer guarantees a loan.
9. Official rates of interest are detailed in [Booklet 480](#), Appendix 4.
10. The average official rate is 3% for loans in sterling. Different rates apply to loans in Japanese Yen and Swiss Francs.

I: 'PRIVATE MEDICAL TREATMENT OR INSURANCE' (BROWN BOX)

Information required

The cost of medical and dental treatment or insurance for such treatment is required providing the employer has entered into the contract for the treatment or insurance. In a group policy, the cost of the insurance is the employee's share of the total premiums paid. Deduct any amount made good or from which tax was deducted and show the resultant cash equivalent. Use section B if the contract is in the employee's name.

Measure of benefit

This is the cost to the employer of the treatment or insurance. The individual will rarely successfully claim that these are necessary employment expenses, unless claiming special relief for foreign travel. HMRC takes the firm view that such expenses are essentially personal.

Practical point

The cost of eye tests for employees who use a VDU for work and the cost of, or a contribution towards the cost of, spectacles where prescribed specifically for VDU work are not a taxable benefit in kind.

J: 'QUALIFYING RELOCATION EXPENSES PAYMENTS AND BENEFITS'(WORKSHEET 5) (BROWN BOX)

Information required

The excess over £8,000 of the total amount of all qualifying relocation expense payments and qualifying relocation benefits (less any contribution by the employee). It is necessary to take into account qualifying expenses and benefits from earlier years

Measure of benefit

Qualifying expenses and benefits include legal fees, estate agents' charges, temporary accommodation costs, removal costs and travel costs between the old and the new locations. Consult [Booklet 480](#), Appendix 7 for a longer list of qualifying expenses and benefits. If the total package exceeds £8,000 then the excess is taxable in full. The same amount is also subject to Class 1A NIC. The expenses are not, as one might expect, subject to Class 1 NIC. Relief is not generally available for expenses incurred after the end of the tax year following the year in which the move took place but, if requested, HMRC may grant a longer period.

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The rules for relocation expenses place an overriding limit of £8,000 on the amount of qualifying expenses that can be paid free of tax. The employee is no longer required to sell the former home in order to qualify for relief. Provided the employee has to change his or her residence as a result of a transfer within an organisation or to take up a new employment, relief under the legislation will be allowed.

Practical Points

1. Ensure that benefits and expenses are receipted and documented.
2. Utilise the overriding £8,000 limit by first claiming those expenses and benefits which do qualify for relief rather than those which do not and are taxable in any event. Non-qualifying expenses should be entered at section N.
3. The excess of qualifying amounts over £8,000 does not have to be subject to a PAYE deduction even if paid in a manner that would normally require a deduction. It is sufficient to report it at the end of the year on form P11D or use a PSA.
4. Qualifying expenses and benefits in excess of the £8,000 limit are liable to Class 1A NIC ([CWG5](#) Appendix 1).
5. Non-qualifying benefits and qualifying expenses paid late are reported at section M (brown box) and non-qualifying expenses at section N (blue box).
6. Non-qualifying expenses reimbursed to the employee should be subject to PAYE tax and Class 1NIC at the time of payment and are therefore not subject to Class 1A NIC.

7. If the employee is eligible for an exemption, only one exemption per employee can be applied. The allowable expenses incurred in relation to this exemption must be incurred on or before the limitation day (i.e. the last day of the tax year after the employee begins to perform the duties of the employment after the employment change) (ITEPA 2003 s.274).

K: 'SERVICES SUPPLIED' (BROWN BOX)

Information required

The extra cost of providing the services, less the amount either made good by the employee or which has suffered a tax deduction – the difference being the cash equivalent. Only use this section if the contract for the service is between the employer and the supplier, otherwise use section B.

Measure of benefit

Calculate the benefit by taking the extra or marginal cost of providing the service. For in-house services, this amount takes no account of fixed costs that are incurred by the business anyway. Services bought in are generally chargeable on the full cost, but do not report them if they qualify as tax-exempt items, e.g. canteen, workplace nursery places, training, car parking near the workplace, late night transport and in-house sports facilities. Office accommodation supplies and services are exempt from tax and Class 1A NIC if private use is not significant. This exemption extends to the employees' homes if the benefit is provided to allow the employees to perform their duties and the private use is not significant.

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Practical points

1. Free or reduced cost travel provided by transport companies has a small or negligible benefit value.
2. Free or reduced fees for employees of solicitors or stockbrokers, for example, have a negligible benefit for time costs, but any disbursements not repaid by the employee are taxable.

L: 'ASSETS PLACED AT THE EMPLOYEE'S DISPOSAL' (BROWN BOX)

Information required

A description of the asset and its annual value plus any expenses incurred, any amount made good or which has suffered a tax deduction and the cash equivalent.

Measure of benefit

The annual value is 20% of the market value of the asset when first provided as a benefit. Substitute any hire charges if these exceed the annual value. The charge is reduced for periods when the asset is not available for private use. Expenditure, e.g. in maintaining the asset, is added to the benefit.

Practical points

1. Accommodation, cars and vans are chargeable using special rules and are reported in sections D, F and G respectively (see above).
2. An asset generally available for private use attracts a full annual value, tax and Class 1A NIC charge, e.g. a company-owned television used by an employee in his or her home.

3. Most assets provided for business purposes are exempt from both tax and Class 1A NIC even if insignificant private use arises.
4. Assets used and generally available for business and private purposes attract an annual benefit charge, but a partially offsetting tax deduction for the business use may be available to the employee. However, a Class 1A NIC charge arises on the full amount of the benefit ([CWG 5](#) Appendix 1).
5. Assets not generally available or placed at the employee's disposal are not included at full annual value. Instead the value is based on the days actually available. The advantage is that the tax charge is based on actual usage, e.g. a company aeroplane used for business travel and commercial hire but available for private bookings by the employees only when not otherwise in use. Confirm such arrangements in writing and obtain HMRC approval to avoid future queries.

M: 'OTHER ITEMS (INCLUDING SUBSCRIPTIONS AND PROFESSIONAL FEES)' (BOTH BROWN AND BLUE BOXES)

The heading indicates that this is a catch-all section with general other items boxes of blue and brown. The areas covered below do not form an exhaustive list and may be entered, unless otherwise indicated, in either the blue or brown box depending upon the contractual obligations between the parties. There is a blue box in which to enter income tax paid but not deducted from a director's remuneration.

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Subscriptions

Information required

The cost of subscriptions paid by the company for or on behalf of its employees. This includes subscriptions to professional and learned societies, to London and provincial clubs and to other societies and clubs. Use the blue box if the individuals are members and liable to pay the subscriptions or fees. If a subscription covers more than one employee, split it accordingly.

Measure of benefit/expense

The cost met by the employer less any relief available to the employee.

Practical points

1. The total cost should be apportioned among the directors or employees concerned.
2. Any contribution by the director or employee should be deducted from the cost in arriving at the benefit.
3. Childcare vouchers worth up to £55 per week are free of tax and NIC. There are restrictions on the amount of relief for higher earners joining the scheme since 6 April 2011. The exempt amount for 40% taxpayers is reduced from £55 to £28 per week, and for 45% taxpayers to £25 per week. Only vouchers provided in excess of these amounts must be declared on the employee's P11D. Although the new childcare accounts that are being phased in during 2017 are likely to be more beneficial to parents, existing childcare voucher schemes can continue.

Educational assistance

Information required

Report the cost to the employer, then indicate any amount made good or that has suffered a tax deduction through the payroll, and then report the cash equivalent.

Measure of benefit/expense

The cost of school fees or other educational expenses relating to a director or employee, or his or her family or household. The value of any scholarships awarded to the director or employee, or to members of his or her family or household, should also be shown.

Practical points

1. A charge to tax does not arise on costs of training for work. This also includes training provided by a third party. The exemption covers the cost of training, assessment and registration and additional costs such as travel and childcare. Do not report these costs. If the course involves travelling and subsistence expenses as well as course fees, HMRC may look closely at the possibility of any private element included in these expenses, especially if the course or conference is in an exotic location. Recreational training is excluded from the exemption.
2. Under certain circumstances, the costs met by an employer for an employee, who is about to leave or has left the employment, to attend certain substantial full-time courses of retraining are exempted. The conditions for this relief can be found in the [Booklet 480](#), Chapter 5.

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The expenses that can be exempted are:

- a. Fees for the course
- b. Fees for examinations
- c. Cost of essential books
- d. Costs of travelling and subsistence (over and above the normal home to work costs).

Non-qualifying relocation benefits and expenses payments

Information required

The amount of non-qualifying relocation benefits and any qualifying relocation expenses that are paid late (and therefore do not qualify for relief) less any amount made good and the resultant cash equivalent.

Measure of benefit/expense

The amount paid by the employer.

Income tax paid but not deducted from director's remuneration

Information required

The amount of income tax paid to HMRC in the year that the company has failed to deduct from the remuneration paid to the director, irrespective of the year in which that remuneration was paid.

Measure of expense

The amount of income tax that has been paid and not recovered from the director.

Practical point

This normally covers tax borne by the company, for example, following a determination under Regulation 80 of the Income Tax (Pay As You Earn) Regulations (SI 2003 No 2682). The director will not receive any tax relief. Also, a director who does not repay the tax to the company cannot obtain any repayment of the tax even if his or her allowances or reliefs result in an overpayment of tax in respect of the payment borne by the employer.

N: 'EXPENSES PAYMENTS MADE TO, OR ON BEHALF OF THE EMPLOYEE' (BLUE BOXES)

Following the replacement of the P11D Dispensation requirement with a statutory exemption from tax and NIC in respect of deductible expenses and benefits in kind, from 6 April 2016 only taxable expenses need to be returned on the P11D.

In order for the statutory exemption to apply, employers must have robust expense claim policies and procedures in place to ensure taxable expenses are not reimbursed free of tax and NIC.

This section is divided into six subsections:

Travelling and subsistence payments; entertainment; general expenses allowance for business travel; payments for use of home telephone; non-qualifying relocation expenses and other expenses.

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Travelling and subsistence payments

Information required

Total of taxable sums paid to or on behalf of the director or employer or members of his or her family or household, in respect of fares, hotels, meals and travel inside and outside the UK; any amount made good or from which tax is already deducted, and the cash equivalent.

Measure of expense

The taxable costs met by the employer.

Practical points

1. Employers can reimburse allowances free of tax and NIC for travel and subsistence only if they are in accordance with the HMRC benchmark scale rates, or alternatively at a bespoke rate if this has been specifically agreed with HMRC in advance.
2. Following the ending of dispensations, where a legacy bespoke rate has been agreed prior to 5 April 2016 this rate can continue to be used up to the fifth anniversary of the original agreement. Business travel is defined as journeys employees must make in performing their duties or journeys to a place (other than a permanent workplace) they must attend to perform their duties and therefore should fall within the exemption. Travel to a permanent workplace is regarded as home-to-work travel or ordinary commuting and is not allowable, and therefore should be reported on the P11D. Additionally, a journey that is substantially ordinary commuting is not allowable. Although HMRC gives some guidance (see [Booklet 490](#) paragraphs 4.10), it is left for the employer to decide whether or not a journey is tax allowable.
3. Relief for accommodation and subsistence costs is available for attendance either at a temporary workplace or at a workplace attended for a temporary purpose. Relief is, therefore, generally available for site-based workers, though after a maximum period of 24 months any workplace is regarded as a permanent workplace ([Booklet 490](#) paragraphs 3.10 – 3.18).
4. HMRC often scrutinises overseas business trips or conferences, particularly where family members accompany the director or employee. All relevant taxable expenditure should be shown on form P11D and claims for expenditure in relation to the family need to be carefully considered (see [Booklet 490](#), paragraph 8.23).
5. Reasonable payments to cover extra travel and accommodation costs incurred when public transport is disrupted due to industrial action are not subject to income tax and need not be shown on form P11D. Similarly, if the employer provides disabled individuals with transport or financial assistance for home-to-office travel, no income tax is charged. Directors' and employees' travel expenses for travel between two group companies, both of which employ them, are tax free.

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6. Where the following conditions apply, there is no requirement to enter the cost of a taxi, hired car or similar private transport on form P11D:
 - a. The employee is occasionally required to work until 9pm or later, but such occasions do not occur with regularity (for example, every Friday) or frequently (deemed to be more than 60 times in a year)
 - b. At the time of going home, either public transport has ceased or a work-to-home journey would be likely to take much longer than normal. HMRC is tightening up its practice in this area.
7. For personal items, such as newspapers and mini-bar expenses, a tax-free amount of £5 a night (UK) or £10 a night (overseas) is allowed when travelling on business. These are called incidental overnight expenses and provided the limits above are not exceeded, there is no need to declare these on form P11D. If the limits are exceeded, the full amount, not just the excess, becomes taxable and subject to Class 1 or Class 1A NIC and should be reported in full in Section N; in the blue or brown box respectively.
8. Tax relief is available for home-to-work travel in a qualifying work bus.

Entertainment

Information required

The total of all taxable payments made exclusively for business entertaining, and any amounts made good or from which tax is already deducted, resulting in the cash equivalent. Indicate if the organisation is trading and the entertaining costs have or will be

disallowed for corporation tax purposes by ticking a box. Place a cross in the box if the organisation is trading and no corporation tax disallowance is envisaged. Otherwise leave it blank.

Measure of expense

Entertaining includes the cost of food and drink, hospitality of any kind (shooting trips, Ascot or Wimbledon boxes) and gifts (unless the gift costs less than £50 a year, is not food, drink, tobacco or a voucher and includes a conspicuous advertisement). All types of payments should be considered, including:

- Round sum allowance for entertaining
- Cash reimbursement
- Company credit card
- Payment by employer of personal credit card expenditure
- Expenses which are charged on to clients.

For trading organisations, the cost of all entertaining is initially assessable on the employee. However, the employee may claim the cost of all business entertaining provided that the employer is not receiving a corporation tax deduction in the company accounts for that expense – hence the significance of the tick and the cross.

The P11D does not distinguish between staff entertaining and business entertaining. Report any staff entertaining under section M 'Other items' in either the blue or brown box making the nature of the entry clear, alternatively apply for staff entertaining to be included in a PSA.

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Practical points

1. An HMRC favourite for investigation is the annual Christmas party and indeed, other annual staff functions. HMRC accepts that no taxable benefit arises if the cost (including guests) does not exceed £150 a head including VAT.
 - a. The £150 a head limit may apply to more than one function during the year if the total cost of the functions does not exceed £150. If there were three functions one year costing, say £80, £60 and £40 per head respectively, it would be possible to exempt the first two (as the total is under £150) and pay tax on the £40 function.
 - b. If the cost of a single function exceeds £150 per head, an employee will be taxable on the total cost (not just the excess).
 - c. For the exemption to apply, it is necessary for it to be a formal annual function, not just, say, an informal drink.
 - d. If the function is primarily corporate entertaining, e.g. a day at the races, HMRC normally accepts that no tax should be paid by employees in attendance to carry out business duties. HMRC will only accept this argument if the evidence supports it and may challenge this claim if the employees' spouses or families attend or if there are more employees than business guests.
2. If employees of different companies have a reciprocal arrangement and entertain each other on a regular basis HMRC will not normally accept this, even if some business is discussed.
3. [Booklet 480](#) states at paragraph 20.7 that, the expense of entertaining colleagues, is not normally allowed. The word normally appears to offer some leeway. The usual example cited involves a director who hopes to persuade a young executive to accept an unwanted move or a promotion and feels his or her chances of success will improve if he or she discusses the matter away from the confines of the office over a meal and a bottle of wine. It is difficult to draw any firm conclusions from this example, but HMRC may allow this type of entertaining if it occurs infrequently.
4. Employees will not be taxable on the provision of free or subsidised meals provided by the employer on the business premises in any canteen where meals are provided for the staff generally, or on the use of any ticket or token to obtain such meals. If the meals are provided on a reasonable scale and either:
 - a. All employees may obtain free or subsidised meals on a reasonable scale, whether on the employee's premises or elsewhere, or
 - b. The employer provides free or subsidised meal vouchers for staff for whom meals are not provided, or
 - c. The subsidised meals are not provided as part of a salary exchange arrangement.

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5. This rule does not apply to restaurants or hotels that provide free or subsidised meals to employees in a facility where meals are being served to the public, unless the meal is served in a part of it designated for staff use only. If the employer provides directors with their own dining room, the costs of the meals provided may not be taxable if other employees are provided with a similar facility, for example a canteen.
6. HMRC may, in practice, apply the principle to expenditure on food provided at technical and training meetings that employees attend. This is an unpublished practice and should be agreed with HMRC in advance. Expenditure must be reasonable and no alcohol should be provided.

General expenses allowance for business travel

Information required

The total of all round sum expenses allowances paid to the employee. Exclude round sum entertaining expenses but show amounts made good or those already suffering tax deductions (usually the full amount, see following practical point (1)), giving the taxable payment.

Measure of expense

The total of the round sum allowances paid are treated as employment income.

Practical points

1. Generally, round sum allowances should be subjected to PAYE and NIC at the time of payment. HMRC will not agree that round sum allowances are covered by the new statutory exemption for business expenses. Only those allowances paid at the HMRC approved benchmark rates or bespoke rates agreed specifically with HMRC can be paid free of PAYE and NIC.
2. Expense advances, possibly made in the round sum form, that are designed to cover specific expenditure or trips must be fully accounted for within a reasonable time (normally six months).

Home telephone and broadband

Information required

The taxable cost of all home telephone bills reimbursed or paid directly by the employer on behalf of the director, employee or member of his family or household, any amounts made good or which have already suffered a tax deduction and the cash equivalent.

Measure of expense

This is the taxable cost of all private calls and the full rental charge.

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Practical points

1. Any telephone owned and installed by the employee will fall foul of the duality of purpose rules that disqualify the whole rental charge for tax relief purposes. A possible way around the problem is to have a separate line installed for business purposes, although this would normally be appropriate only where a separate line is advantageous for commercial reasons. However, a telephone provided by the employer for work purposes would escape both tax and NIC even if insignificant private use arose.
2. Class 1 NIC is payable on taxable personal telephone costs on both rental and calls not identified as business. It is appropriate to pass the rental and private calls through the payroll for NIC purposes or include them in a PSA.

Non-qualifying relocation expenses

This section only applies to relocation expenses that do not qualify for tax relief. Report qualifying expenses and benefits at section J, non-qualifying benefits and qualifying expenses paid late are reported at section M (brown box) above.

Information required

All expenses payments that do not qualify for relief, any amounts made good or which have already suffered tax deductions and the cash equivalent.

Measure of expense

An employee will suffer tax on the amount reported because it does not qualify for relief. Non-qualifying items include compensation payments for a loss on the sale of the former home, additional housing cost allowances and forwarding post. If qualifying expenses amount to £8,000 or more, then the full amount of any bridging loan interest is taxable. There is a complicated formula for calculating how much relief will be given for bridging loan interest if the £8,000 limit is not utilised fully by qualifying expenses and benefits (see [Booklet 480](#), 7.3 in Appendix 7).

Practical point

Cash payments that do not qualify for relief (e.g. a lump sum paid for a loss on the sale of former residence) should be subjected to PAYE and NIC at the time of payment. Expenses paid to an employee in connection with relocation that are of a type that do not qualify for exemption should not be disclosed on form P11D. Such expenses are liable to PAYE income tax and Class 1 NIC and should be included through payroll at the time of payment. This should be contrasted with non-exempt relocation expenses that the employee should have paid but were instead met by the employer. Such expenses should be disclosed on form P11D section M (blue box) and Class 1 NIC is payable. These costs should be passed through payroll for NIC purposes only, or included in a PSA.

Other items

A final catch-all. Include all items not already reported unless they are exempt from tax by statute.

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Form P11D(b) is a dual purpose return. It is a declaration that all the P11Ds are correct and complete and a return of Class 1A NIC. The first step in the process of completing the return is to add up all the entries in the brown boxes from all the P11Ds. The P11D(b) itself refers to this entry as: 'the total benefits liable to Class 1A NIC from forms P11D'. If this were completely accurate the process would be straightforward, but the reference is misleading as the figure may need to be adjusted. The P11D is more accurate in that the '1A' boxes are described as indicators, not determiners, of liability.

Adjustments are necessary because of the dual purpose nature (tax and Class 1A NIC) of the P11D reporting mechanism.

These are shown on the reverse of the P11D(b) in boxes B and C and the adjusted Class 1A NIC payable is then shown on the reverse of the form in box F. Adjustments may be appropriate where:

- Employees go to work abroad or come from abroad to work in the UK – the adjustment depends on the circumstances
- The benefit (cash equivalent) reported has been reduced by an amount from which tax has been deducted – a positive adjustment
- Special Class 1A NIC rules apply to cars and car fuel – a negative adjustment
- Exceptionally (considering the insignificant private use provisions that provide complete exemption) an amount was reported on the P11D for which the employee was able to claim full tax relief – a negative adjustment.

Once the adjusted amount liable to Class 1A NIC is known, it is relatively simple to calculate the Class 1A NIC due by applying the relevant percentage rate of 13.8% for 2016/17. The return is due by 6 July following the tax year to which it refers. This date is the same as the current P11D filing deadline. The Class 1A NIC P11D(b) return for 2016/17 is therefore due by 6 July 2017.

All paper submissions of P11Ds must be sent to the employer's HMRC office.

PAYMENT OF CLASS 1A NIC

Payment of the Class 1A NIC is due by 19 July, or 21 July for electronic payments (as 22nd falls on a weekend this year), following the tax year to which it refers. HMRC will issue payslips for this purpose and the payment will go to the accounts office relevant to the employer. The payment of Class 1A NIC is therefore due by 19 or 21 July 2017. The penalty rules state that payments of Class 1A NIC that are over 30 days late may incur a 5% penalty, and a further 5% if still not paid six months after the due date.



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PENALTIES AND INTEREST

HMRC can impose penalties for both late returns and incorrect returns. The tax penalties for late submission (£300 initially and then £60 per day per return) or for incorrect completion (£3,000 per return) of form P11D highlight the importance of this task.

Class 1A NIC penalties for late submission are determined by the number of employees for whom Class 1A NIC is payable. For each group of 50 employees plus any remainder forming a smaller final group, the penalty is £100 for each month of delay in filing the P11D(b) return. Although the return is due by 6 July (by concession), an automatic penalty will not be triggered if the return is received by 19 July. However, if the P11D(b) is submitted after this date the monthly penalty will be measured from the 6th of the month. A further penalty is payable if the form P11D(b) is over 12 months late and to the extent that the Class 1A NIC is not paid by the due date. Therefore, for 2016/17, a further penalty becomes payable if the P11D(b) return is filed on or after 6 July 2018 and all the associated Class 1A NIC has not been paid by 19 or 21 July 2017.

Separate penalties focus on inaccuracies on the form P11D(b) as opposed to late submission of the forms. The penalties are calculated as a percentage of the additional Class 1A NIC due as a result of correcting the error (known as potential lost revenue).

The appropriate percentage to be applied is as follows:

- No penalty if an employer takes reasonable care to get the forms right and informs HMRC when an error has been spotted
- Up to 30% of the potential lost revenue if the error is careless
- Up to 70% of the potential lost revenue if the error is deliberate
- Up to 100% of the potential lost revenue if the error is deliberate and the employer conceals it.

CONCLUDING COMMENTS

Inform each employee of the details being returned before the form is submitted so employees can point out any mistakes

- Give employees a copy of their P11D by 6 July 2017. Employees may use their copies to complete their personal tax returns, request PAYE code adjustments and prepare their claims for expenses of the employment. The box numbers correspond to those contained in the employment page of the tax return.
- Send all forms P11D to HMRC by 6 July 2017, with a completed and signed form P11D(b). Pay Class 1A NIC by 19 or 21 July 2017 as appropriate.

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- P11D (2017)
- P11D(b) (2017)

P11D Expenses and benefits 2016 to 2017

HM Revenue & Customs
 Note to employer: Fill in this return for a director or an employee for the year to 5 April 2017. Send the form to your HMRC office by 6 July 2017. Don't submit this form if you're registered as payroll with HMRC. Go to www.gov.uk/guidance/paying-your-employees-expenses-and-benefits-through-your-payroll
 Note to employee: Keep this form in a safe place. You'll need it to complete your 2016 to 2017 tax return if you get one. The box numberings on this form are the same as on the 'Employment' page of the tax return.

Employer name: _____
 Employer PAYE reference: _____
 Employee name: _____
 Surname: _____ First name(s): _____
 Works number/department: _____ National Insurance number: _____
 Date of birth in figures (if known): ____/____/____
 If a director tick here: Gender M – Male F – Female:

Employers pay Class 1A National Insurance contributions on most benefits. These are shown in boxes which are brown and have a 1A indicator

A Assets transferred (cars, property, goods or other assets)
 Description of asset: _____ Cost/market value: £ _____ Amount made good or from which tax deducted: £ _____ Cash equivalent: £ **13** IA

B Payments made on behalf of employee
 Description of payment: _____ £ **15** IA
 Tax on notional payments made during the year not borne by employee within 90 days of 5 April 2017: £ **15** IA

C Vouchers and credit cards
 Value of vouchers and payments made using credit cards or tokens (for qualifying childcare vouchers see section M of the P11D Guide): Gross amount: £ _____ Amount made good or from which tax deducted: £ _____ Cash equivalent: £ **12** IA

D Living accommodation
 Cash equivalent of accommodation provided for employee, or his/her family or household: £ **14** IA

E Mileage allowance and passenger payments
 Amount of car and mileage allowances paid to employee for business travel in employee's own vehicle, and passenger payments, in excess of maximum exempt amounts (See P11D Guide for 2016 to 2017 exempt rates): Taxable amount: £ **12** IA

F Cars and car fuel If more than 2 cars were made available, either at the same time or in succession, please give details on a separate sheet

	Car 1	Car 2
Make and model	_____	_____
Date first registered DD MM YY	____/____/____	____/____/____
Approved CO ₂ emissions figure for cars registered on or after 1 January 1999 ticks box if the car doesn't have an approved CO ₂ figure	_____ g/km	_____ g/km
Engine size	_____ cc	_____ cc
Type of fuel or power used Please use the key letter shown in the P11D Guide	_____	_____
Dates car was available DD MM YY Don't complete the 'from' box if the car was available on 5 April 2016 or the 'to' box if it continued to be available on 6 April 2017	From ____/____/____ to ____/____/____	From ____/____/____ to ____/____/____
List price of car including car and standard accessories only. If there is no list price, or if it is a classic car, employers see booklet 480	£ _____	£ _____
Accessories. All non-standard accessories, see P11D Guide	£ _____	£ _____
Capital contributions (maximum £5,000) the employee made towards the cost of car or accessories	£ _____	£ _____
Amount paid by employee for private use of the car	£ _____	£ _____
Date free fuel was withdrawn Tick if reinstated in year (see P11D Guide)	____/____/____ <input type="checkbox"/>	____/____/____ <input type="checkbox"/>
Cash equivalent of each car	£ _____	£ _____
Total cash equivalent of all cars made available in 2016 to 2017	£ 9 IA	
Cash equivalent of fuel for each car	£ _____	£ _____
Total cash equivalent of fuel for all cars made available in 2016 to 2017	£ 10 IA	

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C Vans and van fuel
 Total cash equivalent of all vans made available in 2016 to 2017: £ **9** IA
 Total cash equivalent of fuel for all vans made available in 2016 to 2017: £ **10** IA

H Interest-free and low interest loans
 If the total amount outstanding on all loans doesn't exceed £10,000 at any time in the year, there is no need to complete this section

	Loan 1	Loan 2
Number of joint borrowers (if applicable)	_____	_____
Amount outstanding at 5 April 2016 or at date loan was made if later	£ _____	£ _____
Amount outstanding at 5 April 2017 or at date loan was discharged if earlier	£ _____	£ _____
Maximum amount outstanding at any time in the year	£ _____	£ _____
Total amount of interest paid by the borrower in 2016 to 2017 (enter 'NIL' if none was paid)	£ _____	£ _____
Date loan was made in 2016 to 2017 (if applicable)	____/____/____	____/____/____
Date loan was discharged in 2016 to 2017 (if applicable)	____/____/____	____/____/____
Cash equivalent of loans after deducting any interest paid by the borrower	£ 15 IA	£ 15 IA

I Private medical treatment or insurance
 Private medical treatment or insurance: Cost to you: £ _____ Amount made good or from which tax deducted: £ _____ Cash equivalent: £ **11** IA

J Qualifying relocation expenses payments and benefits
 Non-qualifying benefits and expenses go in sections M and N below
 Excess over £8,000 of all qualifying relocation expenses payments and benefits for each move: £ **15** IA

K Services supplied
 Services supplied to the employee: Cost to you: £ _____ Amount made good or from which tax deducted: £ _____ Cash equivalent: £ **15** IA

L Assets placed at the employee's disposal
 Description of asset: _____ Annual value plus expenses incurred: £ _____ Amount made good or from which tax deducted: £ _____ Cash equivalent: £ **13** IA

M Other items (including subscriptions and professional fees)
 Description of other items: _____ Cost to you: £ _____ Amount made good or from which tax deducted: £ _____ Cash equivalent: £ **15** IA
 Description of other items: _____ Cost to you: £ _____ Amount made good or from which tax deducted: £ _____ Cash equivalent: £ **15** IA
 Tax paid: _____
 Income Tax paid but not deducted from director's remuneration: £ **15** IA

N Expenses payments made on behalf of the employee

	Cost to you	Amount made good or from which tax deducted	Taxable payment
Travelling and subsistence payments (except mileage allowance payments for employee's own car - see section E)	£ _____	£ _____	£ 16 IA
Entertainment (trading organisations read P11D Guide and then enter a tick or a cross as appropriate here)	£ _____	£ _____	£ 16 IA
Payments for use of home telephone	£ _____	£ _____	£ 16 IA
Non-qualifying relocation expenses (those not shown in sections J or M)	£ _____	£ _____	£ 16 IA
Description of other expenses	£ _____	£ _____	£ 16 IA

P11D(b) (2017)

HELPING YOU THROUGH THE P11D

FORMS P11D AND P11D(B):
GUIDE TO COMPLETION 2016/17

THE FORM P11D SECTIONS

COMPLETING THE P11D(B)

APPENDICES

P11D (2017)

▶ P11D(b) (2017)

HM Revenue & Customs **Return of Class 1A National Insurance contributions due**
& Customs **Return of expenses and benefits - Employer declaration**

Year ended **5 April 2017**

Employer PAYE reference
Accounts office reference

Please return this form to the address shown below

Employer name and address

If this replaces a return that was issued automatically it may not show all of your details. If this is so, please fill in the top of this return before you send it to your HM Revenue & Customs office.
Please read the notes overleaf before completing this return.
Do not declare any amounts already reported under the Taxed Award Scheme arrangements.

1 Class 1A National Insurance contributions (NICs) due

Enter the total benefits liable to Class 1A NICs from forms P11D. (This is the total of the brown Class 1A NICs boxes on forms P11D. There is a quick guide to working out whether Class 1A NICs are due in Part 2 of CWG5 if you are not sure.) **A** **1A**

If you need to adjust the figures entered in box A, do not complete box C below, tick this box and complete Section 4 overleaf.

Multiply by Class 1A NICs rate **B** **13.8%**

Class 1A NICs payable **C** **1A**

2 Employer declaration

Tick the relevant box and fill in the appropriate details

No expenses payments or benefits of the type to be returned on forms P11D have been or will be provided for the year ended 5 April 2017. For this reason no forms P11D are attached.

I confirm that all details of expenses payments and benefits that have to be returned on forms P11D for the year ended 5 April 2017 are enclosed with this declaration. I declare that the details on these forms are fully and truly stated to the best of my knowledge and belief.

Forms P11D for the year ended 5 April 2017 were sent to HM Revenue & Customs office on

I confirm that details of expenses payments and benefits that have to be returned on forms P11D have been sent to HM Revenue & Customs.

I declare that all the details on this form are fully and truly stated to the best of my knowledge and belief.

Signature of employer Date

The declaration should be signed by the employer or any person authorised to do so.

Capacity in which signed

P11D(b)(2017)(Man)(Substitute)(BD)

3 Notes for employer

You should give each employee or director a copy of their P11D information and send the completed forms P11D and P11D(b) to your HM Revenue & Customs office by **6 July**.
Pay Class 1A NICs shown on the return to the accounts office. Details on how to pay can be found on our website, go to www.gov.uk/pay-class-1a-national-insurance You should pay by:
• **19 July** if the payment is by post
• **22 July** if the payment is by an approved electronic method.
Where **22 July** falls on a weekend or bank holiday, your payment should reach our bank account no later than the last bank working day before **22 July** unless you are paying by Faster Payments. Interest is chargeable on payments paid late. We may charge penalties if payment is not made in full and on time. The filing date for the return is 6 July. If we do not receive the return by 19 July, penalties will be charged at the rate of £100 per month or part month of lateness for every 50 or part batch of 50 employees provided with benefits.
Please note if you have already indicated on your form P35 that forms P11D and P11D(b) are not due, there is no need to send this return.

Class 1A National Insurance contributions (NICs) due
Employers pay Class 1A NICs on benefits which have to be returned on forms P11D except where Class 1 NICs or Class 1B NICs are due. To help you identify the benefits where Class 1A NICs are due, the boxes on the form P11D are brown and are marked 1A. Before completing the forms P11D and this return, read the P11D(Guide) and booklet CWG5 'Class 1A National Insurance contributions on benefits in kind. A guide for employers'.

Forms P11D
As an employer you must complete a return of expenses payments and benefits, form P11D, for each employee paid at a rate of £8,500 or more a year and for each director if:
• you have provided them with expenses or benefits which are not covered by a dispensation or PAYE Settlement Agreement
• you have arranged for expenses or benefits to be provided by a third party.
Send this declaration with the completed forms P11D to your HM Revenue & Customs office. If you choose to send the forms P11D in batches, send the declaration with the final batch.
References in this return to forms P11D and HM Revenue & Customs office should be read as including the return of expenses payments and benefits by magnetic media to Shipley Data Centre.

4 Adjustments to Class 1A NICs

Complete this section if you need to adjust the total benefits shown as liable to Class 1A NICs.
Paragraph 18 of CWG5 explains circumstances in which you may need to make adjustments.

Enter the total benefits liable to Class 1A NICs from Section 1, box A overleaf **A** **1A**

Using the two boxes below enter any adjustment to the figures in box A

• Add any amounts not included in box A on which Class 1A NICs are due Amount to be added **B** **1A**

Brief description

• Deduct any amounts included in box A on which Class 1A NICs are not due. Amount to be deducted **C** **1A**

Brief description

Total of benefits on which Class 1A NICs are due **D** **1A** box A + box B minus box C

Multiply by Class 1A NICs rate **E** **13.8%**

Class 1A NICs payable **F** **1A** box D x rate in box E

P11D(b)(2017)(Man)(Substitute)(BD)



GET IN TOUCH

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