

## Benefits in Kind & Expenses Payments

**Benefits in kind are assessed on all directors and employees whose salary and benefits combined are £8,500 or more.**

Remuneration by way of benefits is often attractive to employees, especially if they are paying the higher rate of income tax, because the benefit may either be tax free or subject to less tax.

A benefit that is not taxable is not automatically exempt from national insurance contributions (NICs).

An employer is required to complete form P11D in respect of each employee earning £8,500 or more (including benefits) and all directors. Form P9D is required to record benefits received by other employees. Benefits for NIC purposes must be included on the deductions working sheet column 1A 'earnings on which employee's contributions payable'. (This should not include Class 1A NIC benefits on company cars and car fuel). Comprehensive records should be kept in relation to all benefits and expenses payments.

### Non-taxable benefits

There are several benefits that are not normally taxable, even when an employee is within the P11D category. These can be substantial. The most significant are:

- Contributions to registered pension schemes
- Car, motor cycle or bicycle parking facilities at or near the workplace
- Certain childcare provision
- Compensation/termination payments up to £30,000
- Redundancy counselling services
- Luncheon vouchers up to 15p per day
- Staff canteen and dining facilities (provided they are available to all directors and employees)
- Sports facilities (provided they are available to all directors and employees)
- Removal expenses, subject to HM Revenue & Customs limits
- Long-service awards (provided they are an established practice within the firm or are in the employees' contract) up to specified limits
- Awards under suggestion schemes (but there are restrictions)
- Use of a pooled car
- Use of a mobile telephone
- The provision of representative accommodation (except for certain directors)
- Approved profit sharing and share option schemes
- The provision of eye care tests and/or corrective glasses for using computer monitors
- Employer-provided cycles and cyclist's safety equipment used mainly for journeys between home and work
- Certain bus services for journeys between home and work

You could also consider establishing a company pension scheme, which allows your employees to make additional provision for their retirement by paying regular amounts and additional voluntary contributions.

## Small interest free loans

No tax is payable on 'cheap' or interest free loans to employees of up to £5,000.

## Employee benefits

Tax efficient benefits can assist your company's profitability by ensuring that employees receive the maximum benefit from the money spent on their remuneration, thereby helping to retain key staff members.

Most, but not all, benefits are now caught by tax legislation. Most benefits are also caught for national insurance. Every employer operating PAYE schemes should obtain a copy of *Employer's Further Guide to PAYE and NICs (CWG2)* - and should read it carefully.

## Cars

When company cars are used for private motoring, the taxable benefit is normally calculated as a percentage of the list price. If an employee is also provided with fuel for private use in the car he or she is taxed on, the same percentage is applied to a standard value regardless of the value of the fuel used. NICs may be due on the fuel, depending on the method of purchase. Class 1A NICs must also be paid by the employer - see our fact sheet, *National Insurance Planning* - and don't forget that VAT is payable based on a special scale charge for fuel provided for private use.

For cars which cannot produce CO<sub>2</sub> emissions under any circumstances when driven, the appropriate percentage is reduced to 0%, thereby reducing the car benefit charge for "electric cars" to nil.

## Vans

The maximum tax payable by an employee or director on a company 'van' is £1,500, plus up to £275 for fuel.

There is no charge for employees who have to take their van home and are not allowed other private use. There is also no charge for the use of a commercial vehicle of more than 3.5 tonnes gross weight, so long as the employee's use is not wholly or mainly private.

The flat rate is reduced to nil for vans emitting zero CO<sub>2</sub> (eg "electric vans"). There is no fuel benefit for such vans.

## Expenses payments

These also need to be disclosed on forms P11D. However, the employees then need to put in claims on their own tax returns or tax codes for expenses incurred in the performance of duties.

Where an employee is not required to complete a tax return, form P87 should be used instead.

## How to save yourself work

Most employers can obtain a dispensation in respect of certain expenses payments, which could avoid the need to complete P11Ds in some cases. Application can be made at any time. Check with us for details.