



P11D HMRC information 2015/2016 and 2016/2017 updates

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Employee travel and company cars update

Employee travel – Booklet 490 - a tax and National Insurance contributions guide

HM Revenue and Customs has recently published a revised and updated guide:

<https://www.gov.uk/government/publications/490-employee-travel-a-tax-and-nics-guide>

which explains the tax treatment of employee travel. The revised guide takes into account modern day working practices, and includes examples of how the tax treatment should be applied for particular circumstances.

Company car users

Users can now update their details online instead of phoning or writing to HMRC, if you have any company car users they can now update their details online by using the Check or update your company car tax service:

<https://www.gov.uk/update-company-car-details>

Making these changes online mean that your employees no longer have to wait for HMRC to update their tax code. By encouraging your employees to use this digital service you should get fewer enquiries as an employer since the changes are made in real time.

Your employees can use the new digital car service to:

Amend their company car benefits or change their car fuel details, for example if they change their company car

Remove a company car benefit if they no longer have access to a company car

Add a company car benefit if they start getting a company car for the first time.

More information can be gained by accessing the above HMRC link.

HMRC Toolkit

Toolkits to reduce common errors:

HMRC offers lots of help to employers, but did you know that there is a suite of toolkits that provide guidance on avoiding errors that HMRC frequently see in returns.

The toolkits are aimed mainly at tax agents and accountants, but they may also be a useful tool for employers. The two toolkits that may be of particular use are:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412176/exp-ben-emp2014-15.pdf

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412165/2014-15_NICs_and_SPs.pdf

The aim of the toolkits is to help employers to:

ensure that returns are completed correctly, thereby minimising errors

focus on the areas of possible error that HMRC consider key

demonstrate reasonable care.

For more information about all of the toolkits please visit:

<https://www.gov.uk/government/collections/tax-agents-toolkits>

2016/2017 updates – Simplifying employee benefits and expenses

Following our consultation over the summer, the regulations which set out the rules for: the voluntary payrolling framework; removing the need to report reimbursed expenses on a form P11D; bespoke scale rates; and removing the £8,500 lower earnings threshold (and therefore P9D returns) have been published.

These regulations which amend the Income Tax (Pay As You Earn) Regulations 2003 can be found here:

<http://www.legislation.gov.uk/ukxi/2015/1927/contents/made>.

The scale rate regulations are a standalone instrument, which can be found here:

<http://www.legislation.gov.uk/ukxi/2015/1948/contents/made>

HMRC advise additional guidance about all of these measures will be published later in the year. Please review the website for further updates, these can be found at:

<http://www.legislation.gov.uk/>

- **P9D – simplification**

Abolition of the £8,500 threshold for taxing certain benefits in kind

HMRC advise that we told you in 2015 that, except for ministers of religion, the £8,500 threshold was being abolished from 6 April 2016. This means that from this date employees earnings at a rate of less than £8,500 will be taxed on their benefits in kind (BiKs) in the same way as employees earning at a rate of £8,500 or more. Unless you have opted to payroll your BiKs from 6 April 2016, see the article on page 10, if you have any employees who are earning at a rate of less than £8,500 who have BiKs that you do not currently report on a P9D, you will need to tell HMRC the names and National Insurance Numbers of these employees.

You also need to state the type and the taxable amount of each BiK that you make available to each of these employees as soon as possible. This will allow HMRC to include the taxable amounts of these BiKs in tax codes for these employees for the tax year beginning 6 April 2016 and avoid an underpayment of tax building up during the year.

The information should be provided in paper format please and sent to:
HMRC PAYE & SA BX9 1AS.

From the 2016 to 2017 tax year onwards if you have any employees who receive BiKs that are not 'payrolled' you will need to report these on form P11D instead of form P9D and pay any Class 1A that is due.

2016/2017 updates – Trivial benefits

Trivial benefits in kind

At Budget 2014 the Chancellor announced a package of reforms to simplify the taxation of benefits in kind (BiKs) and expenses. This included the introduction of a tax exemption for low value benefits in kind ('trivial BiKs').

Draft legislation to give effect to the exemption is included in Finance Bill 2016 which has been published <https://www.gov.uk/government/collections/finance-bill-2016> for technical consultation from 9 December 2015 to 3 February 2016. The exemption will commence from 6 April 2016.

The tax exemption will only apply to trivial BiKs, such as Christmas or birthday gifts, where the BiK:

is not cash or a cash-voucher;

costs £50 or less;

is not provided as part of a salary sacrifice or other contractual arrangement; and

is not provided in recognition of services performed by the employee as part of their employment, or in anticipation of such services.

In response to comments received during an earlier consultation, trivial BiKs provided to directors or other office-holders of close companies will be subject to an annual cap of £300. A £300 annual cap will also apply to employees of the company who are part of the director's or other office-holder's family or household. Supplementary documents, including a Technical Note containing examples of how the cap will work, were published alongside Finance Bill 2016.

<https://www.gov.uk/government/collections/hm-revenue-and-customs-draft-legislation>

A matching exemption from National Insurance contributions (NICs) will also be introduced for trivial BiKs that attract a Class 1 NICs liability, such as some non-cash vouchers.

Until the new exemption is introduced employers should continue to apply the guidance in Booklet 480 <https://www.gov.uk/government/publications/480-expenses-and-benefits-a-tax-guide>

and in the Employment Income Manual at [EIM21860](https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim21860). <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim21860>

All agreements that are currently in place will still apply provided there has been no change in the circumstances.

Further details on the trivial BiKs exemption will be provided in spring 2016.

Please review the HMRC website for further updates.

2016/2017 updates - Dispensation

Expenses exemption to replace dispensations from 6 April 2016

From 6 April 2016 you will no longer have to pay tax and National Insurance Contributions (NICs) on qualifying paid or reimbursed expenses payments. This means that where an employee is entitled to claim a fully matching tax deduction you will no longer need to apply for a dispensation, or report those expenses on form P11D. All other non-allowable expenses will still be subject to tax and NICs as they are now. Employees will still be able to claim tax relief from HMRC in respect of non-reimbursed expenses.

However, the new exemption does not apply to expenses or benefits in kind provided under a relevant salary sacrifice arrangement. This includes any arrangement where employees give up the right to receive earnings in return for tax free expenses payments, or where the level of their earnings depends on the amount of any expenses payment. After 5 April 2016 any expenses payments you pay to employees under these arrangements will need to be paid after deducting tax and NICs.

Guidance

Technical guidance on the new exemption has now been published in the Employment Income Manual <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim30200>

Dispensations

If you have previously agreed a dispensation with HMRC it will no longer apply after 5 April 2016. Almost all expenses or benefits in kind that were covered by a dispensation should be within the new exemption and you will no longer need to report them to HMRC or include them on form P11D. If there is anything in your dispensation which you're not sure is allowable, you should refer to the relevant HMRC guidance.

Benchmark scale rates

Scale rates are approved flat rates that you can pay to your employee for a particular expense, instead of reimbursing the employee's actual costs. The benchmark scale rates are set as the maximum rate that employers can pay their employees for qualifying subsistence costs when travelling for work, without having to undertake a sampling exercise and agree a rate with HMRC. The benchmark rates <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim30240> will continue to be available under the new exemption and are set through regulations.

2016/2017 updates – Dispensation continued:

Bespoke rates

The new exemption provides an option for employers to agree a scale rate with HMRC where they do not want to use the benchmark rates. These bespoke rates can be used for up to five years. If you would like to apply for a bespoke rate <https://www.gov.uk/government/publications/payee-employer-expenses-and-benefits-exemption> you will need to provide us with evidence, based on a sampling exercise, to demonstrate that your proposed rates are a reasonable estimate of the expenses actually incurred by your employees. Guidance on conducting a sampling exercise can be found in the Employment Income Manual <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim30250>

Please note: If you pay a scale rate after 5 April 2016 which is not one of the benchmark scale rates, and has not been approved by HMRC then you will need to treat that payment in the same way as part of your employee's salary and pay it after deducting PAYE and NICs. If you wish to pay a scale rate without deducting tax and NICs you **must** either use the benchmark scale rates or apply to HMRC for approval.

Transitional arrangements

Transitional arrangements for bespoke scale rates will apply, meaning you will be able to continue to use any existing rates you have agreed with us since 6 April 2011, up until the fifth anniversary of that agreement, without needing to undertake another sampling exercise. You will however, be required to submit a simple application to continue to use your existing rates.

Industry scale rates

If you wish to pay a rate that has been agreed with HMRC at an industry-wide level (an 'industry scale rate') then you will also need to apply to HMRC for an approval notice using the form linked to above. However, you will not need to conduct a sampling exercise in support of your application.

Industry scale rates may change from time to time by agreement between those representing the industry and HMRC. It is your responsibility to ensure that you are using the most up to date rate.

Checking systems

You will still need to have a system in place for checking that your employees are incurring and paying amounts in respect of scale rates and expense payments, and that a deduction would be allowed for those expenses. We have published a number of examples <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim30275> in our guidance of the type of system that we will accept as meeting the requirements of the exemption. You can also choose to put a different system in place provided it demonstrates you only make payments to employees which would be eligible for a deduction, and that employees are actually incurring an expense.

Payrolling of benefits in kind in real time

If you want to payroll your BiKs for the tax year beginning 6 April 2016, time is running out, you must register using the online Payrolling Benefits in Kind (PBIK) service <https://www.tax.service.gov.uk/payrollbik/sign-in?continue=/payrollbik/payrolled-benefits-expenses>

One of the biggest benefits of payrolling in line with the framework is that you do not need to submit P11Ds for payrolled BiKs. However, certain sections will be required to be noted on form P11D:

Benefits Excluded from PBIK

For the 2016/2017 tax year at least, the following benefits are excluded from formal PBIK:

Accommodation – section D

Beneficial Loans – section H

Vouchers and Credits Cards (often these benefits are subject to Class 1) –section C

PLEASE NOTE:

P11D(b) returns will still have to be made, and must include the total values of all payrolled and all non-payrolled benefits irrespective if you have payrolled items via RTI to HMRC.

For more information visit HMRC - <https://www.gov.uk/guidance/paying-your-employees-expenses-and-benefits-through-your-payroll>

Starting to Payroll – tax year beginning 6 April 2016

If you want to start payrolling you need to register with HMRC to let us know the BiKs you are going to payroll. You still have time to register using the PBIK service but you need to ensure your payroll software allows you to collect the right amount of tax on benefits and expenses and register before 5 April 2016. After this date you can register but will have to wait until the tax year beginning 6 April 2017 to start payrolling.

Please note that HMRC's Basic PAYE Tools doesn't support payrolling at the moment.

Payrolling of benefits in kind in real time – continued:

Already payrolling BiKs

If you are already payrolling under an agreement with HMRC, you will still need to register. Failure to register means you will be required to continue to submit P11Ds.

For more information and to register the BiKs you would like to payroll or are already payrolling see our guidance: Tax your employees' benefits and expenses through your payroll. <https://www.gov.uk/guidance/paying-your-employees-expenses-and-benefits-through-your-payroll>

PLEASE NOTE:

P11D(b) returns will still have to be made, and must include the total values of all payrolled and all non-payrolled benefits.

For more information visit HMRC - <https://www.gov.uk/guidance/paying-your-employees-expenses-and-benefits-through-your-payroll>

Informal Payrolling

Many employers already informally payroll benefits in kind. Where an employer does not register, they can choose to undertake informal payrolling, in which case the employer must additionally complete and file form P11D at the end of the relevant tax year.

Ceridian PBIK services – let us support and provide you with these services:

www.ceridian.co.uk/ceridian-specialist-payroll-services