



30<sup>th</sup> April 2020

Hi,

Did you know that if you have given your employees anything during the tax year then you may have a reporting, income tax and National Insurance liability to HMRC?

If you have offered your employees certain benefits such as company cars, private medical/dental insurance, critical illness insurance etc then then you need to report these to HMRC. As a Director/employee of your company you may also have received reportable benefits from your company. These benefits are typically reported on the individuals P11D which needs to be submitted to HMRC by 6 July after the end of the tax year. The individual is then subject to income tax on the taxable benefit amount and the employing company will be liable to pay Class 1A National Insurance at 13.8% on the value of the benefit. HMRC can impose penalties for late, missing or incorrect P11D returns.

If you have given your employees gifts or incentives then these may also be reportable, for example:

- incentive awards, eg long-service awards, sales incentives eg holidays abroad
- telephone bills
- small gifts and vouchers
- staff entertainment, for example a ticket to an event,
- non-business expenses while travelling overnight on business that are over the daily limit of £5 per night for travel within the UK, £10 per night for travel outside the UK
- shared cars
- personal care expenses, for example hairdressing
- relocation expenses over £8,000 (these are tax-free below £8,000)
- the cost of attending overseas conferences
- expenses of a spouse accompanying an employee abroad
- use of a company holiday flat
- taxi home from work before 9pm
- annual functions such as Christmas party, summer BBQ etc which exceed the £150 per employee annual limit

These type of benefits are typically reported on a PAYE Settlement Agreement (“PSA”) and the employing company pays the income tax and National Insurance to HMRC on a grossed up basis. This is because if the employing company put the taxable benefit on the individuals P11D the individual would be subject to income tax on the amount, this would seem punitive to the individual and could damage the employment relationship. The terms of the PSA should be agreed with HMRC by 6 July after the end of the tax year and the calculations and liability paid by 22 October following the end of the tax year.

I have attached a leaflet that provides further detail around this, if you would like to have a call/meeting to discuss your specific circumstances please do let me know.

Best wishes

*Catherine*