

# Expenses and benefit reporting – giving you the comfort of compliance



P11Ds are forms which employers are required to submit to HMRC for each tax year to declare the value of reportable benefits they have provided to employees and directors, unless they have been formally payrollrolling all the taxable benefits and/or have included the amounts in an agreed PAYE settlement agreement (“PSA”).

The P11D submission deadline is 6 July following the tax year and a copy of each employee’s form P11D, or the information it contains, must be given to the employee by the same date.

## Why is this important?

Punitive penalties can be imposed by HMRC for the late submission or incorrect completion of these forms. HMRC interest charges and penalties can also be applied to the late payment of Class 1A NIC.

In certain circumstances, where benefits have not been correctly reported to HMRC, the employer may be invited to settle the income tax due on the unreported benefits arising on a grossed-up basis, together with the Class 1A NIC underpaid, HMRC interest charges, and penalties. Substantial liabilities can therefore accrue where a benefit has not been correctly reported over multiple years. Furthermore errors or late submission of these forms can also trigger a HMRC employer duties review.

It is therefore crucial that employers are compliant with their benefit reporting, such as their annual P11D and P11D(b) obligations.

## Common P11D errors and risks:



Not identifying everything which needs to be reported. The rules can often be complex.



Not considering the optional remuneration arrangement (“OpRA”) rules where an employee gives up the right to earnings in exchange for a benefit, or agrees to be provided with a benefit rather than an amount of earnings.



Ignoring benefits provided under salary sacrifice on the basis that employees are funding the cost.



Including items which should have been subject to tax and Class 1 NIC under PAYE. This can apply when the employer reimburses the employee for their personal liabilities (eg mobile phone).



Not including VAT when valuing benefits. The value of benefits is often based on the VAT inclusive cost to the employer.



Missing benefits which are associated with the use of vehicles provided by the employer, such as company car, car fuel, and van benefits.



Informally payrollrolling benefits for tax purposes without submitting a P11D and P11D(b) at the end of they year to enable the Class 1A NIC to be paid.



Not reporting benefits which are more relevant for directors, such as beneficial loans arising on overdrawn directors’ loan accounts.

## How can RSM help?

We offer a wide range of tailored benefit reporting and P11D services to help you avoid costly errors, reduce your risks, and save you time. We can:

- help you identify all the benefits you need to report;
- help you calculate the reportable benefit values;
- review your annual P11D data for accuracy;
- prepare all your P11D and P11D(b) forms using specialist software;
- make the agreed P11D forms available to your employees securely;
- submit your forms to HMRC electronically;
- deal with any queries from your employees or HMRC; and
- notify you of your Class 1A NIC liability and how to pay this to HMRC.

## We can also provide related services including (but not limited to):

- giving ad-hoc advice on the tax and NIC treatment of employees' expenses and benefits (including to employers who are preparing their own P11D forms or payroll);
- undertaking a full employment tax health check of your payroll, employee expense and benefit arrangements, to identify risks and help to optimise future compliance;
- assisting with your annual PSA. A PSA allows employers to settle the tax and NIC due on certain benefits on behalf of its employees, but only for certain types of benefits. A PSA is typically used for benefits such as staff entertainment and non-cash staff gifts, which the employer might not want to report on the employees' P11Ds;
- helping you formally register to payroll benefits to reduce paperwork, administration and costs. We can identify your benefits which are suitable for formal payroll, advise on how formal payroll works, and help you develop procedures which will enable you to payroll benefits effectively; and
- supporting you through a specialist HMRC employer duties review if you are subject to one, to help you mitigate tax and NIC settlements and HMRC penalties.

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