

# Comment on...

## Benefit in Kind Update

From 6 April 2016, there are some changes with regard to the reporting and accounting for benefits in kind and reimbursed expenses for employees.

### **£8,500 Exemption**

The £8,500 earnings threshold will be abolished meaning employees will be taxable on all benefits in kind no matter the level of their earnings. In some instances this may result in lower paid employee's being worse off.

For the employer, this will result in further P11D reporting requirements as well as the additional charge to employer's Class 1A National Insurance at the rate of 13.8%. Therefore, employers may wish to review the benefits made available to lower paid employees.

### **Abolition of Dispensation Agreements**

A tax exemption will be available for business expenses so there will be no requirement to record such expenses on end of year P11D forms or obtain a P11D dispensation. Dispensations did provide some peace of mind that HM Revenue & Customs accepted that there were no PAYE or National Insurance implications for expenditure covered by the dispensation. This will no longer be available.

Employers will now have to ensure that expenses which are reimbursed to employees are also subject to a statutory deduction and that robust systems are in place; with sample testing carried out to ensure employees' expense claims are valid.

Expenses which are reimbursed to employees under Salary Sacrifice arrangements will not be subject to the exemption as HMRC are planning to review such schemes.

Where expenses are paid to employees at bespoke rates as opposed to the Benchmark Subsistence rates, an application for an Approval Notice can be made to HMRC. HMRC will issue the Approval Notice if they are satisfied that no PAYE or National Insurance is payable. A sampling exercise may be required to prove the necessity for the use of bespoke rates. Whilst this may only apply to a small percentage of employers, an Approval Notice will be required from 6 April 2016. Failure to obtain an Approval Notice can result in potential PAYE and National Insurance liabilities becoming due.

### **Payrolling Benefits in Kind**

A voluntary scheme is being launched whereby employees can account for tax due on their benefits in kind via their payroll. The implementation of such arrangements will avoid the submission of the end of year P11D but will still require the end of year submission of the form P11D (B) to account for the Class 1A National Insurance.

### **Trivial Benefits in Kind**

A tax exemption will be available for low value or 'trivial' benefits in kind. This will simplify the taxation of benefits such as birthday or Christmas gifts. The conditions for the exemption to apply are as follows:

- the benefit is not cash or a cash-voucher;
- the cost is £50 or less;
- it is not provided as part of a Salary Sacrifice or other contractual arrangement;
- it is not provided in recognition of services performed by the employee as part of their employment or in anticipation of such services.

HMRC have confirmed that trivial benefits in kind provided to directors or other office holders or close companies will be subject to an annual cap of £300.

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