



P11D Expenses and Benefits

At this time of the year employers are obliged to turn their attention to the preparation of P11d'S for all directors and employees, earning more than £8,500. As a director of your own company you are obliged to ensure that you file all appropriate P11d's.

What is a P11D?

A P11D is the form used to report expenses and benefits paid to directors and employees earning over £8,500 a year which have not been subject to PAYE tax.

What is a P11D (b)?

A P11D (b) is the form that is sent in to HMRC with the P11D showing the amount of any additional tax or Class 1A National Insurance due on the expenses. If there are no benefits or additional tax to report then you need to send in a "nil" return to avoid penalties for failure to submit the return.

What happens if I do not complete a P11D?

Completing a P11D for a director (and employees earning over £8,500) is a necessity and there are serious consequences for failing to comply including penalties up to £3,000 per return.

What type of expenses should go on a P11D?

Your salary is reported to HMRC through RTI reports. The P11D records all expenses which are paid to you or on your behalf without being subject to PAYE. Typically, this will be claims for travel and subsistence put through your FreeAgent records. These include expenses you incur personally and then reclaim from the company without PAYE being

operated. Please note that mileage claimed in accordance with HMRC rates is specifically excluded. They also include expenses which the business incurs directly but have a personal benefit to you. For example, this could be if the company has paid for a car on your behalf, gym membership or similar, or if the company has loaned you money.

What are "allowable" expenses?

Allowable expenses are the costs incurred for the sole purpose of making profits for your business.

For expenses paid by the company to be allowable they must satisfy HMRC criteria that they are wholly, necessarily and exclusively for the purpose of the trade. Similarly expenses paid by you are only allowable if they are incurred wholly, necessarily and exclusively in the performance of the duties of your office or employment.

For further information about allowable expenses see our expense guide

Allowable expenses shown on your P11D do not carry any additional tax liabilities.

What are Benefits in Kind?

Where the company incurs costs or provides assets for the private use of the director, these normally result in a Benefit in Kind charge. This means additional tax is payable personally, and potential Class 1A National Insurance is payable by the company.

Examples of taxable benefits which you should record in FreeAgent or tell us about are:

- 1 Assets paid for by the company and transferred to you at no cost or below market value e.g. Personal items paid for using company cheques or credit cards and money not refunded to company;
- 2 Payments made on your behalf e.g. paying personal bills from company account or with a company credit card;
- 3 Mileage Allowance – amounts in excess of the HMRC approved rates;
- 4 Cars, vans and/or fuel provided by the company and available for private use (in the case of vans incidental private use can be ignored);
- 5 Low or interest free loans, often referred to as director's loans;
- 6 Private medical or dental insurance paid for from the company account;
- 7 Assets placed at your disposal, eg motorcycles, holiday homes;
- 8 Professional fees, subscriptions - some subscriptions to professional bodies may be exempt;
- 9 Travel & Subsistence - the cost of all reimbursed expenses for fares, hotels, meals etc should be included with an appropriate claim for the business element of the costs;
- 10 Entertainment – details of entertaining costs split between entertaining staff and clients;
- 11 Training – only work related training is allowable and only if paid for or reimbursed by the company;
- 12 Telephones, mobile phones unless the contracts are in the company's name.

How would I know if any of the expenses I have claimed during the year are Benefits in Kind?

If your FreeAgent records are up to date on a regular basis, your accountant will have spotted any potential benefits in kind and will have discussed the tax implications of these with you. By the time your P11D is prepared you should be aware of any potential liabilities.

How are Benefits in Kind taxed?

The value of any benefits must be reported annually by means of a P11D. Any amounts that are incurred wholly for the purpose of the business are discounted in arriving at the taxable benefit or covered by a separate claim.

These details are then duplicated on the employment pages of your personal tax returns to ensure that you pay tax on the correct amounts.

Any taxable benefits will also be reflected in your PAYE tax code to ensure that tax is collected throughout the year rather than ending up with tax underpaid at the end of the year.

What is Class 1A National Insurance?

Certain benefits attract additional National Insurance contributions; this is known as Class 1A NIC. It is an employer liability which is a cost to your company but does not count towards your contributions for state benefits. For 2013/14 it is calculated at 13.8% of the total value of any benefits liable to Class1A.

When do I have to pay this by?

The Class 1A NIC is payable to HMRC by 19th July 2014 (in the case of 13/14).

How can I pay the Class 1A National Insurance?

As an employer you will be issued with a separate special payslip for paying the Class1A due or it can be paid via an approved electronic method. Please refer to [HMRC website](#).

What happens if my P11D is incorrect?

Ultimately, it's your responsibility to provide accurate information to HMRC. Orange Genie Accountancy will make every effort to ensure that your P11D is accurate based on the information you have added to FreeAgent or provided to us if we prepare your bookkeeping. We will send your P11D for approval prior to submission and you should ensure you check this thoroughly. Once you're satisfied that the information on the P11D is correct, we as your tax agents will submit these forms on your behalf before the July deadline.