

Payroll Forms P11D and P9D (Reporting Benefits & Expenses)

After the end of each tax year, employers must consider the expenses and benefits that employees have received and report the relevant details on forms P11D and P9D. These forms must be filed with a declaration form P11D(b) by 6th July following the year end.

What is the difference between a P11D and a P9D?

The two forms have different disclosure requirements, so it is important to know the difference between a P11D and a P9D to ensure that the correct disclosures are made for each employee. A form P11D is usually required for the director of a company - the only exception is where they work full time for a charity or non-profit organisation, hold less than 5% of the share capital and earn less than £8,500 a year.

For all other employees earning £8,500 a year or more a form P11D must be used and P9D is used for any employees earning less than £8,500 a year. The threshold of £8,500 is not just salary - it includes the value of any expenses payments and benefits in kind too. The threshold is prorated where an employee has only worked for part of the year.

What details go on a P9D?

The P9D is a short form and does not require the same detailed disclosures as the P11D.

1. Expenses

Reimbursed expenses do not need to be reported, providing that they were incurred solely in the performance of the employee's duties, but any round sum allowances must be disclosed. In addition, if any relocation expenses were paid exceeding the exemption of £8,000 the excess must be disclosed. If the total amount of expenses to be shown is less than £25, it can be ignored.

2. Benefits

Many benefits in kind are not taxable for low-earning employees and the only items to be included are:

- Living accommodation (except where it is exempt)
- Vouchers (including travel cards)
- Credit cards provided for the employee (or their family)
- Payments made on employee's behalf
- Gifts and assets (second hand value)

A further point to note is that the amounts on a P9D do not attract any Class 1A National Insurance.

What details need to be disclosed on a P11D?

It is worth noting that it is not just expenses payments made to and benefits provided directly for an employee that need to be considered. If any payments are made for, or benefits provided to, the member of an employee's family, those amounts will also be taxable on the employee.

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If you reimburse any expenses, make payments on behalf of an employee or allow an employee to use any company asset for private use, you probably need to complete a P11D and if you are uncertain, it is best to seek professional advice.

In addition to the tax charge for the employee, it is worth noting that as an employer you will need to settle a Class 1A National Insurance liability on most benefits and expenses payments, at a rate of 13.8%. The form shows which values must be added together for the purpose of calculating the Class 1A National Insurance charge.

What is a P11D(b)?

The P11D(b) is an annual declaration form which must be submitted with forms P11D and/or P9D. This form summarises the total of all benefits and expenses provided during the year that are liable to Class 1A National Insurance and how much Class 1A must be paid and is your formal declaration that you have, or are, submitting all relevant forms P9D and P11D.

The P11D(b) also includes a section to complete when you need to declare that no forms P11D are required and this can either be done using the online form, or in paper format.

Penalties and interest charges

As with most forms, there are penalties if you file the expenses and benefits forms late. Form P11D(b) must reach HMRC by 6th July and if it is not submitted by 19th July, a penalty notice will be issued. Further penalties will be incurred if the form is not submitted by 6th August. Penalties accrue for each month (or part month) that a return remains outstanding after the filing date, at a rate of £100 per 50 employees for each month or part month the return is late. Any Class 1A National Insurance liability must be settled by 22nd July if you pay electronically, or by 19th July by post. Late payment will be subject to a daily interest charge and if payment is made within 30 days of the due date, penalties will also be charged as follows:

- 5% if you have not paid the full amount within 30 days of the due date
- an additional 5% penalty if you have not paid the full amount within 6 months of the due date
- a further 5% penalty if you have not paid the full amount within 12 months of the due date

Need help?

The legislation for employment expenses and benefits is extensive and getting it wrong can lead to interest and penalty charges and possibly a PAYE enquiry by HMRC. You may wish to consider applying for a dispensation for certain types of expenses and could also consider a PAYE Settlement Agreement for minor items and certain benefits – see our separate guides for further details.

Waveney Tax Solutions can help you with all aspects of PAYE and benefits in kind. For further information, please call us on 01502 370620 or 07919 924273, or alternatively you can email us at nina@waveneytaxsolutions.co.uk.