

How to cut down on your paperwork: dispensations

Apply for a dispensation to save time completing forms P11D or P9D.

You may be able to cut down on your paperwork by asking HM Revenue & Customs (HMRC) for a dispensation to cover the benefits and expenses you pay your employees. A dispensation, which covers both tax and NICs, is a notice from HMRC that means you don't need to put any expenses and benefits included in the dispensation on forms P11D and P9D, and employees don't need to put them on their Tax Returns.

A dispensation can be given for expenses or benefits where HMRC is satisfied that no tax would be payable by your employees on expenses paid or benefits provided. Expense claims must be independently vouched and, where possible, supported by receipts.

If a dispensation is given for expenses, HMRC would not normally count them as earnings for Class 1 NICs. If the dispensation is given for employer provided benefits, HMRC would not normally treat them as liable for Class 1A NICs.

Not covered by dispensations

- company cars and vans that are taxable
- private medical insurance
- cheap loans
- mileage payments (employees' cars)
- benefits and expenses covered by an existing exemption in law. Further guidance can be found on the HMRC website at www.hmrc.gov.uk/paye/exb-intro-dispensation.htm

How to apply

If you want to apply for a dispensation complete form P11DX, or have your agent complete it, and send it to HMRC. If you have any notes for guidance on employees' expenses, please enclose a copy with the form. HMRC will tell you if any further information is needed.

Keep it under review

HMRC will also review the dispensation from time to time, but will normally only withdraw it if the qualifying conditions are no longer satisfied.

Approved Mileage Allowance Payments

You can make tax-free payments to your employees who use their own cars for business travel if you pay no more than the published statutory rates. These can be found at www.hmrc.gov.uk/rates/travel.htm. There is no need to report such payments and they do not require a dispensation. Any amounts that you pay over the published approved rates are taxable and must be entered on the P11D.

Retrospection

If the conditions for granting a dispensation are satisfied, the dispensation will strictly take effect from the date of the notice issued by HMRC, although it may be agreed that it can take effect from the beginning of the tax year to which the dispensation relates. **A dispensation cannot apply with retrospective effect to an earlier year.**

Application for dispensation for certain expenses payments and benefits in kind

To HMRC office

Employer PAYE reference

Business name

Number of employees including directors

I wish to apply for a dispensation from completing forms P11D for the employees' expenses payments/benefits in kind specified below.

If there is not enough space to give the details requested, or you answer 'No' to any of the questions, please provide further information on a separate sheet. In particular, if you pay allowances or expenses in excess of cost or HMRC approved rates please provide details of the amounts you pay and how they are calculated.

Employees *(please tick the appropriate box below)*

- All
- All employees excluding directors
- All directors
- Other groups - *specify here*

Specified individuals - *please name here*

Expenses payments/Reimbursements/Scale payments (except mileage expenses for business travel in employees' own vehicles, which cannot be included in a dispensation). Any reference below to employees also includes directors.

✓ as appropriate

Travel and subsistence

Yes No N/A

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| 1 Do you pay your employees travel and subsistence expenses, including the cost of accommodation, for journeys they have to make in carrying out the duties of their employment, or in travelling to a temporary workplace, or attending work-related training? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Do you pay your employees only the full cost incurred of the travel and subsistence involved in journeys covered by item 1 above (including scale rates agreed with HMRC)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Do you pay your employees HMRC's advisory benchmark scale rates for subsistence expenses covered by item 1 above? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Do you only pay your employees travel and subsistence expenses for business journeys excluding ordinary commuting to or from work or any other private journey? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 Do you only pay your employees who have company cars for which fuel is not provided, for business mileage only, at rates equal to or below HMRC Advisory Fuel Rates for Company Cars? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 Do you only pay your employees for the cost of a hire car on production of a receipt? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, do you only reimburse fuel costs relating to the use of the hire car on production of receipts? | <input type="checkbox"/> | <input type="checkbox"/> | |

Home telephone expenses

Yes No N/A

7 Do you only reimburse the cost of business calls made from an employee's private home and/or mobile phone which are supported by itemised bills, a list of calls made or other records confirming business use?

8 Do you exclude any charges for line rental, mobile phone contracts or equipment in the reimbursement? These remain the personal liability of the subscriber. (Line rental charges for dedicated business lines can be considered for inclusion in a dispensation. Please give full details on a separate sheet)

Entertainment expenses

9 Do you only reimburse the actual cost of entertaining business contacts on a business occasion, where a representative from an outside organisation is present and do not meet the costs of entertaining relatives, partners or members of the same organisation?

Company credit/charge cards

10 Do you only allow employees to use an employer-provided credit or charge card for work-related expenses?

11 Do you allow employees to use an employer-provided credit or charge card for work-related and personal expenses?

If yes, are they required to reimburse any personal expenditure in full?

Fees and subscriptions to professional bodies

12 Do you reimburse fees and subscriptions to approved organisations listed on the HMRC website at www.hmrc.gov.uk/list3/list3.htm on behalf of those employees whose membership is related to their employment?

If yes, please state the full name of professional bodies below.

Two empty rectangular boxes for listing professional bodies.

Other expenses (give full details below or on a separate sheet of exactly what is paid).

We wish to include the following additional expenses and/or scale rates in our application.

Two empty rectangular boxes for listing additional expenses and/or scale rates.

✓ as appropriate

My employees are required to produce invoices or receipts for every item of expenditure claimed. Yes No

Someone other than the claimant **always** examines claims to check that the claim does not include items which are not allowable under the tax/NICs legislation and that it is not excessive. Yes No

If the answer is 'No', state your method of expenditure control below.

I control expenditure claims by

Full name

Position held in firm

Business name

Nature of business

Phone number

Business address

Postcode

Signature

Date

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