



Class 1A National Insurance contributions on benefits in kind

A guide for employers

Help

We can help you

By telephone

(Calls may be recorded for quality and training purposes.)

- New employers (*less than 3 years*) **0845 60 70 143**
open Mon – Fri, 8am-8pm and Sat – Sun, 8am-5pm.
- More experienced employers **0845 7 143 143**
open Mon – Fri, 8am-8pm and Sat – Sun, 8am-5pm.
- Deaf or hard of hearing employers *Textphone* **0845 602 1380**

Please tell the operator if you do not want to have your call recorded. These procedures comply with OFTEL regulations.

For a list of helplines and opening hours, see your *Employer's Bulletin*.

In person

We have specially trained Business Support Teams covering all parts of the country to help you understand

- what records to keep
- what returns to make
- when to send us information.

The Business Support Teams can arrange a one-to-one visit at your business address to sort out your payroll needs. They also offer a range of workshops on specific subjects designed with busy employers in mind.

For more details, and to book a one-to-one visit or a workshop, contact your local Business Support Team by

- logging on to our website at **www.inlandrevenue.gov.uk/bst/index.htm** or
- calling the New Employer's Helpline on **0845 60 70 143** and asking for details of your local Business Support Team.

At your local Inland Revenue office

Your local Inland Revenue office can also help you. To contact them, look under 'Inland Revenue' in your phone book. Write the telephone number below for future use.

Please tell us your reference, which you can find on all correspondence from your Inland Revenue office.

If your enquiry is about one of your employees, please also tell us their National Insurance number.

By Internet

Log on to the employer's website at **www.inlandrevenue.gov.uk/employers**

Further guidance

Employer's Help Books

In addition to those included in the Employer's Pack we have Employer's Help Books

- *E15 Pay and time off work for parents*
- *E16 Pay and time off work for adoptive parents*

The Help Books are for guidance only.

They are not comprehensive and have no legal force.

We also have a number of other booklets that give further guidance, for example

- *CWG2(2004) Employer's Further Guide to PAYE & NICs*
- *480(2004) Expenses and Benefits – A tax guide*

You can view the full range of these booklets, and other forms and guidance on

- the Internet – log on at **www.inlandrevenue.gov.uk/employers**
- the Employer's CD-ROM

or you can

- download them from the Internet – log on at **www.inlandrevenue.gov.uk/employers**
- print them from the CD-ROM
- get copies from the Employer's Orderline **www.inlandrevenue.gov.uk/employers**
Fax **0870 2 406 406**
Phone **0845 7 646 646**

Check the Order Form in your Employer's Pack for a full list of what is available and how to order.

Forms and guidance in Braille, large print or audio

We have a range of services for people with disabilities, including leaflets in Braille, audio and large print.

For details, please ask at your local Inland Revenue office or Enquiry Centre.

Yr Iaith Cymraeg/Welsh language

Ffoniwch **0845 302 1489** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

The CD-ROM contains new interactive features designed to help the newcomer to payroll. This simple on-line guide takes the reader through the calculation of tax and National Insurance.

Calculators have been built-in to help speed up your calculations of

- *Pay Adjustment and PAYE*
- *NICs*
- *Car benefit and Car Fuel benefit.*

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Introduction

1 Do I need to read this guide?

You should read this guide if

- you are an employer who provides benefits, and they are benefits you should report on form *P11D*, or a substitute form
- you provide benefits to the employees of another employer.

If you are a new employer, or are providing benefits to your employees for the first time, the following Inland Revenue publications will help you:

- Booklet *480 Expenses and Benefits – A tax guide*
- Booklet *490 Employee Travel – A Tax and NICs Guide for Employers*
- Booklet *CA33 Class 1A National Insurance contributions on Car and Fuel Benefits*.

The booklets are available from the Employer's Orderline on **0845 7 646 646**.

We refer to the guidance given in these booklets throughout this guide.

What is this guide about?

Class 1A National Insurance contributions (NICs) are payable on most benefits provided to employees.

This guide tells you what you need to know and do about Class 1A NICs. It explains when Class 1A NICs are due and how they are worked out, reported and paid.

What does this guide contain?

Paragraphs 4 to 26 explain the general rules about Class 1A NICs.

Paragraphs 27 to 42 explain special Class 1A rules, including what happens when a benefit is provided to an employee by a third party.

Paragraphs 43 to 53 explain some of the main terms used in this guide.

Paragraphs 8 and 26 provide quick, step-by-step guides to working out whether Class 1A NICs are due and how they are worked out, reported and paid.

Appendix 1 lists the most common taxable benefits and expenses and tells you which are liable for Class 1A NICs.

2 Further information

This edition replaces CWG5(2003).

It reflects the position on NICs at the time of writing, and is intended for your guidance.

It is not comprehensive, and has no legal force.

It does not affect any right of appeal.

3 Statutory references

To assist accountants, financial directors and other financial advisors, some sections of this guide include the statutory references on which this guide is based.

The statutory references are taken from

- ITEPA 2003
 - The Income Tax (Earnings and Pensions) Act 2003
- SSCBA 92
 - The Social Security Contributions and Benefits Act 1992, as amended
- SS(C)R 2001
 - The Social Security (Contributions) Regulations 2001, as amended.

This section explains whether you will have to pay Class 1A NICs. The rules described in this guide apply to all benefits.

There is a quick guide to working out whether you have to pay Class 1A NICs at paragraph 8, on page 5.

4 When are Class 1A NICs payable?

SSCBA 92, S10(1)

You may have to pay Class 1A NICs on any benefit you provide to your employees by reason of their employment.

Certain conditions must apply before Class 1A NICs are due.

These conditions are

- the benefit must be from, or by reason of, an employee's employment and must be chargeable to income tax under ITEPA 2003 on an amount of general earnings as defined at section 7(3) ITEPA 2003.
- the employment must be "employed earner's employment" under Social Security law and employment as a director, or an employee who earns at the rate of £8,500 or more a year
- the benefit must not already attract a Class 1 NICs liability.

A good way of telling whether you will have to pay Class 1A NICs is if you need to fill in form *P11D Return of Expenses and Benefits*. If you do not know whether you need to fill in forms *P11D* you should check booklet *480 Expenses and Benefits – A tax guide*.

5 For which employees are Class 1A NICs due?

SSCBA 92, S10(1)(b)

Class 1A NICs are due on benefits provided to

- directors and certain other persons in controlling positions, whatever their earnings, but excluding directors who do not have a material interest in a company where
 - the director is a full-time working director, or
 - the company is a charity or non-profit making concern
- employees, including any directors excluded above, who earn at a rate of £8,500 or more a year, including taxable benefits and expenses
- members of the families or households of the above.

More information on benefits provided to family members and working out an employee's earnings is in booklet *480 Expenses and Benefits – A tax guide*.

In the remainder of this guide we refer to **employees**: this includes **directors**, unless we state otherwise.

6 Who has to pay Class 1A NICs?

SSCBA 92, S10(2)

Class 1A NICs are paid by employers only.

There is no employee contribution payable.

Legally, the person liable to pay Class 1A NICs is

- the person who is liable to pay employer's Class 1 NICs on the last or only relevant payment of earnings in the tax year, or
- if there is no employer's Class 1 liability, the person who would have been liable to pay employer's Class 1 NICs if the benefit itself had been earnings on which Class 1 NICs are due.

Exception

An exception to this general rule occurs where a benefit is provided to an employee by someone other than his or her employer – usually called a third party benefit or award. See Part 6 on page 15 for more information on benefits provided by third parties.

In some cases no Class 1A NICs are due. You may have to pay Class 1 NICs on some benefits and Class 1A NICs on others. But Class 1 and Class 1A NICs will never be due on the same benefit.

You need to find out whether it is Class 1 or Class 1A NICs which are due on the benefits you provide so that you can work out how much Class 1A NICs you have to pay.

If you are not sure whether Class 1 or Class 1A NICs are due on a particular benefit, contact your nearest Inland Revenue Enquiry Centre or the Employer's Helpline for advice.

7 When are Class 1A NICs not due?

You do not have to pay Class 1A NICs on benefits which are

- **exempt from income tax**
SSCBA 92, S10(1)(a)

Class 1A NICs are payable only where the benefit provided is chargeable to income tax under ITEPA 2003 on an amount of general earnings as defined at section 7(3) ITEPA 2003. Where no tax is chargeable because of a tax exemption, no Class 1A NICs are due.

Full details of those benefits exempt from income tax are included in booklet *480 Expenses and Benefits – A tax guide*.

- **returned on form P9D**
SSCBA 92, S10(1)(b)

Form *P9D* is used to report to the Inland Revenue benefits you provide to employees who are earning at a rate of less than £8,500 a year. No Class 1A NICs are payable on the benefits you provide to those employees.

- **exempt from Class 1A NICs**
Part 3 of the SS(C)R 2001

Sometimes tax, but not Class 1A NICs, may be due on a benefit because the benefit has been excluded from Class 1A NICs.

Details of these special exclusions are given in Part 5.

- **covered by a dispensation**
ITEPA 2003 Section 65 and Section 96

No Class 1A NICs are payable on benefits included in a dispensation. See paragraph 48 for more information.

- **covered by an Extra-Statutory Concession published by Inland Revenue**
SS(C)R 2001, R40(7)

No Class 1A NICs are payable where a benefit is not chargeable to tax because of an Extra-Statutory Concession published by the Inland Revenue.

See paragraph 51 for more information.

- **included in a PAYE Settlement Agreement**
SSCBA 92, S10(6)

No Class 1A NICs are payable on benefits included in a PAYE Settlement Agreement.

See paragraph 53 for more information.

- **provided for business use but insignificant private use is allowed**
ITEPA 2003, S316

No Class 1A NICs are payable where you provide, on your premises, benefits to your employees to allow them to carry out their duties but there is also some insignificant private use by the employee.

Also, no Class 1A NICs are payable when you provide benefits off your premises, as long as your sole purpose in providing the benefit is so that the employee can carry out his or her duties.

Examples where this exemption will apply include – a fax machine provided for use by an employee working from home, which is occasionally used for private purposes

– a telephone provided to allow an employee to receive or make business calls, on which occasional private calls are permitted.

This exemption does **not** apply where the benefit provided

- is a motor vehicle, boat or aircraft, or
- involves an improvement or extension to living accommodation.

If this exemption does not apply *for instance if the private use is not insignificant, or the benefit is a motor vehicle, boat, aeroplane or an improvement to living accommodation* Class 1A NICs will be due and the benefit must continue to be reported on form *P11D* whatever the amount of business use.

- **already liable for Class 1 NICs**
SSCBA 92, S10(1)(c)

No Class 1A NICs are payable on benefits which are liable for Class 1 NICs. See Appendix 1 for those benefits on which Class 1 NICs are due.

- **exempt from Class 1 NICs**
SS(C)R 2001, R40

No Class 1A NICs are payable on certain payments which are also exempt from Class 1 NICs.

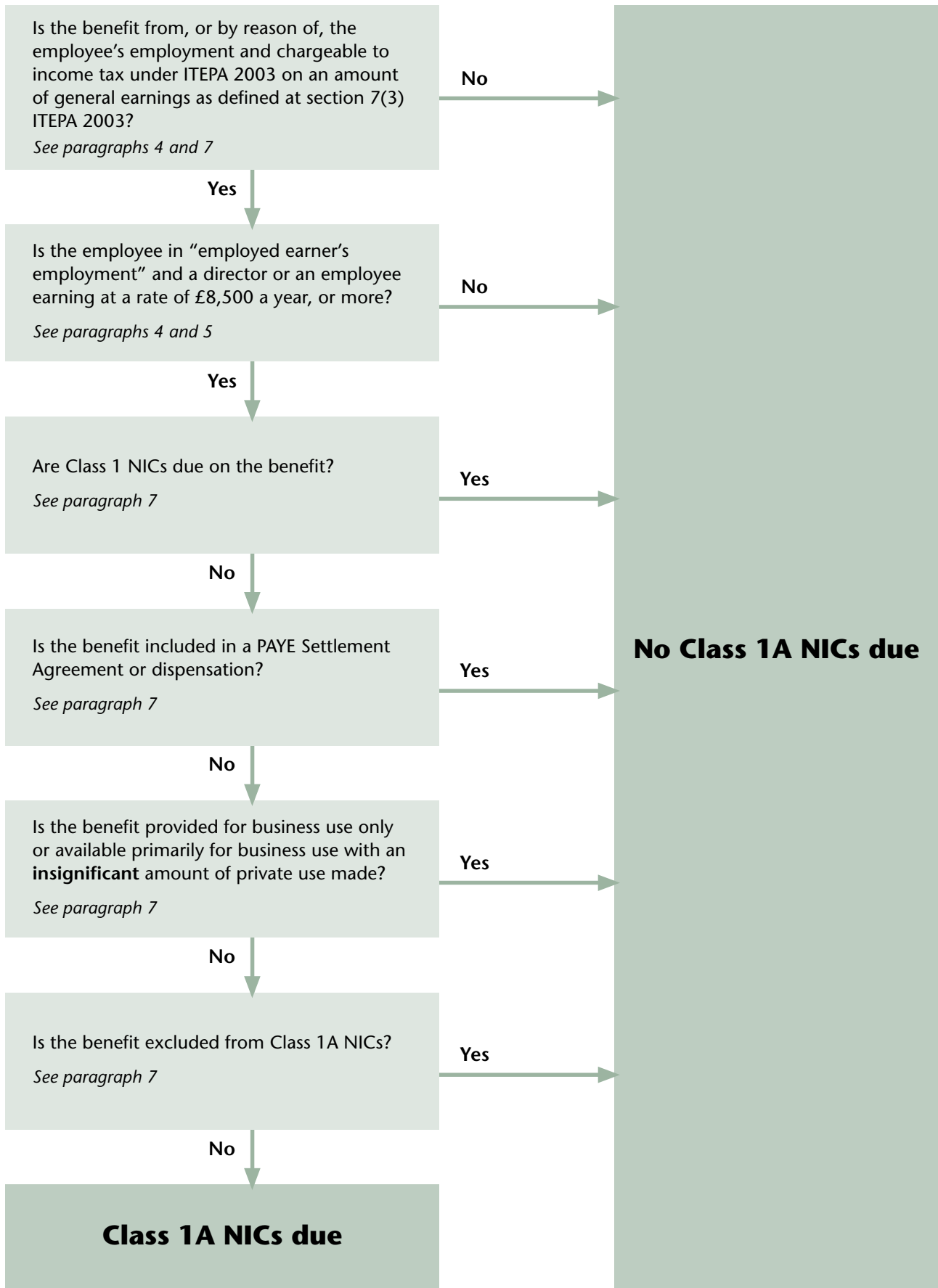
Examples include

- pension payments
 - redundancy payments
 - payments of, or contributions towards, specific and distinct expenses actually incurred by an employee in carrying out the employment.
- For example, if you reimburse an employee for the cost of washing a uniform worn at work.

8 Quick guide to working out whether Class 1A NICs are due

There is more information on pages 3 and 4.

See Part 6 for details of benefits awarded by third parties.



This section explains how to work out Class 1A NICs. The rules described in this section should be used for all benefits.

Before 6 April 2000, Class 1A NICs were payable only on the benefit of company cars and fuel provided for private use.

If you provide company cars to your employees, you will need to read booklet *CA33 Class 1A National Insurance contributions on Car and Fuel Benefits*, for details of how Class 1A NICs are calculated in special or unusual cases, including shared cars and cars provided by more than one employer.

9 How are Class 1A NICs calculated?

Class 1A NICs are calculated as a percentage of the cash equivalent of a benefit. The cash equivalent figure used to work out Class 1A NICs is the same figure which you report for tax purposes on form *P11D – Return of Expenses and Benefits* (or substitute).

The rules for working out the cash equivalent of a benefit are given in booklet *480 Expenses and Benefits – A tax guide* and in various optional working sheets provided with forms *P11D*.

So that you do not have to work out Class 1A NICs on each cash equivalent, the total amount of Class 1A NICs payable is calculated by

- adding together each cash equivalent figure recorded on individual *P11D* forms to get a single figure, and
- multiplying the total figure by the Class 1A percentage rate.

The percentage rate at which Class 1A NICs are worked out is the employer's not contracted-out Class 1 NICs rate for the tax year in which the benefit is made available. For the tax year 2003-04, the Class 1A percentage rate is 12.8%.

If the employee is in contracted-out employment, the Class 1A NICs percentage rate used is still that for not contracted-out Class 1 NICs.

Example

During the tax year 2003-04, you provide health care and company cars to 25 of your employees. The Class 1A NICs percentage rate for the 2003-04 tax year is 12.8%.

The cash equivalent figures reported on each employee's *P11D* are £150 health care and £3,000 car benefit.

To calculate the Class 1A NICs due

Step 1	Add the total cash equivalent figures together		
	$£150 \times 25$	=	£ 3,750
	$£3,000 \times 25$	=	<u>£75,000</u>
			£78,750
Step 2	Multiply the figure from Step 1 by the Class 1A percentage rate		
	$£78,750 \times 12.8\%$	=	£10,080.00
Class 1A NICs due		=	£10,080.00

Once you have worked out the amount of Class 1A NICs due you may need to adjust the figure.

See paragraph 18 for instances where this may be necessary.

10 Record-keeping for Class 1A NICs purposes

As Class 1A NICs are calculated using information you provide on forms *P11D* for tax purposes, you do not need to keep any additional records on how you have calculated the cash equivalent of a benefit for Class 1A NICs purposes.

You may be asked to produce evidence of how you have worked out Class 1A NICs. If you have used an alternative to the *P11D* for recording Class 1A NICs, it is important that you keep records which show this information, either in paper form or on computer. In either case, these records must be made available to the Inland Revenue on request.

If you provide company cars and fuel it may be to your advantage to keep detailed records of these particular benefits to calculate the amount of Class 1A NICs. See booklet *CA33 Class 1A National Insurance contributions on Car and Fuel Benefits*.

11 Can the way in which benefits are provided affect their NICs treatment?

Sometimes the way in which you provide benefits to your employees can decide whether Class 1 or Class 1A NICs are due on them. It is important that you look carefully at how you provide benefits to your employees, as this will affect what class of NICs you are liable to pay.

Example

If you meet your employee's personal liability such as paying for or reimbursing private health insurance that your employee has taken out that amount should be treated as gross pay on which Class 1 NICs will be due.

If, on the other hand, you take out a contract with a provider to provide an employee with private health insurance, then that will normally be a benefit recorded on the employee's *P11D* and Class 1A NICs will be due.

12 Are Class 1A NICs due on benefits provided only for business use?

Where a benefit is provided, but for tax purposes the employee is entitled to a fully matching deduction, no Class 1A NICs will be due.

For example, a benefit provided

- necessarily for use by employees wholly and exclusively in the performance of their duties
- in the course of qualifying business travel.

See booklet *490 Employee Travel*
– a *Tax and NICs Guide for Employers*.

If you provide such benefits and have entered them on the employee's *P11D* because you do not have a dispensation for them, see paragraph 18 about using the adjustment boxes on the *P11D(b)* to exclude them from the amount of Class 1A NICs you are due to pay.

13 Are Class 1A NICs due where there is a mixed business and private use?

In most cases, Class 1A NICs will be due on the full amount of the benefit where the employee uses the benefit for both business and private purposes.

This means that you can use the figures you record on your employees' *P11Ds* to work out the amount of Class 1A NICs due, without having to find out whether your employees are entitled to claim a tax deduction when completing their Self Assessment Tax Return.

There is one exception to this rule.

Where certain benefits are provided for business use but the employee makes an insignificant amount of private use of the benefit, you will not need to report this on form *P11D* and no Class 1A NICs will be due.

See paragraph 7 for more information.

Where an employee reimburses the full cost of any private use, no Class 1A NICs are due.

14 How does form P11D help me work out Class 1A NICs?

Form *P11D* will help you identify which benefits are liable for Class 1A NICs. These are shown in brown boxes and have a '1A' indicator. Only those benefits that have this indicator box should be included in your Class 1A NICs calculation.

Those benefits which attract a Class 1 NICs liability but are recorded on the *P11D* for tax purposes have no Class 1A indicator box and you should not include those benefits in your Class 1A NICs calculation.

As Class 1A NICs are worked out using information recorded on form *P11D*, it is important that these forms are completed correctly. This will make sure that you pay the correct amount of Class 1A NICs.

Appendix 1 shows you where specific benefits should be recorded on form *P11D*.

A copy of the 2003-04 *P11D(2004)* is shown on pages 26 and 27 of this guide.

Part 4

Reporting and paying Class 1A NICs

This section gives guidance on reporting and paying Class 1A NICs. It explains how you should report information about Class 1A NICs to us and how you should make payment.

There is a quick guide to working out and paying Class 1A NICs on page 10.

15 What are the key dates for reporting and paying Class 1A NICs?

There are two key dates for Class 1A NICs due for the 2003-04 tax year.

These are

- **6 July 2004**
– for the *P11D* and *P11D(b)* return of Class 1A NICs
- **19 July 2004**
– for the payment of Class 1A NICs.

16 How do I report Class 1A NICs?

Once you have worked out the amount of Class 1A NICs due you will need to complete and return a *P11D(b)* Class 1A NICs declaration form, showing the total amount of Class 1A NICs due.

The return date for both the *P11D* and the *P11D(b)* declaration is 6 July following the tax year in which the benefit is provided.

17 What if I use alternative P11Ds?

If you use substitute forms or lists or other methods of returning *P11D* information that have been agreed with the Inland Revenue, you should allow for items subject to Class 1A NICs to be identified on your substitute returns or lists.

Where appropriate, you should

- return form *P11D(b)*, using the adjustment facility as necessary to arrive at your correct Class 1A NICs liability, and
- keep records which identify those benefits on which Class 1A NICs are due.

18 Using the P11D(b) adjustment facility

You can use Section 4 on the *P11D(b)* form to make adjustments to the total benefits liable to Class 1A NICs.

You may need to make an adjustment if you have

- used substitute forms or lists which do not identify the items subject to Class 1A NICs
- reported a cash equivalent figure on the *P11D* for tax purposes which incorrectly included tax already deducted
- reported a benefit on the *P11D* for which a fully matching tax deduction is available
See paragraphs 12 and 13
- included a benefit figure on the *P11D* for employees who have no NIC liabilities
See paragraph 27.

19 Correcting form P11D or P11D(b)

If you put a wrong figure on a form *P11D* or *P11D(b)* before sending it in, draw a line through the wrong figure so that it can still be read then enter the right figure.

20 Reports of amended Class 1A NICs liability

Sometimes further information may be made available to you after you have calculated and paid your Class 1A NICs in July. Where this happens it may be necessary for you to recalculate the amount of Class 1A NICs due.

The late information may relate to

- periods when a benefit was unavailable to an employee
- amounts made good by the employee in respect of benefits provided.

If you need to recalculate the Class 1A NICs due after making your original payment you must send in a **revised** form *P11D(b)* and, where appropriate, revised forms *P11D*.

21 How and when do I pay Class 1A NICs?

Class 1A NICs must be paid by **19 July** following the end of the tax year.

All the normal ways of making payment apply.

A special Class 1A NICs payslip will be sent to you in April and should be used if you pay other than by Direct Debit. Send your payment with the completed payslip to your PAYE/NICs reference at the Inland Revenue Accounts Office shown on the payslip.

22 What if my business ceases?

Tell your Inland Revenue office when

- you cease in business
- you do not expect to employ anyone for a complete tax year, or longer.

Your Inland Revenue office will send you form *P11D(b)* to complete.

23 What happens where a transfer or succession of business occurs?

For 2001-02 and later tax years, all Class 1A NICs in transfer and succession cases must be returned on the *P11D(b)* by the **new** employer.

24 Interest charges for late payment

If you pay late, or if an underpayment of Class 1A NICs is discovered either by you or by the Inland Revenue, you will have to pay interest on the amount outstanding.

Statutory interest for late payment is charged immediately from **19 July**.

25 Penalties

You will be charged penalties for failing to make a return of Class 1A NICs and for fraudulently or negligently making an incorrect return.

The filing date for the return is **6 July**. If the return is not received by **19 July** it will attract a penalty of £100 per month or part month of lateness, for every fifty or part-batch of fifty, employees provided with benefits.

If the failure continues beyond 12 months there is an additional penalty, not exceeding the amount of the Class 1A NICs paid late.

An incorrect return made fraudulently or negligently attracts a penalty not exceeding the difference between the amount of Class 1A NICs shown on that return and the amount that should have been shown.

26 Quick guide to working out, reporting and paying Class 1A NICs

There is more information in paragraphs 9 to 25.

Step 1

Establish whether Class 1A NICs are due

See paragraphs 4 to 7

Step 2

Calculate the amount of Class 1A NICs due

- Add together the cash equivalent of each benefit liable to Class 1A NICs
- Multiply the total by 12.8%

See paragraph 9

Amount of Class 1A NICs due

Step 3

Report the Class 1A NICs due

- Complete the Class 1A declaration on form *P11D(b)*, using the amount from Step 2
- Return *P11D(b)* together with completed *P11Ds* by **6 July**

See paragraph 16

Step 4

Paying the Class 1A NICs due

- Complete Class 1A payment slip
- Send, together with Class 1A NICs payment, to the Accounts Office by **19 July**

See paragraph 21

This section deals with uncommon situations and benefits where special rules apply.

27 Employees going or coming from abroad

SSCBA 92, S1(6)(a)

Benefits may be

- provided to employees whilst they are abroad
- left behind for their use once they return
- available to family members whilst they are abroad.

For employees going to or coming from abroad, who are provided with benefits, two factors decide whether Class 1A NICs are due.

For Class 1A NICs to be due

- the benefit must be chargeable to income tax under ITEPA 2003 on an amount of general earnings as defined at section 7(3) ITEPA 2003, *even though tax may not actually be paid, and*
- there must be liability for employer's Class 1 NICs for any part of the tax year in which the benefit was provided.

In some cases a liability for Class 1 NICs may arise for only a proportion of a tax year, because of the 52 week liability period for people working abroad. Guidance on Class 1 NICs for people working abroad is given in leaflet *NI 132 NI for Employers of people working abroad*.

If you are unsure whether an employee, who either comes from or goes abroad, is chargeable to income tax on the provision of a benefit, please contact your local Inland Revenue Enquiry Centre.

If you are unsure whether you are liable to pay employer Class 1 NICs on earnings paid to the employee, or the period for which there is liability to pay Class 1A NICs, contact the Employers Helpline.

Once you have established that Class 1A NICs are due, work out the amount using the same rules described in parts 1 to 3 of this guide.

Once liability for Class 1 NICs ends, liability for Class 1A NICs also ends.

For such periods, the benefit is treated as being unavailable and you can apply the appropriate adjustments to the amount of Class 1A NICs due on a pro rata basis, using the number of unavailable days. You should use the adjustment facility provided on the reverse of form *P11D(b)* if you are adjusting the amount of Class 1A NICs due.

28 Company cars or vans and fuel benefit

Company cars and fuel benefit are taxed under special rules contained in Chapter 6 of Part 3 of ITEPA 2003. Class 1A NICs on these benefits follow the normal Class 1A NICs rules, but there are special Class 1A NICs rules for cars provided in unusual circumstances.

Examples include

- a car shared by two or more employees
- sharing the cost of providing a car between two employers.

If you provide cars in special or unusual cases, read booklet *CA33, Class 1A National Insurance contributions on Car and Fuel Benefits*.

29 Childcare

SS(C)R 2001, R40

No Class 1A NICs are payable where you arrange childcare on behalf of your employees for children under the age of 16 for whom your employees have parental responsibility.

The type of childcare you provide may include

- organising places in a commercial nursery
- arranging for a childminder
- providing a workplace nursery
- providing childcare vouchers.

This exclusion does not include

- school fees
- cash which you give to an employee to help them meet the costs of their own childcare arrangements
- paying an employee's childcare bills on their behalf.

In these cases, Class 1 NICs are due.

The Class 1A NICs exception for childcare is wider than that provided for income tax under S318 ITEPA 2003. Details of those childcare provisions which are exempt from tax are contained in booklet *480 Expenses and Benefits – A tax guide*.

30 Fees and professional subscriptions

SSCBA 92, S10

Some subscriptions and fees paid to certain approved professional bodies and societies are exempt from NICs in line with the income tax treatment under S343 and 344 ITEPA 2003.

Otherwise NICs are due where employers meet the costs of subscriptions and fees paid to a body or society.

Class 1A NICs are payable if you contract with the body concerned to provide membership for your employees.

Class 1 NICs are payable if you reimburse the cost of membership arranged by the employees themselves.

31 Incidental overnight expenses

SSCBA 92, S10

Employees who have to stay away from home overnight on business may incur additional expenses of a personal nature. Examples include newspapers, laundry and telephone calls home.

There is an exemption which provides that employers can pay these incidental expenses free of tax and NICs as long as they are within prescribed limits and certain conditions are met. Full details of the qualifying conditions are set out in Appendix 8 to booklet *480 Expenses and Benefits – A tax guide*.

The exemption covers all possible ways in which an employer can meet these expenses, including payment by non-cash voucher, credit card, cash payments and by way of a benefit.

Where you pay or provide an incidental expense which exceeds the prescribed limit or fails the qualifying conditions, the whole amount (not just the excess) is liable to tax and NICs under the normal rules. For the purposes of determining whether the prescribed limit is exceeded, the various elements of the incidental expense must be added together.

The NICs liability will depend upon how the incidental overnight expense is paid.

Where it consists

- wholly of cash, non-cash vouchers or credit card payment, Class 1 NICs are payable.
- wholly of a benefit, Class 1A NICs are payable.
- of a combination of various elements
 - Class 1 NICs are payable on the cash payments, non-cash vouchers and credit card payments
 - Class 1A NICs are payable on any benefit.

Example 1

An employee spends four nights away from home in the UK and receives incidental expenses totalling £32.00. The expenses are made up of £12.00 cash, an £8.00 non-cash voucher, and the inclusion of a laundry charge in the hotel bill met by the employer amounting to £12.00.

As the incidental overnight expenses exceed the prescribed maximum of £20.00 (four nights at £5.00) the NICs liability is calculated as follows

Class 1 NICs on £20.00

– the total of cash and non-cash voucher elements

Class 1A NICs on £12.00

– the benefit of the laundry charge.

Example 2

An employee spends three nights away from home in the UK and receives incidental expenses totalling £12.00. The expenses are made up of £9.00 cash, and a £3.00 newspaper charge included in the hotel bill met by the employer.

As the incidental overnight expenses do not exceed the prescribed maximum of £15.00, there is no tax or NICs liability.

32 Relocation expenses and benefits

SSCBA 92, S10

SS(C)R 2001, R40

Details of when Class 1 NICs are due on relocation expenses are in booklet *CWG2(2004) Employer's Further Guide to PAYE and NICs*.

As well as any Class 1 NICs that may be due in connection with relocation expenses you pay, Class 1A NICs may be due if you

- provide any type of relocation benefit which is not exempt from income tax
- pay any exempt expense after the relevant day
- provide a relocation package which exceeds the prescribed maximum of £8,000, whether the excess comprises benefits and/or expenses.

Class 1A NICs are not due on any exempt relocation benefit or expense which counts towards the £8,000 tax exemption limit.

Exempt benefits and expenses are listed in Appendix 7 of booklet *480 Expenses and Benefits – A tax guide*.

Example

An employee is relocated to a new job in May 2003. The employer pays the following relocation expenses and benefits which are all paid before the relevant day:

1 Legal and estate agent's fees	£2,500
2 Removal costs	£1,000
3 Travel costs for visiting the new location	£500
4 Temporary living accommodation	£3,000
5 School fees for the children of the employee	£3,000
6 Domestic goods purchased by employer to replace items unsuitable for use in the new home	£2,500
7 Landscape gardening provided by employer	<u>£1,500</u>
Total	£14,000

NICs liability:

- Class 1 NICs on item 5
 - school fees are not an exempt removal expense (£3,000)
- Class 1A NICs on item 7
 - gardening services are not an exempt removal benefit (£1,500)
- Class 1A NICs are also due on £1,500
 - relocation expenses and benefits paid in excess of the prescribed £8,000 maximum:

	£14,000
less items 5 and 7	£4,500
less maximum	<u>£8,000</u>
	£1,500

33 Shared benefits

SS(C)R 2001, R36

Special rules apply when calculating Class 1A NICs for shared benefits.

A shared benefit can be

- made available for use by two or more employees at the same time
- made available to one employee by reason of two or more employed earners' employments with the same or different employers.

If the benefit provided is a shared car see the example in booklet *CA33, Class 1A National Insurance contributions on Car and Fuel Benefits*.

In all other cases use the figure you have entered on the *P11D* for each employee's share of the cash equivalent of the benefit, to work out the amount of Class 1A NICs due.

34 Shares and share options

Full details of when Class 1 NICs are due on shares and share options can be found in booklet *CWG2(2004) Employers Further Guide to PAYE and NICs*. In some circumstances, however, Class 1A NICs may be due.

When an employee acquires securities, including shares, for less than the market value, section 446S of ITEPA (as amended by the Finance Act 2003) has the following effect.

It treats the difference as an interest free loan to the employed earner by the employer at the time of acquisition.

A Class 1A NICs liability arises on the same amount which is chargeable to income tax.

35 Staff suggestions

If staff suggestion awards meet the conditions set out in S.321 ITEPA 2003, no NICs are due.

If the conditions are not met, the NICs liability will depend upon the nature of the award.

Where the award is

- a cash payment or a non-cash voucher, Class 1 NICs are due.
- a benefit, Class 1A NICs are due.
- a combination of cash, non-cash voucher and benefit
 - Class 1 NICs are due on the cash and the non-cash voucher
 - Class 1A NICs are due on the benefit.

This section provides guidance on NICs due on cash payments, vouchers and benefits provided to employees by someone other than their employer. These are normally referred to as third party awards.

You will need to know about these special rules if

- you provide any type of award to individuals who are employed by someone else, or to a member of their family or household
- your employees, or members of their family or household, receive any type of award from someone other than you.

‘Employee’ in the remainder of this part of the guide means ‘an employee or a member of their family or household’.

36 What NICs are due on third party awards?

SSCBA 92, S10ZA and ZB

The NICs liability on any third party award depends on

- the type of award, and
- whether you as an employer have arranged the award with the third party. See paragraph 37.

These rules do not cover payments by third party customers as a reward for services given in the performance of the duties of the employment, for example, tips.

The National Insurance liability on tips is explained in *CWG2(2004) Employer’s Further Guide to PAYE and NICs*.

Where a third party gives an employee a cash payment, a cash voucher or a benefit that normally attracts a Class 1 liability, that award will be liable for Class 1 NICs.

Where a third party provides an employee with a benefit that normally attracts a Class 1A liability or a non-cash voucher, that award will be liable for Class 1A NICs.

You, as an employer, are responsible for reporting the details and for paying NICs that are due where

- you arrange for your employees to get an award from a third party which is liable for Class 1A NICs
- a third party provides an award to your employees which is liable for Class 1 NICs.

The third party is responsible for reporting the details of the award and for paying NICs that are due where

- an award is liable to Class 1A NICs
- you, the employer, have not arranged the award for your employees.

Any non-cash voucher awarded to an employee by a third party which has not been arranged with the employer is liable for Class 1A NICs, even if the employee is earning at a rate of less than £8,500 a year.

Further information on those benefits which are liable for Class 1 NICs is available in booklet *CWG2(2004) Employer’s Further Guide to PAYE and NICs*.

37 What is an arrangement?

If you, as an employer, play some active part in providing the award this will normally constitute an arrangement. This may involve you asking the third party to make the award, sharing or underwriting the cost of the award or otherwise helping to provide the award.

You will not be regarded as arranging the award where you are asked by the third party to give them a list of employees. This may happen where third parties run incentive campaigns and they make awards to your employees.

38 Third party awards liable for Class 1 NICs

Where a third party provides an employee with a cash payment, a cash voucher or a benefit that normally attracts a Class 1 liability, that award will be liable for Class 1 NICs. Where Class 1 NICs are due, you the employer, and not the third party, are responsible for paying the NICs that are due.

Further information on those benefits which are liable for Class 1 NICs is available in booklet *CWG2(2004) Employer’s Further Guide to PAYE and NICs*.

39 Third party awards liable for Class 1A NICs

Where a third party provides an employee with a benefit or a non-cash voucher, that award will be liable for Class 1A NICs. Where Class 1A NICs are due, the third party is responsible for paying the NICs that are due except on awards arranged by the employer.

Details of those benefits which are liable for Class 1A NICs are shown in Appendix 1.

40 Awards not liable for NICs

Some third party benefits, such as small gifts and general goodwill entertaining, are exempt from tax and NICs.

More information on those benefits exempt from tax and NICs are contained in booklet *CWG2(2004) Employer’s Further Guide to PAYE and NICs*.

41 Paying tax on behalf of an employee

SSCBA 92, S10ZA(2)

Where a third party pays an employee's tax on an award liable to Class 1A NICs, the third party is liable for Class 1A NICs on the amount of tax he or she pays on behalf of the employee.

The third party should

- tell you
- contact the Inland Revenue's Incentive Award Unit at the address in paragraph 42.

Where a third party pays the employee's tax on an award liable to Class 1 NICs you, as the employer, have to pay Class 1 NICs on the amount of tax paid by the third party.

42 Reporting and paying Class 1A NICs on third party awards

If the third party has previously contacted our Incentive Award Unit about reporting and paying Class 1A NICs, the Unit will automatically send them an End of Year Pack containing the end of year return and a payslip to pay Class 1A NICs and any tax due.

If they do not already have a Taxed Award Scheme they should contact the Incentive Award Unit at the address below.

The Unit will provide details of the scheme.

The Inland Revenue Incentive Award Unit
Chapel Wharf Area
Trinity Bridge House
2 Dearmans Place
Salford
M3 5BH

Telephone **0161 261 3269**

Fax **0161 261 3354**

email **manchesterblackfriars.ir.tbh@gtnet.gov.uk**

For 2003-04 the end of year return should be made by 6 July 2004. Payment of Class 1A NICs and any tax due must be made to the Inland Revenue Accounts Office by 19 July 2004.

Class 1A NICs are included in the decision and appeals arrangements for National Insurance contributions.

This means that the Inland Revenue will make decisions on specified Class 1A NICs issues which can be appealed against. Appeals can also be made against a Class 1A NICs penalty.

We normally hope to resolve any disagreement with you by agreeing to settle your appeal with a revised decision. But, if we cannot settle your appeal by agreement, then it will be considered by the General or Special Commissioners, who are independent tribunals also responsible for hearing tax appeals.

Full details about the Inland Revenue's system of decisions and appeals are in booklet

- *DAA2 A Guide to your Notice of Decision*, and
- leaflet *IR37 Appeals against tax, National Insurance contributions, Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay*.

This section explains some of the main terms used in this guide.

43 Business use

The expression 'business use' by the employee means necessary use by the employee wholly and exclusively in the performance of the employee's duties or, as the context requires, in qualifying business travel of the employee: see booklet *490 Employee Travel – A Tax and NICs Guide for Employers*.

44 Child

The term 'child' as used in this guide means

- a child not exceeding the age of 16
- for whom the employee has parental responsibility.

45 Director

ITEPA 2003 S67(1) and (2)

The term 'director' includes all company directors and any person, other than a person who is merely a professional advisor, *for example, a solicitor who gives advice*, in accordance with whose instructions the directors are accustomed to act.

It also includes the members of a company whose affairs are managed by those members themselves and a member of a committee which manages an unincorporated association.

46 Director's earnings

SSCBA 92, S10(1)(a) and (b)

The £8,500 minimum earnings rule only applies to employee directors. Directors who are not employee directors attract liability for Class 1A NICs even if their earnings are less than £8,500 a year.

Even if a director receives no earnings in the relevant tax year, a Class 1A NICs liability will still arise on any benefit provided to the director if

- the benefit is chargeable to tax under ITEPA 2003 on an amount of general earnings as defined at section 7(3) ITEPA 2003, **and**
- the employment is 'employed earner's employment'.

47 Directors and employees with no earnings

SSCBA 92, S10(2)(b)

Where a director or employee is provided with a benefit but no other earnings, Class 1A NICs are payable by the person who would have been liable to pay employer Class 1 NICs had the benefit been earnings on which Class 1 NICs are due.

Where employees who are not directors are provided with benefits but no other earnings, they will still need to earn at a rate of £8,500 a year, including taxable benefits and expenses, before Class 1A NICs become due. See paragraph 50.

48 Dispensations

A dispensation is a notice sent to you by the Inland Revenue, authorising you not to report on forms *P11D* the expenses and benefits specifically covered by the dispensation. Dispensations avoid the need to submit details of routine expense payments and benefits that would clearly involve no payment of tax or NICs.

Further information on the types of benefits that can be included in a dispensation and how you can apply for one are included in booklet *CWG2(2004) Employer's Further Guide to PAYE and NICs*.

49 Employee & Employed earner

ITEPA 2003, S216(1) to (4)

SSCBA 92, S2(1)(a)

The term 'employee' as used in this guide means an employed earner and includes

- all directors
- employees, including employee directors, paid at a rate of £8,500 a year or more including taxable benefits and taxable expenses.

The term 'employed earner' used in this guide means a person who is gainfully employed in Great Britain and Northern Ireland, either under a contract of service, or in an office (including elective office) with employment income chargeable to income tax under ITEPA 2003.

50 Employee earning at a rate of less than £8,500 a year

Chapter 11 of Part 3 of ITEPA 2003

If an employee is earning at a rate of less than £8,500 a year, but is provided with a benefit, Class 1A NICs will be due if the employee's salary plus the value of the benefit and any taxable expenses he or she receives exceeds £8,499.

Example

An employee is provided with a company car for private use during the whole of the 2003-04 tax year.

The employee's earnings excluding taxable benefits and expenses is £8,000.

The taxable benefit of the car is £1,800.

To determine if there is a Class 1A NICs liability, add the car benefit to the basic earnings.

If the total is less than £8,500 for the year, no Class 1A NICs are payable.

Calculation of total earnings

Earnings	£8,000
Car benefit	£1,800
Total earnings	£9,800

Class 1A NICs are payable as the total inclusive earnings exceed £8,499.

If the employee received other taxable benefits or expenses these should also be added to the earnings and the car benefit to determine the total earnings.

51 Extra-Statutory Concessions

Extra-Statutory Concessions are minor relaxations in the law which, ordinarily, deal with minor or transitory anomalies where a statutory remedy would be difficult or costly to introduce.

A full list of the Inland Revenue's Extra-Statutory Concessions is in *IR1 Extra-Statutory Concessions*, and those relating specifically to benefits are included in booklet *480 Expenses and Benefits – A tax guide*.

52 Family or household

The term 'family or household' covers the director's or employee's

- spouse
- children and their spouses
- parents
- servants, dependants and guests.

53 PAYE Settlement Agreements (PSAs)

A PAYE Settlement Agreement is an agreement between you and the Inland Revenue under which you agree to pay the tax due on certain payments and benefits which you give to your employees.

PSAs normally apply to certain payments and benefits which are

- minor, or
- given on an irregular basis, or
- provided in circumstances where it is impracticable to apply PAYE or report benefits on forms *P11D* or *P9D*, or to apportion the benefits shared by a number of employees.

Where you enter into a PSA, Class 1B NICs will be payable by you on the total value of

- the payments and benefits covered by the PSA which would normally give rise to a Class 1 or Class 1A liability, and
- the tax payable by you under the PSA.

More information on the types of benefits that can be included in a PSA and how you can apply for one are included in booklet *CWG2(2004) Employer's Further Guide to PAYE and NICs*.

The chart on the following pages shows you whether Class 1 or Class 1A NICs are due on the most common types of expenses and benefits that can be made to your employees, and describes how they should be reflected on form P11D in ordinary circumstances.

You should read any footnote which a chart entry refers you to.

The chart is not comprehensive and has no legal force. It gives guidance only.

Some entries will refer you to more detailed guidance elsewhere. This may be because special conditions apply to that type of expense or benefit.

If the chart does not show the type of payment you are making, or you are not sure whether a payment attracts a Class 1 or a Class 1A NICs liability, contact the Employer's Helpline on **0845 7 143 143**. Calls are charged at the local rate.

Further guidance about NICs on expense payments is in leaflet *CWG2(2004)*.

National Insurance treatment of common expenses and benefits

Type of expense or benefit provided	Circumstances	Class 1 NICs due <i>Include in gross pay</i>	Class 1A NICs due	Enter on P11D at Section
Assets placed at the employee's disposal	provided for business use, and private use is insignificant – see paragraph 13	No	No	L <i>Footnote 1</i>
	provided for mixed business and private use	No	Yes	L
Assets transferred to the employee but not readily convertible assets	Can be turned into cash only by sale, such as furniture, kitchen appliances, property and clothes	No	Yes	A
Car fuel for private motoring in a company car	Any means of supply or purchase – see booklet CA33 for exceptions	No	Yes	F
Car/van fuel for private motoring in a privately owned car/van	supplied using a company credit card or garage account or agency card and the conditions described in booklet <i>CWG2(2004)</i> apply	No <i>Footnote 2</i>	Yes	N
	from your own fuel pump	No	Yes	N
	Any other circumstances	Yes	No	E or N
Car parking facilities, including motorcycles	at or near place of work	No	No	-
	elsewhere - unless the parking is part of a journey which is qualifying business travel	No	Yes	K, L or N
Car parking fees paid for or reimbursed to employee	at or near place of work	No	No	-
	for business-related journeys	No	No	O
	in all other circumstances	Yes	No	O

1 Where assets *apart from vehicles, boats, aircraft and certain improvements or extensions to living accommodation* and services are made available to employees to use for work on your premises or elsewhere, and there is only a small amount of incidental private use, no Class 1A NICs will be due.

2 Where an employee purchases goods or services including car fuels on your behalf, and you later transfer ownership of these to the employee, Class 1A NICs will be due.

Type of expense or benefit provided	Circumstances	Class 1 NICs due <i>Include in gross pay</i>	Class 1A NICs due	Enter on P11D at Section
Cars made available for private use	See booklet CA33	No	Yes	F
Childcare help for children up to the age of 16	Provided by you or you contract with the provider - excluding school fees – see paragraph 29	No	No	N
	You reimburse the employee or provide additional salary to meet the cost of childcare	Yes	No	-
Christmas boxes	in cash	Yes	No	-
	in goods	No	Yes	A, N
Clothing or uniforms which can be worn at any time	provided by you, see booklet CWG2(2004)	No	Yes	A, N
	Employee contracts <i>Footnote 4</i>	Yes	No	B, N
Clothing (protective) or uniforms <i>may have a logo which are necessary for work</i>	All circumstances	No	No	-
Computers supplied by you for private use	Annual value and running expenses of £500 or less	No	No	-
	Amount in excess of £500	No	Yes	L
Council Tax	See booklet CWG2(2004)	No	No	-
	All other circumstances	Yes	No	B
Credit cards, charge cards, employee uses your card to purchase	goods or services bought on your behalf and the conditions described in booklet CWG2(2004) apply	No	No <i>Footnote 2</i>	-
	items for the personal use of the employee	Yes	No	C
	items relating to specific and distinct business expenses actually incurred by the employee	No	No	C
Employee's liability insurance	See booklet CWG2(2004) for conditions	No	No	-
Entertaining clients expenses/allowances	Employer contracts <i>Footnote 3</i>	No	No	O
	Employee contracts <i>Footnote 4</i>	No	No	O

3 Contract is between you, the employer, and the provider of the benefit.

4 Contract is between the employee and provider and you, the employer, pay the provider or reimburse the employee.

Type of expense or benefit provided	Circumstances	Class 1 NICs due <i>Include in gross pay</i>	Class 1A NICs due	Enter on P11D at Section
Entertaining staff expenses/allowances	Employer contracts <i>Footnote 3</i>	No	Yes	K, L or N
	Employee contracts <i>Footnote 4</i>	Yes	No	O
Expenses not covered by a dispensation	Specific and distinct business expenses included in the payment	No	No	<i>Footnote 5</i>
	Any profit element in the payment	Yes	No	<i>Footnote 5</i>
Expenses and benefits covered by a dispensation		No	No	-
Food, groceries, farm produce	Employer contracts <i>Footnote 3</i>	No	Yes	A
	Employee contracts <i>Footnote 4</i>	Yes	No	B
Goods, such as TV, furniture, etc. transferred to employee	Employer contracts <i>Footnote 3</i>	No	Yes	A
	Employee contracts <i>Footnote 4</i>	Yes	No	B
Holidays	Employer contracts <i>Footnote 3</i>	No	Yes	A, K, L or N
	Holiday vouchers	Yes	No	C
	Employee contracts <i>Footnote 4</i>	Yes	No	B
Incidental overnight expenses	See paragraph 31 and booklet 480 for special conditions	No	No	-
Income tax paid	but not deducted from employee	Yes	No	N
	on notional payments not borne by employee within 90 days of receipt of each notional payment	Yes	No	B
Insurance premiums for pensions, annuities etc on the employee's death or retirement. See CWG2(2004) for exceptions	Employee contracts <i>Footnote 4</i>	Yes	No	B
Living accommodation provided by you	See booklet CWG2(2004) for special conditions	No	No	-
	In all other circumstances	No	Yes	D
Loans, beneficial arrangements	Qualifying loans	No	No	-
	Non-qualifying loans	No	Yes	H
Loans written off	at time you decide not to seek repayment	Yes	No	N
Long service Award	Conditions of S.323 ITEPA 2003 met	No	No	-
	Above conditions not fully met	For the treatment applicable to NICs see the instructions at paragraph 35 'Staff suggestions', which apply similarly for long service awards		

5 Specific and distinct business expenses may feature in a number of payments you make to employees and should be recorded in the appropriate P11D section.

Type of expense or benefit provided	Circumstances	Class 1 NICs due <i>Include in gross pay</i>	Class 1A NICs due	Enter on P11D at Section
Meal vouchers	15p a day of the value of vouchers which cannot be transferred to another person and can be used only for meals	No	No	-
	in any other circumstances	Yes	No	C
Meals provided by you	at canteen open to your staff generally or on your business premises on a reasonable scale and all employees may obtain free or subsidised meals	No	No	-
	in any other circumstances	No	Yes	N
Medical, dental, etc treatment or insurance to cover such treatment	Employer contracts <i>Footnote 3</i>	No	Yes	I
	Employee contracts <i>Footnote 4</i>	Yes	No	B
	Outside the UK where the need for treatment arises while the employee is outside the UK working for you	No	No	-
Mobile phones provided by you		No	No	-
Mobile phones costs of private calls	Employer contracts <i>Footnote 3</i>	No	No	-
	Employee contracts <i>Footnote 4</i>	Yes	No	B, N or O
Office accommodation, supplies/services used by employee in doing his/her work		No	No	-
Personal bills of the employee paid by you	Employee contracts <i>Footnote 4</i>	Yes	No	B
Readily convertible assets, remuneration provided in non-cash form such as shares, share options, bullion, and other commodities	See paragraph 34 and CWG2(2004) for detailed information	Yes	No – but see paragraph 34 for detailed information	-
Relocation expenses/benefits	Expenses which are not exempt <i>Footnote 6</i>	Yes	No	O
	Benefits which are not exempt and exempt expenses paid after the relevant day <i>Footnote 7</i>	No	Yes	N
	Exempt expenses/benefits of £8,000 or less <i>Footnote 7</i>	No	No	-
	Exempt expenses/benefits in excess of £8,000 <i>Footnote 7</i>	No	Yes	J

6 Expenses which are not exempt are any expenses not included in the list at Appendix 7 of booklet 480

7 Details of what constitutes exempt expenses and benefits is described in booklet 480.

Type of expense or benefit provided	Circumstances	Class 1 NICs due <i>Include in gross pay</i>	Class 1A NICs due	Enter on P11D at Section
Retirement benefit schemes	You contribute towards an unapproved scheme	Yes	No	N
Round sum allowances	Specific and distinct business expense identified	No	No	Footnote 8
	Profit element	Yes	No	Footnote 8
Scholarships awarded to students because of their parent's employment	Employer contracts Footnote 3	No	Yes	N
	Employee contracts Footnote 4	Yes	No	N
School fees	Employer contracts Footnote 3	No	Yes	N
	Employee contracts Footnote 4	Yes	No	N
Social functions	Conditions of S264 ITEPA 2003 are met	No	No	-
	Any other type of function	No	Yes	N
Sporting or recreational facilities provided by you, for example, fishing, horse racing	Conditions of S261 ITEPA 2003 are satisfied	No	No	-
	All other circumstances	No	Yes	K
Shares and share options	See Readily convertible assets (RCA)	-	-	-
Shares and share options (not RCA)		No	No	-
Subscriptions, professional & fees which are allowable tax deductions under S343 & 344 ITEPA 2003 – see paragraph 30	Any circumstances	No	No	N
Subscriptions, professional and fees which are not allowable tax deductions under S343 & 344 ITEPA 2003	Employer contracts Footnote 3	No	Yes	N
	Employee contracts Footnote 4	Yes	No	N
Suggestion schemes awards to employees	Conditions of S321 ITEPA 2003 met – see paragraph 35	No	No	-
	Above conditions not fully met	See paragraph 35		

8 Round sum allowances may feature in a number of payments you make to employees and should be recorded in the appropriate P11D section.

Type of expense or benefit provided	Circumstances	Class 1 NICs due <i>Include in gross pay</i>	Class 1A NICs due	Enter on P11D at Section
Telephones You are the subscriber	Cost of rental, unless private use is insignificant	No	Yes	K, L or N
	Cost of calls, unless private use is insignificant	No	Yes	K, L or N
	Cost of all private calls is reimbursed by the employee	No	No	K, L or N
Telephones Your employee is the subscriber, and you meet the costs of calls and/or rental	Phone used exclusively for business	No	No	B or O
	Phone exclusively for private use	Yes	No	B or O
	Phone used for both business and private purposes	Rental – Yes on full amount of the rental	No	B or O
		Calls – Yes on the full amount of the calls, <i>but any amount for business calls, supported by evidence, can be excluded</i>	No	B or O
Third party benefits/ payments		See paragraphs 36 to 42		
Training payments for course fees, books and so on	Training is work-related or encouraged or required by you in connection with the employment	No	No	-
	All other circumstances and employer contracts <i>Footnote 3</i>	No	Yes	N
	All other circumstances and employee contracts <i>Footnote 4</i>	Yes	No	N
Vans available for private use		No	Yes	G
Vouchers	See booklet CWG2(2004) for exceptions	Yes	No	C



P11D EXPENSES AND BENEFITS 2003-04

Note to employer

Complete this return for a director, or an employee who earned at a rate of £8,500 a year or more during the year 6 April 2003 to 5 April 2004. Do not include expenses and benefits covered by a dispensation or PAYE settlement agreement. Read the P11D Guide and Booklet 480, Chapter 24, before you complete the form. You must give a copy of this information to the director or employee by 6 July 2004. The term employee is used to cover both directors and employees throughout the rest of this form. **Send the completed P11D and form P11D(b) to the Inland Revenue office by 6 July 2004.**

Note to employee

Your employer has filled in this form. Keep it in a safe place as you may not be able to get a duplicate. You will need it for your tax records and to complete your 2003-04 Tax Return if you get one. Your tax code may need to be adjusted to take account of the information given on this P11D. The box numbers on this P11D have the same numbering as the Employment Pages of the Tax Return, for example, 1.12. Include the total figures in the corresponding box on the Tax Return, unless you think some other figure is more appropriate.

Employer's details

Employer's name

PAYE tax reference

Employee's details

Employee's name If a director tick here

Works number /department National Insurance number

Employers pay Class 1A National Insurance contributions on most benefits. These are shown in boxes which are brown and have a 1A indicator

A Assets transferred (cars, property, goods or other assets)

Description of asset	Cost/ Market value	Amount made good or from which tax deducted	Cash equivalent	
<input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.12 £ <input type="text"/>	1A

B Payments made on behalf of employee

Description of payment <input type="text"/>	1.12 £ <input type="text"/>
Tax on notional payments not borne by employee within 30 days of receipt of each notional payment	1.12 £ <input type="text"/>

C Vouchers or credit cards

Value of vouchers and payments made using credit cards or tokens	Gross amount	Amount made good or from which tax deducted	Cash equivalent
<input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.13 £ <input type="text"/>

D Living accommodation

Cash equivalent of accommodation provided for employee, or his/ her family or household	1.14 £ <input type="text"/>	1A
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E Mileage allowance and passenger payments

Amount of car and mileage allowances paid for employee's own vehicle, and passenger payments, in excess of maximum exempt amounts (See P11D Guide for 2003-04 exempt rates)	1.15 £ <input type="text"/>
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F Cars and car fuel *If more than two cars were made available, either at the same time or in succession, please give details on a separate sheet*

	Car 1	Car 2
Make and Model	<input type="text"/>	<input type="text"/>
Date first registered	<input type="text"/>	<input type="text"/>
Approved CO2 emissions figure for cars registered on or after 1 January 1998 <i>Tick box if the car does not have an approved CO2 figure</i>	<input type="text"/> g/km <input type="checkbox"/>	<input type="text"/> g/km <input type="checkbox"/>
Engine size	<input type="text"/> cc	<input type="text"/> cc
Type of fuel or power used <i>Please use the key letter shown in the P11D Guide (2004)</i>	<input type="text"/>	<input type="text"/>
Dates car was available <i>Only enter a 'from' or 'to' date if the car was first made available and/or ceased to be available in 2003-04</i>	From <input type="text"/> / <input type="text"/> / <input type="text"/> to <input type="text"/> / <input type="text"/> / <input type="text"/>	From <input type="text"/> / <input type="text"/> / <input type="text"/> to <input type="text"/> / <input type="text"/> / <input type="text"/>
List price of car <i>Including car and standard accessories only: if there is no list price, or if it is a classic car, employers see booklet 480; employees see leaflet IR172</i>	£ <input type="text"/>	£ <input type="text"/>
Accessories <i>All non-standard accessories, see P11D Guide</i>	£ <input type="text"/>	£ <input type="text"/>
Capital contributions (maximum £5,000) the employee made towards the cost of car or accessories	£ <input type="text"/>	£ <input type="text"/>
Amount paid by employee for private use of the car	£ <input type="text"/>	£ <input type="text"/>
Cash equivalent of each car	£ <input type="text"/>	£ <input type="text"/>
Total cash equivalent of all cars available in 2003-04	1.16 £ <input type="text"/> 1A	
Cash equivalent of fuel for each car	£ <input type="text"/>	£ <input type="text"/>
Date free fuel was withdrawn (applies to all cars) <i>Tick if reinstated in year (see P11D Guide)</i>	<input type="text"/> / <input type="text"/> / <input type="text"/>	
Total cash equivalent of fuel for all cars available in 2003-04	1.17 £ <input type="text"/> 1A	

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G Vans
Cash equivalent of all vans made available for private use 1.18 £ 1A

H Interest-free and low interest loans
If the total amount outstanding on all loans does not exceed £5,000 at any time in the year, there is no need for details in this section.

	Loan 1	Loan 2
Number of joint borrowers <i>(if applicable)</i>	<input type="text"/>	<input type="text"/>
Amount outstanding at 5 April 2003 or at date loan was made if later	£ <input type="text"/>	£ <input type="text"/>
Amount outstanding at 5 April 2004 or at date loan was discharged if earlier	£ <input type="text"/>	£ <input type="text"/>
Maximum amount outstanding at any time in the year	£ <input type="text"/>	£ <input type="text"/>
Total amount of interest paid by the borrower in 2003-04 – <i>enter "NIL" if none was paid</i>	£ <input type="text"/>	£ <input type="text"/>
Date loan was made in 2003-04 if applicable	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Date loan was discharged in 2003-04 if applicable	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Cash equivalent of loans after deducting any interest paid by the borrower	1.19 £ <input type="text"/> 1A	1.19 £ <input type="text"/> 1A

I Private medical treatment or insurance

	Cost to you	Amount made good or from which tax deducted	Cash equivalent
Private medical treatment or insurance	£ <input type="text"/>	£ <input type="text"/>	1.21 £ <input type="text"/> 1A

J Qualifying relocation expenses payments and benefits
Non-qualifying benefits and expenses go in N and O below

Excess over £8,000 of all qualifying relocation expenses payments and benefits for each move 1.22 £ 1A

K Services supplied

	Cost to you	Amount made good or from which tax deducted	Cash equivalent
Services supplied to the employee	£ <input type="text"/>	£ <input type="text"/>	1.22 £ <input type="text"/> 1A

L Assets placed at the employee's disposal

	Annual value plus expenses incurred	Amount made good or from which tax deducted	Cash equivalent
Description of asset <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.22 £ <input type="text"/> 1A

M Shares
Tick the box if during the year there have been share-related benefits for the employee

N Other items (including subscriptions and professional fees)

	Cost to you	Amount made good or from which tax deducted	Cash equivalent
Description of other items <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.22 £ <input type="text"/> 1A
Description of other items <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.22 £ <input type="text"/>
Income tax paid but not deducted from director's remuneration			1.22 £ <input type="text"/> Tax paid

O Expenses payments made to, or on behalf of, the employee

	Cost to you	Amount made good or from which tax deducted	Taxable payment
Travelling and subsistence payments (except mileage allowance payments for employee's own car - <i>see box E</i>)	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
Entertainment (<i>trading organisations read P11D Guide and then enter a tick or a cross as appropriate here</i>) <input type="checkbox"/>	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
General expenses allowance for business travel	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
Payments for use of home telephone	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
Non-qualifying relocation expenses (<i>those not shown in sections J or N</i>)	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
Description of other expenses <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>



**Return of Class 1A National Insurance contributions due
Return of expenses and benefits - Employer's declaration**

Year ended 5 April 2004

Employer's PAYE reference

Accounts Office reference

Please return this form to the address shown below

Employer's name and address

If this form has not been issued automatically it may not show all your details. If this is so, please fill in the top of the form before you send it to your Inland Revenue office.

Please read the notes overleaf before completing the return.

Do not declare any amounts already reported under the Taxed Award Scheme arrangements.

1 Class 1A National Insurance contributions (NICs) due

Enter the total benefits liable to Class 1A NICs from forms *P11D*. (This is the total of the brown Class 1A NICs boxes on forms *P11D*. There is a quick guide on page 5 of *CWGS* if you are not sure).

A £ **1A**

If you need to adjust the figures entered in box A, do not complete box C below, tick this box and complete Section 4 overleaf.

Multiply by Class 1A NICs rate

B 12.8%

Class 1A NICs payable by 19 July 2004

box A x rate in box B
C £ **1A**

2 Employer's declaration

Tick the relevant box(es) and fill in the appropriate details

No expenses payments or benefits of the type to be returned on form *P11D* have been or will be provided for the year ended 5 April 2004. For this reason no forms *P11D* are attached.

I confirm that all details of expenses payments and benefits that have to be returned on forms *P11D* for the year ended 5 April 2004 **are enclosed** with this declaration. I declare that the details on these forms are fully and truly stated to the best of my knowledge and belief

Forms *P11D* for the year ended 5 April 2004 were sent to Inland Revenue office on / /

I confirm that details of expenses payments and benefits that have to be returned on forms *P11D* have been sent to the Inland Revenue office. I declare that the details on these forms are fully and truly stated to the best of my knowledge and belief.

I declare that all the details on this form are fully and truly stated to the best of my knowledge and belief.

Signature of employer

Date / /

The declaration should be signed by the employer or any person authorised to do so.

Capacity in which signed

Please remember to

- send the completed *P11Ds* and this form *P11D(b)* to reach your Inland Revenue office by 6 July 2004
- give each employee or director a copy of their *P11D* information by 6 July 2004
- pay the Class 1A NICs shown on this return to the Accounts Office by 19 July 2004 using the special payslip. Interest is chargeable on amounts paid late.

3 Notes for employer

You should complete and sign this form, and **send it on time to reach your Inland Revenue office by 6 July 2004**. If your return is not received by 19 July 2004, penalties will be charged automatically. You may also be penalised or prosecuted if you make false statements.

Please note if you have already indicated on form P35 that no P11D(b) is due, there is no need to send this form.

Class 1A National Insurance contributions (NICs) due.

Employers pay Class 1A NICs on benefits which have to be returned on forms P11D except where Class 1 NICs or Class 1B NICs are due. To help you identify the benefits where Class 1A NICs are due the boxes on the form P11D are brown and are marked 1A. Read the guidance in form P11D(Guide) and booklet CWG5 before completing the forms P11D and this return.

Forms P11D

As an employer you must complete a return of expenses payments and benefits, form P11D, for each employee paid at a rate of £8,500 a year or more and for each director if:

- you have provided them with expenses or benefits which are not covered by a dispensation or PAYE Settlement Agreement
- you have arranged for expenses or benefits to be provided by a third party.

Send this declaration with the completed form P11D to your Inland Revenue office. If you choose to send the forms P11D in batches, send the declaration with the final batch.

References in this return to forms 'P11D' and Inland Revenue office should be read as including the return of expenses payments and benefits by magnetic media to Shipley Data Centre.

4 Adjustments to Class 1A NICs

Complete this section if you need to adjust the total benefits shown as liable to Class 1A NICs.

Paragraph 18 of CWG5 explains circumstances in which you may need to make adjustments.

Enter the total benefits liable to Class 1A NICs from Section 1, box A overleaf.	A	£	1A
Enter any adjustment to the figures in box A			
<ul style="list-style-type: none"> • Add any amounts not included in box A on which Class 1A NICs are due 		Amount to be added	
Brief description <input type="text"/>	B	£	1A
<ul style="list-style-type: none"> • Deduct any amounts included in box A on which Class 1A NICs are not due 		Amount to be deducted	
Brief description <input type="text"/>	C	£	
Total of benefits on which Class 1A NICs are due		box A + box B minus box C	
	D	£	1A
Multiply by Class 1A NICs rate	E	12.8%	
Class 1A NICs payable by 19 July 2004		box D x box E	
	F	£	1A

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