

This guide will help you complete

- Forms P11D – Returns of expenses payments and benefits
- Form P11D(b) – Return of Class 1A National Insurance contributions.

Booklets 480, 'Expenses and Benefits – A Tax Guide', and CWG5(2004), 'Class 1A National Insurance contributions on benefits in kind', give more detailed information.

You will find references to the relevant paragraphs of Booklets 480 and CWG5(2004) below. Chapter 5 of Booklet 480 gives details of non-taxable expenses payments and benefits that you should not include on form P11D.

Class 1A National Insurance contributions

Employers are required to pay Class 1A National Insurance contributions on most benefits. These are identified throughout this guide under sections which have a **brown** heading and a **1A** symbol.

Further help and guidance

In addition to this brief guide, there are a number of free booklets and Working Sheets to help you to complete forms P11D and P11D(b). To get these phone the Employer's Orderline on **0845 7 646 646**.

P11D Working Sheets

There are Working Sheets to help you to calculate the cash equivalent of benefits for

- living accommodation
- cars and car fuel
- vans
- interest free and low interest loans
- relocation expenses
- mileage allowance payments and passenger payments.

Official rates of interest

Form P11D(INT) gives details of official rates of interest, including those for certain loans made in foreign currencies.

Booklets and Leaflets

Booklet 480 is a comprehensive guide to the tax law relating to expenses and benefits.

Booklet CWG5(2004) provides more information about Class 1A NICs.

Booklet CWG2(2004) is a further guide to tax and NICs

Leaflet IR69 explains how a dispensation may save you work.

Leaflet IR155 explains how a PAYE settlement agreement may be of help.

A selection of Inland Revenue publications is available on the internet at:

www.inlandrevenue.gov.uk

Further Information

If you have any difficulties completing forms P11D or P11D(b) you can get advice or information from your Inland Revenue office. Or phone the Employer's Helpline on **0845 7 143 143**, between 8.00am - 8.00pm Monday to Friday and 8.00am - 5.00pm Saturday and Sunday.

When do you need a form P11D?

By law, at the end of each tax year you must give the Inland Revenue particulars of any expenses payments, benefits and facilities provided to

- each employee or director earning at a rate of £8,500 a year or more, and

- each director earning at a rate of less than £8,500 a year, unless they are
 - a full time working director with no material interest in the company, or
 - a director of a charity or non-profit making concern.

For details of how to calculate an employee or director's annual rate of earnings, see *Booklet 480 paragraph 1.7*.

You must also include any expenses payments, benefits or facilities provided to members of your director's or employee's family or household.

For most purposes 'family or household' is defined as the employee's spouse, sons and daughters and their spouses, his or her parents, servants, dependants, and guests. See *Booklet 480 paragraph 1.22*

Please use a separate form P11D for each director or relevant employee. (You do not have to complete a 'nil' P11D if there are no expenses payments or benefits to be returned for an individual). You must also give the information to each director and relevant employee.

When do you need a form P11D(b)?

You should complete and sign a form P11D(b) if you are liable to return any expenses payments or benefits on form P11D.

Employers are required to pay Class 1A National Insurance contributions (NICs) on most benefits. You must complete and sign a form P11D(b) to declare the amount of Class 1A NICs you are due to pay for the year. If you paid Class 1A NICs last year we will automatically send you form P11D(b) in April. If you don't receive a form, or if you need a replacement, contact your Inland Revenue office.

The form P11D(b) is split into four sections: **Section 1** is the return of Class 1A NICs due for the year. Add together the benefits liable to Class 1A NICs from all forms P11D. These are the amounts from the brown boxes carrying a 1A indicator on form P11D. Enter the total in box A on the P11D(b) and multiply by the Class 1A percentage rate. See *Booklet CWG5(2004) paragraph 14*.

Section 2 is the declaration covering the return of Class 1A NICs and expenses and benefits.

Section 3 provides important notes on the completion of the form.

Section 4 is for any adjustments necessary to the total benefits liable to Class 1A NICs as shown on forms P11D. See *Booklet CWG5(2004) paragraph 18*.

GENERAL

Amount made good or from which tax has been deducted

In boxes with this heading on the form P11D enter any amounts which have been made good by the director or employee and/or from which tax has been deducted under PAYE. You will need to make a corresponding adjustment to the total benefits reported on form P11D(b) if you enter an amount from which tax has been deducted under PAYE where the benefit is liable to Class 1A NICs.

Schedules and Lists

See *Booklet 480 paragraph 25.6*

Where there is not enough space on form P11D to enter all the relevant information attach a separate schedule.

Dispensations and PAYE settlement agreements

See *Booklet 480 chapter 2*

You need not show on form P11D expenses payments or benefits in kind covered by

- a PAYE settlement agreement, or
- a dispensation given by an officer of the Board.

Effects of VAT

See *Booklet 480 paragraph 25.12*

Include the full amount of VAT on form P11D whether or not it may be recovered in whole or in part by you from HM Customs and Excise.

Official rates of interest

Form P11D(INT) containing details of official rates of interest and average official rates of interest for 2003-2004 can be ordered from the Employers Orderline on **0845 7 646 646**. This information is used to calculate the benefit arising on interest free and low interest loans.

Penalties

See *Booklet 480 paragraphs 25.16 and 25.17 and CWG5(2004) paragraph 25*

There are penalties for failing to make returns, or for fraudulently or negligently making incorrect returns, on forms P11D and P11D(b).

The return date for both the P11D and P11D(b) for 2003-2004 is 6 July 2004.

A Assets transferred (cars, property, goods or other assets) **1A**

See *Booklet 480 chapter 6*

Enter, as appropriate

- the market value of the asset at the date of transfer, or
- a figure based on the additional cost to you.

B Payments made on behalf of the employee

See *Booklet 480 chapter 26*

Enter any amounts that your employee should have paid, but you paid instead.

Tax on notional payments

PAYE applies to employment income provided in the form of a cash voucher, or a readily convertible asset, or vouchers and credit tokens which are used to acquire such assets or are themselves readily convertible to cash.

PAYE also applies to employment income paid by an intermediary of the employer. Enter tax on such notional payments not recouped from the director/employee within 90 days of each notional payment.

C Vouchers and credit cards

Enter the total of

- the cost to you of providing any vouchers (including season tickets) which can be exchanged for money, goods or services,
- any extra cost to you in providing the money, goods or services for which the vouchers are exchanged,
- all expenses and other payments met by credit cards you provided, except
 - expenses directly in connection with the car(s) at section F
 - expenses more appropriate to Section O.

Do not include any vouchers, such as cash vouchers, which have suffered tax under PAYE (see part B above).

D Living Accommodation

1A

See *Booklet 480 chapter 21*

Enter the cash equivalent of the living accommodation provided for the director or employee or his or her family or household by reason of the employment.

The value to be used in calculating the cash equivalent is the gross value for rating which applied before the Community Charge was introduced. If the accommodation is rented, use the amount of rent payable instead of the gross rateable value. If the property did not have a gross rateable value, use your estimate of what the gross rateable value would have been if rates had continued. Different rules apply in Scotland see *Booklet 480 paragraph 21.9*.

If the total cost of the accommodation and any improvements was less than £75,000, the cash equivalent will be the greater of the gross value for rating or the rent paid by the employer, less any rent the employee pays. If the accommodation cost more than £75,000 (including improvements) see *Booklet 480 paragraphs 21.11 – 21.13* for how to calculate the benefit.

The value of living accommodation is exempt from tax and Class 1A NICs in some circumstances. If the value of the accommodation is exempt, do not return a cash equivalent figure on the P11D.

See *Booklet 480 paragraphs 21.2 – 21.3*.

If, as well as providing the accommodation, you paid some of the employee's bills (such as heat and light) or provided ancillary benefits (such as furniture) show these on the P11D at section N for 'other items', whether or not the value of the accommodation itself is exempt from tax and Class 1A NICs.

- If the contract was between you and

the supplier, enter details of the benefit in the **brown** box.

- If the supplier contracted direct with the employee, enter details of the benefit in the **blue** box.

See *Booklet 480 paragraphs 21.15 – 21.20*.

E Mileage allowance payments/passenger payments

See *Booklet 480 chapter 16*

Enter the excess over and above the approved amount for each, which is exempt from tax.

For mileage allowance payments, the approved amount is the number of business miles travelled (other than as a passenger) multiplied by the appropriate rate(s) for the kind of vehicle used - see table below. Approved mileage allowance payments can only be made in respect of travel in the employee's own vehicle.

For passenger payments, the approved amount is the number of miles of business travel by car or van for which a passenger is carried and in respect of which passenger payments are made, multiplied by 5p per mile per passenger. Passenger payments can be paid in respect of a company car or van as well as for the employee's own vehicle.

Kind of vehicle	First 10,000 business miles in 2003-2004	Each business mile over 10,000 in 2003-2004
Cars and Vans	40p	25p
Motorcycles	24p	24p
Cycles	20p	20p

F Car and car fuel

1A

Car benefit charge

See *Booklet 480 chapters 11, 12, 15 and appendix 1*

Give details of cars made available for private use and the total car benefit charge.

The list price of a car will usually be the UK list price of the car on the day before the date of first registration, including VAT, car tax (where appropriate), delivery charges and number plates. If the car had no list price when it was first registered, use the notional price. This is the price that might reasonably be expected to be the car's list price if its manufacturer, importer or distributor had published a list price for an equivalent car for single retail sale in the UK.

These accessories must be added at their list price including VAT, fitting and delivery charges:

- any optional accessories with the car when it was first made available to the director/employee, whether or not they were available at any time in this tax year, and
- any accessories added to the car after it was first made available to the employee, provided they were added after 31 July 1993 and had a price of £100 or more.

Capital contributions (payments made by the director/employee towards the cost of the car and accessories) are deducted from the price of the car and accessories (maximum deduction £5,000).

The price of the car and accessories, less any capital contributions, is limited to £80,000.

This figure is multiplied by the 'appropriate percentage' to give the car benefit charge for a full tax year. The appropriate percentage for

cars registered on or after 1 January 1998 depends on the carbon dioxide (CO₂) emissions of the car and the type of fuel used. You **must** enter the appropriate key letter from the table below to denote the type of fuel/power used in each car.

Key letter	Fuel or power type description
P	Petrol
D	Diesel, not approved to Euro IV emissions standard
L	Diesel, approved to Euro IV emissions standard
E	Electric only
H	Hybrid electric (combination of petrol engine and electric motor)
B	Gas only or bi-fuel with approved CO ₂ emissions figure for gas when first registered (which must be on or after 1 January 2000)
C	Conversion and all other bi-fuel cars with approved CO ₂ emissions figure for Petrol only when first registered

The appropriate percentage for cars registered before 1 January 1998 and cars registered on or after that date with no approved CO₂ emissions figure is based on the car's engine size as below

Engine size	Registered before 1/1/98	Registered after 1997 with no approved CO ₂ figure*
0 – 1400cc	15%	15%
1401cc -2000cc	22%	25%
over 2000cc	32%	35%
rotary engined cars	32%	35%

*Note: a small number of cars will not have an approved CO₂ emissions figure. These will probably be rare or one off models of car, or cars imported from outside the European Union. Supplements and reductions for the type of fuel also apply to these cars, but not to those first registered before 1998.

If the car was unavailable for part of the year the car benefit charge for that car is reduced proportionately, and any payments by the director/employee for private use are then deducted.

Full details, including the separate rules for calculating the benefit of cars which run on alternative fuels and classic cars are explained in *Chapter 12 of Booklet 480*. It covers the common rules on determining the prices used for tax purposes, finding the approved CO₂ emissions figure and deciding the appropriate percentage. It also covers the special rules for disabled drivers.

Car fuel benefit charge

See *Booklet 480 chapter 13*

No benefit charge will arise if

- fuel was provided solely for business travel, or
- the director/employee was required to make good the whole of the cost of the fuel used for private motoring (including travel between home and work) and actually did so, or
- a mileage allowance was paid covering no more than the cost of fuel used on business travel. If an allowance was paid which covered fuel costs for private travel, for example between home and work, a car fuel benefit charge will arise.

If the provision of free fuel is withdrawn, the benefit charged is reduced in proportion to the number of days the car is available after the date of withdrawal. There is no reduction if free fuel is reinstated later in the tax year.

Enter the total car fuel benefit charge for all cars available. Remember that the type of fuel/power used must be entered whether or not a car fuel benefit charge applies. See *Booklet 480 appendix 2*

G Vans

1A

See *Booklet 480 chapters 14 & 15*

Enter the standard charge for the van(s) provided. The charge is £500 (£350 for a van aged 4 years or more at the end of the tax year). The charge is also reduced for periods when a van is unavailable. If two or more directors/employees share the van(s), add the standard charge(s) and apportion the total equally between them.

H Interest free and low interest loans

1A

See *Booklet 480 chapter 17*

You do not have to report on form P11D loans used wholly for a qualifying purpose. (As a guide to whether a loan is a qualifying loan see *Booklet 480 appendix 5*).

Enter the cash equivalent for each non-qualifying loan separately. But if you are a close company making loans to a director you may elect to treat all such loans which are in the same currency and which are owing at the same time as one loan. You make the election by showing the loans as a single loan on the form P11D. If you make any election the director will be bound by it.

Enter details of loans made to, or arranged for, a director/employee (or any of his/her relatives) on which no interest was paid or on which the amount of interest paid was less than interest paid at the official rate (see *Booklet 480 appendix 4*). For loans in currencies other than sterling, indicate the currency. Form P11D(INT) has details of the official rates and may be ordered from the Employer's Orderline.

Include 'notional loan' benefits under Section 446S Income Tax (Earnings and Pensions) Act 2003 in respect of shares acquired by the director/employee at undervalue and partly paid shares. For further information see

- *Booklet 480 chapter 23*
- the website

www.inlandrevenue.gov.uk/shareschemes

If you know that the total amount outstanding on all loans, or all non-qualifying loans does not exceed £5,000 in 2003-04, you should disregard such loans when completing section H of form P11D.

I Private medical treatment or insurance

1A

Enter the cost of all medical and dental expenses arranged and paid by you and all premiums paid for insurance against such treatment.

If you paid medical or dental expenses, or insurance against such treatment, arranged by your employee, enter the amount you paid at section B.

J Qualifying relocation expenses payments and benefits

1A

See *Booklet 480 chapter 5 and appendix 7 and CWG5(2004) paragraph 32*

Enter the excess over £8,000 of the total amount of all qualifying

- expenses payments (the gross amount),
- benefits (cost to you as the employer less anything paid towards the cost by the director/employee) and

- provided accommodation.

Qualifying expenses and benefits are those which are

- exempt, see *Booklet 480 appendix 7*, and
- paid by the 'relevant day' and meet the other qualifying conditions see *Booklet 480 chapter 5*.

Exempt costs include many of the normal costs of relocation, such as estate agents' and legal fees, stamp duty, house-hunting visits and removal costs.

If you have difficulty in valuing any benefits for the purpose of calculating the excess over £8,000, consult your Inland Revenue office with details before you complete form P11D.

Remember that the £8,000 limit applies to the whole relocation not just to qualifying expenses, benefits and so on provided this year. If there were qualifying items for this director/employee last year, include them when working out whether there is an excess over £8,000.

For non-qualifying relocation costs, see boxes N and O.

K Services supplied

1A

Enter the additional cost of any services supplied where the contract is between you and the service supplier.

Some employer provided services (whether on premises occupied by the employer or elsewhere) are exempt from charge where the private use of the service is insignificant in the context of its use by the employee in performing their duties. See *Booklet 480 chapter 5*.

L Assets placed at employees disposal

1A

See *Booklet 480 paragraph 6.5 and CWG5(2004) paragraph 13*

Enter the annual value of the use of the asset (or the rent or hire charge if this was greater).

Some employer provided assets (whether on premises occupied by the employer or elsewhere) are exempt from charge where the private use of the asset is insignificant in the context of its use by the employee in performing his or her duties. Certain types of benefits such as the use of vehicles (including boats and aeroplanes) are excluded from the exemption. See *Booklet 480 chapter 5*.

Computer equipment

If computer equipment or software is lent to an employee and the small private use exemption does not apply, the first £500 of the value is exempt provided it is not loaned under arrangements restricted to directors, or on terms that favour them.

Equipment provided to employees with a disability

There is no taxable benefit if an employer provides equipment (for example, a wheelchair or hearing aid) to an employee with a disability to enable the employee to take up or retain work, and where the employee also uses the equipment for significant private use.

M Securities options and securities related benefits

Booklet 480 chapter 23

Please tick the box if during the year

- the employee has been granted, has exercised or has acquired securities

(including shares) in connection with a securities option that is not within an Inland Revenue approved scheme (such as a Save As You Earn option scheme or an Enterprise Management Incentive), or

- the employee has exercised a share option under an Inland Revenue approved scheme but the conditions for income tax relief are not satisfied, or
 - the employee has assigned, released or received benefits in connection with a securities option (whether under an approved or unapproved scheme), or
 - the employee has received securities or interests in securities other than under an Inland Revenue approved Share Incentive Plan
 - any chargeable event arises in relation to restricted securities and restricted interests in securities *Section 426 ITEPA 2003*
 - any chargeable event arises in relation to convertible securities and interests in convertible securities *Section 438 ITEPA 2003*
 - anything has been done which gives rise to a taxable amount (counting as employment income) by reason of an artificially depressed or enhanced market value of securities *Chapters 3A and 3B of Part 7 ITEPA 2003*
 - a notional loan relating to securities and interests in securities acquired for less than market value has been discharged *Section 446U ITEPA 2003*
 - there has been a disposal of the employees securities or interests in securities for more than market value *Chapter 3D of Part 7 ITEPA 2003*
 - the employee or a connected person has received a special benefit from securities or interests in securities *Section 447 ITEPA 2003*.
- These share related benefits do not need to be included on form P11D because you have separate responsibilities for them. See *booklet 480 chapter 23*

Enter at section H details of 'notional loan' benefits (Section 446S ITEPA 2003) in respect of partly-paid securities acquired by the director/employee on securities acquired at undervalue by the director/employee.

If you have enabled your employee to sell shares in the period 6/4/2003 to 15/4/2003 for more than their market value, include the details at section N in the brown box for 'Other items'. See *Booklet CWG5(2004) paragraph 34*

N Other Items

1A

Enter the following benefits in the brown box with the Class 1A indicator

Subscriptions

See *CWG5(2004) paragraph 30 and Booklet 480 paragraph 25.15*

Enter details of fees and subscriptions arranged for and paid by you or on your behalf. Include initial and annual subscriptions to clubs catering for leisure or sporting activities and so on.

See below, if the fee or subscription was

- arranged by the employee and was paid by you or on your behalf, or
- paid to a professional body or learned society related to the employment.

Educational assistance

See *Booklet 480 chapter 18*

Enter the cost of educational assistance provided where the contract is between you and the provider of the benefit. Include the value of scholarships awarded to children because of their parent's employment.

Do not include relevant payments for qualifying retraining courses (as defined by Section 311, ITEPA 2003).

Non qualifying relocation benefits and expenses payments

See *CWG5(2004) paragraph 32*

Benefits

Enter all relocation benefits (cost to you as employer less anything paid towards the cost by the employee), which are

- not exempt (not listed in *Booklet 480 appendix 7*) or
- not paid by the 'relevant day' or which fail one of the other qualifying conditions.
See *Booklet 480 chapter 5*.

If you have any difficulty valuing any benefits consult your Inland Revenue office with details before you complete the P11D.

Expenses

Include here also any relocation expenses payments (gross amounts less any amount from which tax deducted), which are exempt expenses (listed in *Booklet 480 appendix 7*) but which were paid after the 'relevant day' or which fail one of the other qualifying conditions see *Booklet 480 chapter 5*.

Non qualifying relocation expenses which are not exempt expenses (not listed in *booklet 480 appendix 7*) should be entered at section O.

A beneficial bridging loan given to an employee as part of a relocation package will not qualify for relief under Section 271 ITEPA 2003. But some alternative relief may be due to the director/employee under Section 288 ITEPA 2003 if qualifying relocation expenses and benefits total less than £8,000.
See *Booklet 480 chapter 5*.

Shares sold for more than market value

If you have enabled your employee to sell shares in the period 6/4/2003 to 15/4/2003 for more than their market value, enter details of the amount by which the sale proceeds exceeded the market value at the date of disposal and the amount of expenses incurred with the disposal.

Incidental overnight expenses

See *Booklet 480 chapter 8 and appendix 8 and Booklet CWG5(2004) paragraph 31*

Prescribed limits

Normally payments of expenses of a personal nature are taxable. However where such payments are made to employees staying away from home overnight on business, they are exempt so long as the travel to which they relate itself qualifies for relief and provided the amounts involved are within the prescribed limits. These limits (which include VAT) are £5 per night for overnight stays anywhere within the UK and £10 per night for overnight stays outside the UK.

If incidental expenses consist of different elements (for instance, a cash payment and a benefit in kind) the different

elements must be aggregated to determine whether the prescribed limits have been exceeded.

If you make payments for incidental overnight expenses which are over the limits, the whole amount (not just the excess) is liable to tax and National Insurance contributions under the normal rules.

You only need to include an amount in box N if part or all of such a payment consists of a benefit in kind.

Other benefits

Enter details of expenses incurred in, or in connection with, the provision for the director/employee of any benefits or facilities of whatever nature not returned under any previous heading where the contract to provide the benefit was between you and the provider.

N Other Items

Enter the following benefits in the blue boxes at section N

Subscriptions

See *Booklet CWG5(2004) paragraph 30 and Booklet 480 paragraph 25.15*

Enter details of fees or subscriptions to professional and learned societies related to the employment and any fees or subscriptions borne by you or on your behalf where the arrangement to provide the benefit is between the employee and the club or organisation.

Educational assistance

See *Booklet 480 chapter 18*

Enter the cost of educational assistance provided where the employee has arranged the assistance and you have either met the cost or reimbursed the employee. Also, see above.

Nursery places provided for the children of directors or employees

See *Booklet 480 chapters 5 & 6 and Booklet CWG5(2004) paragraph 29*

Enter the cost of any nursery places provided for the children of directors or employees. Some nursery places are exempt from tax and need not be entered. But all forms of employer-provided childcare are exempt from Class 1A NICs. Take care **not** to enter details in the brown Class 1A box at section N.

Income tax paid to the Accounts Office

See *Booklet 480 chapter 19*

Enter the amount of income tax paid to the Accounts Office in the year which the company failed to deduct from remuneration paid to a director, irrespective of the year in which that remuneration was paid. Exclude any tax on notional payments you have already entered in section B.

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

Take care not to enter amounts that are entered in section C (Vouchers and credit cards).

General expenses allowance for business travel

Enter the amount of any round sum allowance not exclusively for entertaining.

Travelling and subsistence not included in general expenses allowances

See *Booklet 480 chapters 8, 9 & 10*

Enter the total expenses reimbursed on fares, hotels, meals, and so on including travel between home and a permanent workplace for UK employments and employments performed wholly outside the UK (not included above).

Entertainment

See *Booklet 480 chapter 20*

Enter all payments made exclusively in respect of entertaining including

- the amount of any round sum allowance
- sums reimbursed
- specific allowances for entertaining
- sums paid to third persons.

If you carry on a trade, business, profession or vocation and make payments to a director or employee exclusively for entertainment, the payments should be disallowed in computing your tax liability.

Trading organisations other than tonnage tax companies

If you carry on a trade, business, profession or vocation:

- Tick the box if **any of the expenses** payments have been, or will be, **disallowed** in your business's tax computations
- Cross the box if **none of the expenses** payments have been, or will be, **disallowed** in your business's tax computations.

Tonnage Tax companies

Tick the box if you have elected for your company's profits to be calculated in accordance with paragraph 4, Schedule 22 Finance Act 2000.

Home telephone

See *CWG5(2004) Appendix 1*

Enter any expenses reimbursed in connection with a telephone at the home of the employee where the employee contracted directly with the supplier.

If you contracted with the supplier to provide a home telephone to your employee, enter any expenses paid by you at Sections K, L or N (brown box).

Other non-qualifying relocation expenses payments

See *Booklet 480 chapter 5 and appendix 7 and Booklet CWG5(2004) paragraph 32*

Enter the gross amount of relocation expenses payments (cost to you as employer and less any amounts from which tax deducted) which are not exempt expenses (not listed in *Booklet 480 appendix 7*).

Incidental overnight expenses

See *Booklet 480 chapter 8 and appendix 8 and Booklet CWG5(2004) paragraph 31*

See the box under 'Incidental overnight expenses' at section N above for details of prescribed limits.

Enter details in box O of incidental expenses payments exceeding the prescribed limits which are made up of a cash payment, non-cash vouchers or a credit card payment.

Other expenses

Enter details of expenses incurred in, or in connection with, the provision for the director/employee of any benefits or facilities of whatever their nature not returned under any previous heading.