

Class 1A National Insurance contributions on benefits in kind

A guide for employers

Help and guidance

Help and guidance is available from the following sources.

The Internet

Go to www.businesslink.gov.uk/payee

Online services

For more information about online services go to www.hmrc.gov.uk/online

For help using our online services contact the Online Service Helpdesk by:

- email helpdesk@ir-efiles.gov.uk or
- phone **0845 60 55 999**.

Basic PAYE Tools (formerly the Employer CD-ROM)

The Basic PAYE Tools contains a number of calculators and most of the forms you will need to help you run your payroll throughout the year including:

- a P11 Calculator that will work out and record your employee's tax, NICs and Student Loan deductions every payday, with a linked P32 *Employer Payment Record* that works out what you need to pay us
- a range of other calculators to work out Student Loan deductions and statutory payments and a learning zone to help you understand these and other payroll topics
- an employer database to record your employees' details
- interactive forms such as the P11 D Working Sheets.

If you use the P11 Calculator in the Basic PAYE Tools you can:

- file your starter and leaver information P45 (Part 1), P45 (Part 3), P46 and P46 (Expat) online
- file your Employer Annual Return online if you have up to and including nine employees on the P11 Calculator at 5 April.

To download the Basic PAYE Tools, go to www.businesslink.gov.uk/basicpayetools

Employer helplines

- Employer for **less than 3** years, phone **0845 60 70 143**.
- Employer for **more than 3** years, phone **08457 143 143**.
- If you have a hearing or speech impairment and use a textphone, phone **0845 602 1380** (you need specialist equipment such as Minicom to use this service).

Employer helpbooks and forms

Helpbooks and forms are available to download. Go to www.businesslink.gov.uk/payeformsandpublications

Exceptionally, if you don't have access to the Internet, copies are available from the Employer Orderline on **08457 646 646**.

Yr Iaith Gymraeg

I lawrlwytho ffurflenni a llyfrynau cymorth Cymraeg, ewch i www.hmrc.gov.uk/cymraeg/employers/emp-pack.htm

Os, yn eithriadol, nad oes gennych gysylltiad i'r rhyngwyd, ffoniwch **0845 302 1489** er mwyn archebu ffurflenni a llyfrynau cymorth Cymraeg.

Forms and guidance in Braille, large print and audio

For details of employer forms and guidance in Braille, large print or audio, phone the Employer Orderline on **08457 646 646** and ask to speak to the Customer Service Team.

In person

We offer free workshops covering all payroll topics. These workshops are available at locations nationwide. For more information:

- go to www.hmrc.gov.uk/bst or
- phone our Advice Team on **0845 603 2691**.

Employer Bulletin online

Information and news for employers, published several times a year.

Go to www.businesslink.gov.uk/employerbulletin

Employer email alerts

We strongly recommend that you register to receive employer emails to prompt and direct you to:

- each new edition or news about the Basic PAYE Tools
- the Employer Bulletin
- important new information.

To register, go to

www.businesslink.gov.uk/hmrcemployeremailalerts

Your HM Revenue & Customs (HMRC) office

Your own HMRC office can also help you if you have a query about your PAYE scheme. All our office contact details are on our website. Go to

www.hmrc.gov.uk/local/employers/index.htm

Please tell us your employer reference when you contact us. You will find it on correspondence from your HMRC office.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.hmrc.gov.uk/charter

Contents

Numbers to the left of topics refer to paragraphs in the relevant parts.

	Page		Page
Introduction	1	Part 5 – Special cases	10
1 Do I need to read this guide?	1	27 Employees going or coming from abroad	10
2 More information about this guide	1	28 Company cars or vans and fuel benefit	10
3 Statutory references	1	29 Childcare	10
Part 1 – Liability for Class 1A NICs	2	30 Fees and professional subscriptions	10
4 When are Class 1A NICs payable?	2	31 Incidental overnight expenses	11
5 For which employees are Class 1A NICs due?	2	32 Relocation expenses and benefits	11
6 Who has to pay Class 1A NICs?	2	33 Shared benefits	12
Part 2 – Exemptions from Class 1A NICs	3	34 Securities - includes shares and share options	12
7 When are Class 1A NICs not due?	3	35 Staff suggestions	12
8 Quick guide to working out whether Class 1A NICs are due	4	Part 6 – Third party benefits	12
Part 3 – Working out Class 1A NICs	5	36 What NICs are due on third party awards?	12
9 How are Class 1A NICs calculated?	5	37 What is an arrangement?	13
10 Record-keeping for Class 1A NICs purposes	5	38 Third party awards liable for Class 1 NICs	13
11 Can the way in which benefits are provided affect their NICs treatment?	5	39 Third party awards liable for Class 1A NICs	13
12 Are Class 1A NICs due on benefits provided only for business use?	5	40 Awards not liable for NICs	13
13 Are Class 1A NICs due where there is a mixed business and private use by the employee?	6	41 Paying tax on behalf of an employee	13
14 How does form P11D help me to work out Class 1A NICs?	7	42 Reporting and paying Class 1A NICs on third party awards	13
Part 4 – Reporting and paying Class 1A NICs	8	Part 7 – Decisions and appeals against Class 1A NICs	13
15 What are the key dates for reporting and paying Class 1A NICs?	8	Part 8 – Terms used in this guide	14
16 How do I report Class 1A NICs?	8	43 Business use	14
17 What if I use alternative forms P11D?	8	44 Child	14
18 Using the P11D(b) adjustment facility	8	45 Director	14
19 Correcting forms P11D or P11D(b)	8	46 Director's earnings	14
20 Reports of amended Class 1A NICs liability	8	47 Directors and employees with no earnings	14
21 How and when do I pay Class 1A NICs?	8	48 Dispensations	14
22 What if my business ends?	9	49 Employees and employed earner	14
23 What happens where a transfer or succession of business occurs?	9	50 Employee earning at a rate of less than £8,500 a year	15
24 Interest charges for late payment	9	51 Extra-statutory concessions	15
25 Late return penalties	9	52 Family or household	15
26 Quick guide to working out, reporting and paying Class 1A NICs	9	53 PAYE Settlement Agreements	15
		Appendix 1 – Common benefits	16
		Appendix 2 – Form P11D(2011)	22
		Appendix 3 – Form P11D(b)(2011)	24
		Index	28

Introduction

1 Do I need to read this guide?

You should read this guide if:

- you are an employer who provides benefits, and there are benefits that 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 HM Revenue & Customs (HMRC) booklets will help you:

- Booklet 480(2011) *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 Orderline on **08457 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 More information about this guide

There are legal requirements that mean employers must comply with their obligations. At the time of writing, this guide sets out HMRC's view on how these legal requirements can be met. It will be updated annually and was last updated December 2010.

3 Statutory references

To assist accountants, financial directors and other financial advisers, 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.