

Part 6 – Third party benefits

This part 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 or facilitated provision of 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 E24(2011) *Tips, Gratuities, Service Charges and Troncs*.

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 or facilitate the provision of awards for your employees 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 or facilitated the provision of 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.

More information on those benefits which are liable for Class 1 NICs is available in booklet CWG2(2011) *Employer 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.

More information on those benefits which are liable for Class 1 NICs is available in booklet CWG2(2011) *Employer 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, and
- you, as the employer, have not arranged or facilitated the provision of the award for your employees 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.

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(2011) *Employer Further Guide to PAYE and NICs*.

41 Paying tax on behalf of an employee

SSCBA 92, S10ZA(2)

Where a third party is liable to pay Class 1 NICs on an award made to an employee and pays an employee's tax on that award, 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 HM Revenue & Customs Incentive Award Unit at the address in paragraph 42.

Where a third party pays the employee's tax on an award for which you are liable to pay either:

- Class 1 NICs, or
 - Class 1A NICs because you, as the employer, arranged or facilitated the provision of the award
- you 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.

HM Revenue & Customs
Incentive Award Unit
Chapel Wharf Area
Floor 4
Trinity Bridge House
2 Dearmans Place
Salford
M3 5BH

Phone **0161 261 3269**

Fax **0161 261 3354**

Email **incentive.awards@hmrc.gsi.gov.uk**

For 2010-11 the end of year return should be filed by **6 July 2011**. Payment of Class 1A NICs and any tax due must be made to HMRC accounts office by **19 July 2011** (or **22 July 2011** if payment is made by an approved electronic method).