

Year End reporting – Top Ten for P11Ds

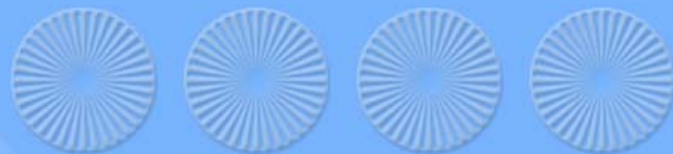
1. **A new 'Quality Standard' format for paper returns** is to be used for 2008/09 and subsequent years. This is to mirror that used for online filing and if followed should prevent the most common failures identified by HMRC. Key elements of the format require the following to be included:
 - Employer reference
 - Employee's name and NINO (or gender and date of birth if NINO not known)
 - List price of car (if reporting car benefit),
 - Car benefit (if reporting car fuel benefit)
 - Cash equivalent for any beneficial loan

If a list format is used, the following is also required:

- Font size no smaller than 11-point Arial
 - Organised by employee (not by benefit type, with separate page for each)
 - Full range of expenses and benefits to be included with assigned code letters
2. **Costs must include VAT** where appropriate, even where this can be reclaimed by the employer. This is most commonly missed where personal expenses are reimbursed, such as hotel bills, private home and mobile telephone costs. Another common failure is incorrectly using VAT exclusive figures when calculating the cash equivalents of benefits included within a PSA.
 3. **Do not include post termination benefits** which constitute part of any compensation package. The P11D should only include expenses and benefits provided as part of the contract of employment up to the date of termination. If continuing benefits are provided after leaving, and the total termination package exceeds £30,000, these should be reported in a separate format to HMRC (and copied to the employee), by 6 July following the year in which the termination took place. NIC does not usually arise on post-termination benefits.
 4. **Do not include any expenses and benefits covered a dispensation** which is valid and up to date. Once granted, and unless otherwise stated, a dispensation will last indefinitely and is key to simplified P11D completion. However, changes in business operations, structure, acquisitions and also types and amounts of expenses being paid may in effect invalidate an existing notice. Regular reviews of expenses being paid should be undertaken, and where necessary the formal dispensation notice updated to cover all relevant changes.

On a similar note you should **agree the nature of any PAYE Settlement Agreement (PSA) items with HMRC, in writing**, before omitting them from your P11Ds.

5. **Senior Accounting Officers of large businesses will shortly need to certify** that systems are adequate for completing accurate returns or specify any inadequacies. HMRC says that penalties may be chargeable on the Senior Accounting Officer personally, as well as the company, for any careless or deliberate failures to meet the obligations.



6. **Adjustments can be made to the Class 1A NIC calculation** on form P11D(b) for items which have been included on form P11D but not liable to this additional duty. For example you can use this adjustment facility for employees who do not have NIC liabilities (this includes certain overseas nationals), and if substitute forms or lists are used which do not specifically identify the items subject to Class1A NIC.
7. **Forms P9D must be completed** for employees in receipt of taxable expenses and benefits, who earn at a rate of less than £8,500 per year. Whilst the National Minimum Wage should ensure that full time employees are paid above this amount (and require a form P11D if appropriate), care must be taken to identify 'part time' employees who may be in receipt of, for example, vouchers, incentive gifts etc.
8. **Ensure data is collated** throughout the year to ensure this is factual, accurate and available to meet statutory deadlines. Time is always limited to ensure that accurate returns can be submitted prior to the 6 July deadline, and it is always preferable to have sufficient time for employees to review their individual forms prior to these being submitted to HMRC.
9. **Penalties may be charged** for failing to make returns or for incorrect returns. For late P11Ds the initial penalty can be up to £300 per form, with a further charge of up to £60 per day, and a maximum penalty of £3,000 per form may be charged for an incorrect return. In addition, an initial penalty of £100 per month for each batch of 50 employees may be charged for a late form P11D(b), and a possible penalty of up to 100% of the unpaid Class1A NIC if the return is incorrect. Whilst the penalty regime is undergoing an overhaul, even under the existing regime penalty notices are now quite commonplace, and this can be 'easy money' for HMRC.
10. **Consider estimated P11D returns** if information cannot be compiled in time for the 6 July deadline. Although the 'incorrect' return penalty regime seems harsh, HMRC tends to be more lenient on employers who submit amended P11D returns shortly after 6 July, than those who fail to submit them by the deadline in the first place.

About us

Employment Tax for Business is an independent tax consultancy. Based in the North West of England, we provide services to clients throughout the UK. Our business partners have previously led the employment tax departments of major international accountancy practices. Our role is to provide clients with the very highest level of technical expertise, commercial awareness, and personalised service, tailored to individual client needs.

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