

P11D's – CONSIDER A DISPENSATION

As you are aware after the 6th April each year we complete forms P11D being Returns of Expenses and Benefits in respect of Director's and employees earning over £8,500 in the Tax year.

It is possible to reduce the amount of paperwork required to ensure that a full Return is made by claiming a dispensation to cover the benefits and expenses you pay your employees. A dispensation which covers both Tax and National Insurance Contributions is a notice from H.M. Revenue & Customs that means you do not have to put any expenses and benefits included in the dispensation on forms P11D and forms P9D and employees do not have to put them onto their Tax Returns. A dispensation can be given for expenses or benefits were your Tax Office is satisfied and no Tax would be payable by your employees on expenses paid or benefits provided. If a dispensation is given for expenses then the Inland Revenue would not normally count them as earnings for Class 1 NIC's and also if the dispensation is given for employer provided benefits they would not normally treat them as liable to Class 1A NIC.

We would add at this point that dispensations do not include company cars and vans, private medical insurance, cheap loans and mileage payments above the concessionary rates of 40p and 25p those would still need to be returned on forms P11D and remain taxable.

Although some of the expenses i.e. travelling and subsistence may not at the moment be shown on your forms P11D because you do not make such payments if you were to do so in the future they would have to be properly recorded and shown on forms P11D and a claim made for business expenses made on the individuals Tax Return so although you may think that a dispensation would not apply to you at present it may due at any point in the future and if you have a dispensation then you can reduce your paperwork and the employee does not have to worry about making claims to business proportions of expenses paid. Again I emphasise that dispensations do not cover company cars and vans, private medical insurance, cheap loans or mileage payments, they must still be returned on forms P11D.

One of the criteria to claim a dispensation is that expense claims must be independently checked and authorised within the company and supported were possible by receipts. The expense claims would need to be checked by an employee who is not making claim to expenses or if an employee authorised to check expense claims did actually make expense claims themselves someone other than that person would need to check their expense claims. If the expenses claims are properly made and were possible supported by receipts and the person checking those expense claims and the employer are happy that all expenses are justifiable then the expense claims would be kept by you as the employer but you would not have to keep the additional records to make sure that all claims were entered on to forms P11D.



Previously I referred to mileage payments however, if employees who use their own cars for business travel are only paid mileage payments equal to or below the concessionary approved mileage allowance payments agreed with the Inland Revenue i.e. at current rates 40p per mile up to 10,000 per miles per annum and then 25p thereafter there will be no Tax or NIC's due so there will be no need to report this information to the Inland Revenue and they are not included in a dispensation however, any amounts you pay over the published concessionary approved mileage allowance payments must be entered on forms P11D.

If you are interest in pursuing this further and wish us to make a claim to dispensation to operate from 6th April 2008 we would offer this service to you for a total cost of £250 plus VAT, which we consider will be more than covered by administration savings in 2008/09 and future years.

Please contact us soon as possible if you wish us to take this forward, we will then contact you to discuss the information that will be required to make a claim.

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