A&M | TAX

EMPLOYER COMPLIANCE – 2023/2024 EXPENSES AND BENEFITS REPORTING

A&M tax advisor update

In this article for employers, we outline important upcoming employment tax deadlines for businesses in relation to employee expenses and benefits. Additionally, we highlight recently announced changes, including key aspects of the Chancellor's Spring Budget, and summarize their impact on employers.

Latest updates: upcoming changes in tax regulations

Spring Budget update: key tax adjustments

The main rate of employee Class 1 National Insurance Contributions (NICs) will be reduced by a further 2 to 8 percent starting 6 April 2024. Whilst this change should be managed by payroll software developers as part of their routine updates, employers should verify its proper implementation.

The Budget announced the ending of the non-domicile tax regime from 6 April 2026. This has implications for employers with internationally mobile employees and potentially for locally hired employees who currently benefit from the regime but may consider relocating elsewhere as a result. The changes need to be understood and associated internal policies updated as necessary.

Payrolling Benefits: updates and implications

In January 2024, it was announced that Payrolling Benefits in Kind (PBIK) will become mandatory for all benefits from 6 April 2026. Before this change takes effect, employers can continue to voluntarily register to payroll some or all benefits by 5 April 2024, for the 2024/25 tax year. If PBIK is used, employees should be informed so they are aware that their tax codes may require updating.

HMRC has confirmed that Class 1A NIC will also be payable via payroll in real time from 6 April 2026. This means that there will be an acceleration of the Class 1A NIC liability, which employers traditionally pay upon submission of the P11D(b) after the end of the tax year. It is essential, therefore to plan for the cash flow impact of this change.

Key employment tax compliance deadlines

Important dates to remember – 2023/24

Date	Deadline
Before 6 April 2024	Register to include benefits in kind in payroll for 2024/25 and communicate to employees.
31 May 2024	Provide employees with details of payrolled benefits for 2023/24. Provide form P60 to employees. Appendix 4 Short Term Business Visitor Agreement report deadline. Appendix 8 Pay As You Earn (PAYE) Special Arrangement Real Time Information (RTI) filings and payment due.
Before 6 July 2024	Agree/amend a PAYE Settlement Agreement (PSA) for 2023/24.
6 July 2024	Submit form P11D and P11D(b) for 2023/24 (still required unless all benefits processed via payroll). Employment-related securities and tax-advantaged share scheme returns for 2023/24 are also due.
22 July 2024	Electronic payment of Class 1A NIC for 2023/24 (19 July if paid by post).
31 July 2024/ 31 August 2024	Non-statutory deadline for notifying HMRC of PSA liability for 2023/24 (per individual employer agreements with HMRC).
22 October 2024	Electronic payment of income tax and Class 1B NIC PSA liability (19 October if paid by post).
31 January 2025	Self-assessment tax return deadline (income level for mandatory filing now £150k, other self-assessment triggers may apply). Appendix 6 modified payroll P11D/P11D(b) deadline including payment of Class 1B NIC.
31 March 2025	Modified NIC Appendix 7A and 7B submission and payment deadlines.

Detailed reporting: P11D and P11D(b) obligations

Unless covered by a PBIK arrangement or within the scope of a PAYE Settlement Agreement, employers are required to report details of taxable benefits provided to employees to HMRC, using forms P11D and P11D(b) and provide a copy of the form P11D to each employee by 6 July 2024.

Employer's Class 1A NIC, payable at 13.8 percent on certain P11D benefits, must be paid by 22 July 2024. The P11D(b) is also used to adjust the calculated Class 1A NIC, for example, when individuals receiving benefits are not subject to UK NIC.

Even if benefits are payrolled, submitting a P11D(b) to pay the Class 1A NIC due remains a requirement. There may also still be a need to issue a P11D to employees for non-payrolled benefits such as accommodation or a beneficial loan.

Please note that paper P11D and P11D(b) forms are no longer accepted, even in the case of amendments.

PAYE Settlement Agreement (PSA)

A PSA is a formal arrangement with HMRC whereby employers opt to settle the income tax due (on a grossed-up basis) and related NIC on certain employee benefits, which meet the inclusion criteria. Common benefits covered by PSAs include staff entertaining, gifts, and taxable long service awards. Employers must pay income tax and Class 1B NIC on the value of PSA by 22 October 2024. To establish or amend the scope of a PSA, employers must liaise with HMRC before 6 July, following the end of the relevant tax year, and ideally before providing the covered benefits to employees. Once agreed upon, a PSA remains effective for future tax years unless amended or rescinded by the employer/HMRC.

Common issues in P11D and PSA computations

Below are some errors and issues we encounter concerning forms P11D and PSA computations:

- Failing to capture and report all taxable P11D/PSA benefits, including staff entertaining, gifts and non-cash awards.
- Misapplying exemptions such as the annual events, trivial benefits and workplace meals exemptions, when the necessary criteria are not met.
- Incorrect treatment of non-resident director expenses.
- Inaccurately calculating benefit values under the Optional Remuneration Arrangement rules.
- Incorrectly recording or failing to report fuel provided for company cars.
- Incorrectly calculating relocation expenses or neglecting to claim the available exemption for relocation expenses or potentially other relevant exemptions.
- Using the incorrect tax rate in PSAs, particularly when including Scottish and/or Welsh taxpayers.
- Using costs exclusive of VAT.

Understanding penalties and interest

Late filing of P11D and P11D(b) will incur a penalty of £100 for every 50 employees per month until filed. For late payment of Class 1 A NIC, percentage-based penalties apply starting at 5 percent 30 days after the due date, increasing to 10 percent and 15 percent at 6 and 12 months, respectively.

Additional penalties may apply to incorrect P11D forms (up to £3,000 per form) as well as percentage-based penalties on loss of income tax when employers have registered for PBIK. The severity of penalties depends on whether HMRC considers that the employer has taken reasonable care or whether the mistake is deemed to be careless, deliberate and/or concealed. HMRC usually seeks recovery of lost income tax on a grossed-up basis, often covering several tax years, when errors are uncovered during a review.

HMRC applies statutory interest on late paid Class 1A NIC, with the current official rate set at 7.75 percent.

Reporting errors can result in significant liabilities for employers due to incorrectly reporting benefits.

How can we help?

At Alvarez & Marsal Tax, our Reward and Employment Tax team offers comprehensive assistance to employers on their ongoing employment tax and NIC obligations. Our team of very experienced professionals has expertise across tax, HR and finance, including in-house roles, global mobility and status specialist roles within HMRC. Please contact your usual A&M point of contact or Louise Jenkins, Claire Murray, Linda Cameron, Monica Houston, Nisus Larsen or Scott Hutchison.

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