

# That's entertainment

Accountant **Pauline Hogg** offers some timely advice on managing your employee benefits and expenses

You've closed off your payroll and made your final RTI submission. Nothing more to do for last year's payroll... or is there? If your practice has provided expenses or benefits to staff, you may need to tell H M Revenue and Customs (HMRC) and pay tax and national insurance on them. While changes to the regime are on the way, these will not take effect until 2016/17 so, for now, we still have the existing rules to contend with.

Listed below are the ones you are most likely to come across in your practice.

## Staff uniforms

Many practices provide staff with clothing for work, but what is a uniform? HMRC defines a uniform as a set of clothing of a specialised nature that is recognisable as a uniform and identifies its wearer as having a particular occupation. It's not enough for employees to wear similar clothing. Fixing a permanent and conspicuous badge to ordinary clothing may be sufficient to make it a uniform, so a tunic or blouse with the practice name permanently stitched on should qualify. However, when teaming this up with black trousers or a skirt for example, the trousers or skirt would be classed as regular clothing. If clothing provided to your employees does not fall within HMRC's definition of uniform, your employees are taxable on the cash equivalent of the benefit. If clothing is given to the employee, the cash equivalent is the cost to you. However, if clothing remains the property of the practice then the taxable amount is the 'annual value' of the use of the clothing (usually, 20% of its 2<sup>nd</sup> hand value when first applied as a benefit).

## Trivial benefits

There is no lower limit for the taxing of benefits. HMRC can, however, allow you to exclude certain benefits from your reporting

on the grounds that they're trivial. There is currently no definition of a trivial benefit, but in deciding on each case HMRC takes the following factors into consideration:

- The cost of providing the benefit
- The reasons for providing the benefit
- The resource costs in dealing with the admin for the benefit

An example of a trivial benefit is a small gift like a bunch of flowers given to an employee to celebrate a personal event like a birthday.

## Gifts to staff and non-staff

If you provide gifts to employees or non-employees, the treatment depends on the nature of the gift. A gift of cash is taxable as earnings and should go through the payroll. Vouchers provided to employees exchangeable for cash or readily convertible assets are earnings for the employee and need to be accounted for via the payroll, namely added to salary in the month provided and tax and national insurance deducted as normal.

Non-cash vouchers are defined as vouchers that can only be exchanged for goods and services, for example a high street store voucher or a voucher for a facial at a local beauty salon. The value of the benefit is the cost to you and is added to the employee's earnings for the month in which they received the voucher. National insurance is deducted via payroll but not tax. This is payable by assessing the employee on the benefit later rather than at the time of payment. The line between a personal gift and one given by reason of employment can be a fine one.

## Staff entertaining

You can spend up to £150 per head per annum on staff functions, without your employees having to pay any tax or national insurance. This applies to all annual social functions during the year available to employees



Pauline Hogg is a partner at Condis Health, a member of the Association of Independent Specialist Medical Accountants. For more information call 01383 721421 or email [pauline.hogg@condie.co.uk](mailto:pauline.hogg@condie.co.uk). To find an AISMA accountant visit [www.aisma.co.uk](http://www.aisma.co.uk)



generally. If the cost (including VAT) exceeds £150 then the whole amount is taxable. The cost per head is calculated by summing all of the costs of putting on the function (food, transport, any accommodation, drink, etc) and dividing this by the number of people attending.

## Professional subscriptions and course fees

Another expense often met on behalf of employees is subscriptions to professional bodies or learned societies relevant to the duties of the employment. HMRC produce an online list that is updated periodically of all approved bodies and societies. If you pay RCN subscriptions for nursing staff or medical defence cover for salaried GPs this is a benefit in kind which must be reported – unless you hold a dispensation ie a formal agreement with HMRC that means you don't have to complete the forms. It is granted in advance of the tax year and covers items like professional subscriptions and business travel.

## The deadlines

P9 and P11D forms need to be submitted to H M Revenue and Customs by 6 July 2015. Your employees also need to be given a copy of the form by this date. Any class 1A national insurance due will need to be paid by 19 July 2015. Class 1B national insurance payable on a PAYE settlement agreement needs to be paid by 19 October. Penalties apply for non-submission and for getting it wrong. Guidance from HMRC can be found at [www.gov.uk/employer-reporting-expenses-benefits/overview](http://www.gov.uk/employer-reporting-expenses-benefits/overview) or from booklets 480, 490, CWG2 and CWG5.

## Changes coming up in 2016/17

Many employers currently hold dispensations from reporting qualifying business expenses. These, however, will cease to be valid under the new regime. The trivial benefits exemption is to be put on a statutory basis for benefits up to the value of £50 so long as it is not to reward the employee for their performance. Further options for payroll benefits are in the pipeline and are expected to feature in next year's Finance Bill.