

## Client Alert

### PAYE Settlement Agreement – Employer taxes Employer reporting requirements 2016/17

Reporting taxable expenses and benefits via a PAYE Settlement Agreement (PSA) for the 2016/17 tax year is due by 31 July 2017. This alert sets out your employer reporting requirements and how you can meet those obligations.

#### Background

A PSA is a contract between an employer and HMRC where the employer agrees to meet the tax (on a grossed up basis) and NIC on behalf of their employees for certain benefits and expenses. Only benefits that are minor, irregular or impractical to operate PAYE on can be included.

The PSA effectively allows employers to provide smaller or general benefits to its employees and not have their employees taxed on the benefit.

#### Deadlines

Employers are required to sign up (or make any changes) to this contract on or before the 6 July following the end of the tax year to which it relates.

Calculations of the tax and NIC are typically due to HMRC by 31 July, however, this is not a statutory deadline and, in our experience, submissions often take place throughout August. Subsequent payment of the tax and NIC is due by 22 October.

#### The calculation

PSA's require a thorough investigation of the expenses and benefits that have been provided to (or on behalf of) your employees during the tax year. It is a more time consuming requirement that many employers do not appreciate as the onus is on the employer to decide whether each expense or benefit is exempt from tax/NIC, reportable on the P11D or reportable on the PSA.

Given the limited scope of what can be included in a PSA, the most common benefit is staff entertaining, but also can include staff gifts, relocation, personal travel and other miscellaneous personal costs.

Where an expense or benefit is to be reported on the PSA, the cost is subject to income tax on a grossed up basis according to the tax rates of the employees enjoying the benefit. In addition, NIC is due on the value of the benefit and also on the grossed up tax due. As a result, paying tax/NIC on behalf of your employees via a PSA is expensive.

#### Contact

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## What should FI's do

It is important to allocate this task to someone in the business with suitable tax knowledge. Given that the PSA is an expensive way to meet tax, analysing the tax treatment with the knowledge of the exemption and deduction rules is key to ensuring that only taxable items are included on the PSA, thereby reducing unnecessary costs.

HMRC provide webinars, online guidance and tax manuals which can provide useful information. In addition, seek assistance from technical experts where the precise tax treatment is unclear.

## How Hansuke can assist

We would be pleased to help with your PSA reporting requirements and can provide the following assistance:

- *review* - review base data, analyse and assess tax treatment. Prepare the calculation and submit to HMRC. Cost dependent on size of PSA base data to be reviewed [My fee – will depend on size of PSA, typically somewhere between £500-£2500]
- *overview* – review your PSA calculation and base data to ensure that you are including all relevant taxable items and utilising all appropriate exemptions. Cost dependent on size of PSA and base data to be reviewed [my fee again dependent on size but usually £200-£800]
- *general helpline* – we have a dedicated support line to provide practical advice on any queries you might have on the PSA and potential tax treatment of expenses or benefits. [My hourly rate is £180]

## About Hansuke

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