

## **TAX GUIDANCE:**

### **Expenses and Benefits**

#### **The general rule**

Clubs mostly rely on volunteers who are unpaid or only receive their out of pocket expenses in which event there is no reporting requirement. However, where they have paid employees, officers or directors the club must annually report the expenses, payments and benefits paid to those directors and officers on Forms P11D. This is applicable to any employees earning over £8,500 pa (including the expenses and benefits). This is a low limit which was put in place many years ago and has not been index linked. For employees earning below that limit there is a separate form (P9D) which must be completed in respect of benefits which have a monetary value. Generally it is the cost of providing the benefit which must be reported on the P11D, subject to exceptions in the case of some assets e.g. company cars.

Expenses e.g. travel on club affairs, must be put on the P11D returns even if they are non-taxable business expenses on which the employee will not pay tax. The employee will have to make a claim for business expenses not to be taxed and if the expense cannot be justified as wholly and exclusively for the business may, of course, end up paying income tax.

However to avoid reporting of routine business expenses which involve no extra liability HMRC can grant a dispensation. In this event HMRC will notify the Club of which expenses and benefits need not be reported, if the Club makes an application for one.

For more information and the forms mentioned above please visit

<http://www.hmrc.gov.uk/payee/exb/overview/forms.htm>

#### **Exceptions from the general rule**

Unpaid officers or directors of the club may be exempt from the reporting requirements if the club is non-profit making i.e. it is not carrying on a trade or investment activity. In addition it is possible to avoid reporting business expenses which do not give rise to an income tax liability by obtaining a dispensation from HMRC.

#### **PAYE settlement agreements (PSAs)**

Under a PSA a club can settle tax and NIC due on certain types of expenses and benefits items directly on behalf of its employees. This will mean that the club will have to pay the tax and NI on a "grossing up basis" which may be expensive but will negate the need to have to report the amounts on the employees P11D. This will simplify the whole process in relation to these items. An application to use a PSA has to be made to HMRC and its website contains details of how to do this.