

**Employee Benefits and Expenses – Real time collection of tax on benefits in kind and expenses through Voluntary Payrolling**  
**HM Revenue & Customs (HMRC) consultation document**  
**Response from the Low Incomes Tax Reform Group (LITRG)**

**1 Executive Summary**

- 1.1 We welcome the opportunity to respond to the HMRC consultation on real time collection of tax on benefits in kind and expenses through voluntary payrolling.
- 1.2 We commend the Government and HMRC for providing sufficient time to formulate responses, for holding meetings with interested parties to discuss the consultation, for consulting simultaneously on four connected measures and for issuing a call for evidence on remuneration practices. We note that the Government has also commenced a review of the rules on travel and subsistence.
- 1.3 We welcome the decision to explore voluntary as opposed to mandatory payrolling and recognise the opportunity it presents for simplification of the taxation of benefits in kind, in particular for employers and HMRC.
- 1.4 Nevertheless, voluntary payrolling may be less beneficial for employees, in that it means there is the potential for greater confusion. If the proposal to implement voluntary payrolling is pursued, it is essential that HMRC provide clear guidance for employers, both on the treatment of different benefits in kind and expenses for tax and National Insurance purposes and on the operational processes involved, such as how to deal with errors. In addition, HMRC must provide clear guidance for employees.

- 1.5 We agree that if an employer payrolls a particular benefit in kind, they should not have to file a form P11D in respect of it. However, there must be a statutory requirement for employers to clearly notify the employee of the benefits in kind they have received, itemise the value of these benefits in kind and whether or not these have been payrolled. One option for this might be an expanded payslip and an expanded P60. These would need to state the cash pay and a breakdown of the benefits in kind provided. We also think that this should make it clear to the employee whether or not all the tax due has been deducted at source, and therefore whether they are likely to have to pay more tax after the end of the tax year to HMRC.
- 1.6 Although we are in favour of voluntary rather than compulsory payrolling of benefits in kind, we agree with the point made in the consultation document at para. 4.18 that there will be a need for formalised and “standardised rules, guidance, compliance arrangements and ... reporting arrangements”. For example, there should be a list of benefits in kind that can be payrolled from which employers can choose. If an employer decides to payroll a particular benefit in kind, they should payroll it for all employees who receive it, other than in exceptional circumstances. In addition, we agree that employers joining voluntary payrolling should start to payroll from the start of the tax year; employers should be able to withdraw from payrolling, but they must do this from the start of a tax year. This is important to ensure a balance of consistency, transparency and simplicity for employees, employers and HMRC with the practicality and flexibility of voluntary payrolling.
- 1.7 We agree that the framework should include the option to account for Class 1 National Insurance contributions monthly, as some employers may find this simplifies their administration.
- 1.8 We think more work needs to be undertaken to explore the impact of payrolling on claimants of tax credits, Universal Credit and means-tested welfare benefits. We recommend that a full review of the potential impact on tax credits and welfare benefits claimants is carried out before a decision is taken on payrolling. We suggest a working group of HMRC, the Department for Work and Pensions (DWP) and the voluntary sector be established for this purpose.
- 1.9 We note that ‘PAYE for Employees – a new digital service’ is going live towards the end of September 2014.<sup>1</sup> Apparently this service will allow employees to view and make changes online that will alter their tax code. The news item informing employers of this development states that where an employer is payrolling benefits in kind there is no need for the employee to use this service. We are concerned that some employees will not be aware or understand that their employer payrolls their benefits in kind and will try to use the service anyway. We therefore recommend that this service displays a flag to indicate whether or not the service is relevant to a particular employment or benefit in kind; ideally, the service

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<sup>1</sup> Employer Bulletin August 2014 Issue 49:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/345887/bulletin49-August2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/345887/bulletin49-August2014.pdf)

should not actually allow an employee whose benefits in kind are payrolled to enter any figures or make any changes.

## **2 About Us**

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.
- 2.2 LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

## **3 Introduction**

### ***Background***

- 3.1 As noted in the consultation document, HMRC have consulted previously about payrolling, with the consultation 'Including Benefits in Kind and Expense Payments in the Payroll – A Fresh Approach',<sup>2</sup> which explored the possibility of mandatory payrolling. LITRG responded, and while we acknowledged and supported the rationale behind the proposal – the administrative savings – we took the view that more work was needed with regard to the practical issues and the impact of payrolling on low income employees and employees who claim tax credits and/or welfare benefits. It is somewhat disappointing that this consultation document does not explore this issue in more detail.
- 3.2 In the course of our response to the consultation on mandatory payrolling, we called for:
- a review of the potential impact on tax credits and welfare benefits claimants of payrolling;

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[http://litrgold.cubik.co.uk/Resources/LITRG/1\\_513\\_Payrolling\\_BIKandExps\\_condoc\\_LITRG\\_response\\_17March2008.pdf](http://litrgold.cubik.co.uk/Resources/LITRG/1_513_Payrolling_BIKandExps_condoc_LITRG_response_17March2008.pdf)

- HMRC to provide an undertaking that if payrolling is introduced they would produce clearer guidance for employees;
- a full assessment of the impact of payrolling on accidental employers or care and support employers;
- adequate support for small employers; and
- better information and guidance on employment status.

We think that most of these points are still relevant in relation to this consultation document.

- 3.3 We note that this consultation document has been issued in response to the Office of Tax Simplification (OTS) review of employee benefits and expenses, of which one of the recommendations at para. 1.1 was to introduce a legislative framework to allow employers to payroll some or all of their employee benefits and expenses.<sup>3</sup> We recognise that the implementation of this recommendation could result in reduced administrative burdens for both employers and HMRC. We think that the points raised by the OTS at para. 1.51 of their report should be borne in mind if this proposal is pursued.<sup>4</sup>

#### ***Tax credits and means-tested benefits***

- 3.4 At para. 2.9 of the consultation document it mentions Universal Credit briefly. We think more work needs to be undertaken to explore the impact of payrolling on claimants of tax credits and welfare benefits, particularly in the light of the feed of information that RTI provides to the DWP and to other parts of HMRC for tax credits. For example, there are issues surrounding which benefits in kind and expenses payments are treated as income for various tax credits and welfare benefits. There is a danger that incorrect figures will be passed to the DWP (or other parts of HMRC) through RTI, or that employees will not identify the correct figures to pass to DWP (or other parts of HMRC) when making their claims. Having a voluntary payrolling system also means that guidance from DWP and HMRC in respect of welfare benefits and tax credits will need to cater to both groups of claimants to ensure they have enough information to provide the correct information.
- 3.5 Claimants of tax credits are required to report some P11D/P9D figures on their tax credit claim forms. But not all taxable benefits in kind are counted as income for tax credit purposes. The definition of ‘Employment Income’ for tax credits is set out in the regulations and includes a list of disregarded payments and benefits in kind, many – but not all – of which are mirrored in the tax system.<sup>5</sup> The differences are subtle but significant.

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<sup>3</sup> <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

<sup>4</sup> Para. 1.51 sets out ‘changes that would need to be made in order to permit payrolling’:  
<https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

<sup>5</sup> The Tax Credits (Definition and Calculation of Income) Regulations 2002 – SI 2002/2006:  
<http://www.legislation.gov.uk/ukSI/2002/2006/contents/made>

- 3.6 We have already raised concerns via the Benefits and Credits Consultation Group around the use of RTI data to finalise tax credits claims which happened for the first time this year. One of the issues raised was about payrolled benefits in kind. At present, RTI lumps the payrolled benefits in kind together as one figure, and that is fed through to tax credits meaning that it may all be taken into account when in fact some of the benefits in kind should be disregarded for tax credits. At present the new guidance notes do not cover these points sufficiently and therefore it is possible claimants are receiving less tax credits than they are entitled to receive, because they are not told of the need to make deductions from or adjustments to the RTI-provided figure.
- 3.7 Those who do not have payrolled benefits in kind will need different guidance on how to deal with benefits in kind when completing their tax credits or benefits claim forms. It is therefore important that Benefits and Credits work through all of the potential scenarios that will result from the proposals in this consultation to ensure claimants are not left at a disadvantage.
- 3.8 Different definitions of income apply in each of the means-tested benefits, where (by contrast with tax credits) there is very little correlation with the tax system. Payrolling benefits in kind may therefore raise issues for the DWP in administering means-tested benefits including Universal Credit. It may be necessary to consider the knock-on effects for each benefit. We therefore recommend that a full review of the potential impact on tax credits and claimants of each welfare benefit is carried out before a decision is taken on payrolling. We suggest a working group of HMRC/DWP and the voluntary sector be established for this purpose.

### ***Practical issues***

- 3.9 The consultation document says with regard to transitional arrangements:

“HMRC may need up to 4-6 months advance notice to ensure that BiK details for the following year are included in the individual’s tax codes from the start of the tax year and the notice would need to include details of the estimated annualised BiKs.”<sup>6</sup>

It is not clear to us why HMRC should need such a long time, since NPS should have the ability to automate most of these processes now. We agree, though, that the greatest of care needs to be taken in relation to employers moving into payrolling and out of it. Issues to which HMRC need to give consideration include the following: will employers have to notify their employees of the change and how it affects them? Or will HMRC write to the employees, with their change of tax code (removing previously coded benefits in kind, if moving to payrolling; or adding them in, if moving out of payrolling) explaining the change? There is a serious risk of either double counting of benefits in kind for tax or not taxing them at all. These proposals underline the importance of the coding notice in terms of individuals being able to check coding of benefits in kind. Indeed it is an employee’s responsibility to do

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<sup>6</sup> Para. 4.15, Employee Benefits and Expenses. Real time collection of tax on benefits in kind and expenses through Voluntary Payrolling – HMRC (June 2014).

so, hence our recent response to HMRC's proposal to cease sending coding notices to employees in some circumstances, or to delay sending them out.<sup>7</sup>

3.10 As well as there being some informal arrangements to payroll benefits in kind (in the absence of any statutory framework) we also understand that currently there are informal arrangements to payroll employee tax deductions, for example flat rate expenses for uniform cleaning. These informal arrangements mean that rather than have the employee make a claim at the end of the year, the employer just deducts the flat rate expense from a payroll run before calculating tax.<sup>8</sup> We think that it would mean less confusion for employees if a statutory framework was introduced for this too.

3.11 We recognise that voluntary payrolling may be less beneficial for employees, in that it may result in greater confusion or problems, especially in the following cases:

- an employee who has more than one employment receives similar benefits in kind from each employment and one employer payrolls them while the other does not;
- an employee who changes employment receives benefits in kind from each employment and one employer payrolls them while the other does not;
- an employer which is payrolling benefits in kind goes bust. Here the problem arises because an employee may then have no P60, no P45 and no P11D, leaving them with few means of completing a tax return or checking a form P800 accurately. This reinforces the need to ensure that payslips are clear, as at least employees will have payslips as a fall-back;
- an employer is making student loan deductions from an employee's salary. Unless an employee is within self assessment (or their employer operates payrolling of benefits in kind informally), there is no provision for adjusting their earnings for student loan deductions purposes to take account of benefits in kind – deductions are based purely on the payroll figure. Earnings for student loan purposes are the same as earnings for National Insurance purposes rather than taxable earnings.<sup>9</sup> This means that if an employer payrolls a benefit in kind, they will have to separately identify payrolled benefits in kind to ensure that those not subject to Class 1 National Insurance are not included in the calculation of earnings for student loan deduction purposes.

However, this issue of confusion could be dealt with to a large extent provided that HMRC produces clear guidance for employees.

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<sup>7</sup> <http://www.litrg.org.uk/Resources/LITRG/Documents/2014/07/140730-litrg-response-pay-regulations-re-coding-notices.pdf>

<sup>8</sup> Para. 5.26 ff. <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

<sup>9</sup> The Education (Student Loans) (Repayment) Regulations 2009, Reg. 45: <http://www.legislation.gov.uk/uksi/2009/470/made>

**4 Q1 Do respondents agree that a voluntary payrolling framework presents the best overall opportunity for simplification?**

- 4.1 We agree that a voluntary payrolling framework, rather than compulsory, provides the best opportunity for simplification. As the consultation document recognises (para. 4.4) and as we have previously pointed out,<sup>10</sup> some employers would be adversely affected if the Government made payrolling compulsory. In particular, we have previously drawn attention to ‘accidental’ employers, that is, individuals in receipt of Direct Payments or any other form of personal budget who employ carers or personal assistants to help them go about their daily lives. These care and support employers would be likely to face an increased burden if payrolling was made compulsory.<sup>11</sup>
- 4.2 The OTS made clear in their report (para. 1.19)<sup>12</sup> that voluntary payrolling, and in particular payrolling of some benefits in kind but not others, could be confusing for employees, highlighting the need for good HMRC guidance and communication for employees, as well as good guidance for employers on how to operate payrolling. It will also need employers to pass on HMRC guidance to their employees, to ensure they understand the treatment of the benefits in kind they receive and the tax consequences.
- 4.3 Each employee will need to know the breakdown of their income from an employer, in particular what cash they have earned, what benefits in kind they have received, how much tax and National Insurance they have paid on each, and how each benefit in kind has been treated (payrolled or not payrolled). Ideally, the employer will explain to the employee in writing which benefits in kind the employee has to report to HMRC and which they do not. The consultation does not mention that employers should itemise payrolled benefits in kind on payslips, but this will be essential if voluntary payrolling is to work effectively for employees as well as employers and HMRC. It is not clear that the law on payslips requires such itemization.<sup>13</sup> HMRC should confirm that employment law supports such a requirement. We recommend that there is a requirement for employers to itemise payrolled benefits in kind on payslips, P60s and P45s. This would require an extensive redesign of these documents.
- 4.4 There is also a wider communication issue to consider. Increasingly HMRC require unsophisticated taxpayers to “check” that things HMRC send them are correct. A failure to do so can lead to additional tax liabilities and/or penalties. In connection with this there is a widely held misconception among employees that their employer takes care of all their tax,

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<sup>10</sup> Para. 3.4 ff., LITRG response to HMRC consultation: Including Benefits in Kind and Expense Payments in the Payroll: A Fresh Approach:  
[http://www.litrg.org.uk/Resources/LITRG/1\\_513\\_Payrolling\\_BIKandExps\\_condoc\\_LITRG\\_response\\_17\\_March2008.pdf](http://www.litrg.org.uk/Resources/LITRG/1_513_Payrolling_BIKandExps_condoc_LITRG_response_17_March2008.pdf)

<sup>11</sup> Para. 3 ff.: [http://litrgold.cubik.co.uk/Resources/LITRG/1\\_490\\_080131\\_DP\\_Report\\_final.pdf](http://litrgold.cubik.co.uk/Resources/LITRG/1_490_080131_DP_Report_final.pdf)

<sup>12</sup> <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

<sup>13</sup> s. 8 Employment Rights Act 1996:  
<http://www.legislation.gov.uk/ukpga/1996/18/part/I/crossheading/right-to-itemised-pay-statement>

so they do not need to worry about it. We recommend that alongside this proposal, there should be an objective to ensure that all information sent to low-income (and unrepresented) taxpayers will be clearer, more understandable and capable of being checked more easily than existing arrangements.

- 4.5 We note that at para. 1.40 ff. of their report, the OTS made suggestions as to how payrolling might be made simpler for all employers.<sup>14</sup> This would involve removing some barriers to payrolling certain benefits in kind, by changing the way in which some, such as beneficial loans, are valued. We suggest that consideration is given to simplifying measures that would make payrolling easier for employers. This would have the added advantage of making it easier for employers to explain payrolling to their employees.
- 4.6 Currently, if an employee disagrees with a coding notice, they have a right of appeal to HMRC. In addition, they can complain to their employer if their form P11D is wrong. Under these proposals, employers operating voluntary payrolling will take on a greater burden – they will calculate benefits in kind, deduct tax and report to the employee. It is unclear who the employee will be able to complain to or whether they will be able to appeal to HMRC if they disagree. In order to protect the employee, we recommend that the voluntary payrolling framework includes clear mechanisms for complaints and appeals in relation to the tax and National Insurance treatment of payrolled benefits in kind.

**5 Q2 Should employers have to payroll all BiKs endorsed by HMRC, or choose freely from a list of ‘approved’ BiKs produced by HMRC to suit their business?**

- 5.1 We think employers should be able to choose freely from a list of ‘approved’ benefits in kind – we do not think there should be a set or prescribed list. As the OTS point out in their report, freedom of choice will encourage employers to adopt payrolling.<sup>15</sup> Some employers will feel able to payroll certain benefits in kind, but not others. If there is a prescriptive list, and an employer does not feel able to payroll a benefit in kind that they provide that appears on that list, then they will be deterred from payrolling.
- 5.2 This would have to be accompanied by clear guidance not only for employers, but also for employees. One option would be for HMRC to produce model guidance for employers, which they could then use to help inform their employees. It would require a reporting mechanism for employers to clearly notify to HMRC which method they adopt for which benefit in kind.
- 5.3 Currently, we understand that there is one box only for all payrolled benefits in kind for RTI purposes. For voluntary payrolling to be effective, payrolling software and RTI will have to

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<sup>14</sup> <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

<sup>15</sup> Para. 1.47: <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>



enable employers to separately itemise payrolled benefits in kind and amounts made good by the employee. This is particularly important for employees who claim tax credits, Universal Credit or means-tested benefits. In order to encourage smaller employers to adopt payrolling, we recommend that HMRC improves their BPT software to include such functionality too. Small employers should not be forced to purchase software just to enable them to payroll benefits in kind.

**6 Q3 Should payrolling apply to all employees within a PAYE scheme subject to a limited number of exceptions and special cases, and what should these exceptions be?**

6.1 We think that in principle, if an employer opts to use payrolling in respect of a particular benefit in kind, they should apply this to all of their employees in receipt of it. This will assist most employees in identifying the treatment of their benefits in kind by their employer. Inevitably, provision will need to be made for exceptions and special cases, however, as suggested below.

6.2 An exception might need to be made for employees who are paid disproportionately by non-cash benefits so that there are insufficient cash earnings to cover the income tax and National Insurance contributions liability. This might occur in a small family business that, as well as employing several people, also employs a family member, and their pay is perhaps mainly made up by benefits in kind.

6.3 In any case, it will be necessary to consider how payrolling of benefits in kind interacts with the 50% cap on deductions via PAYE codes.<sup>16</sup> Payrolling of benefits in kind will presumably make it appear as though an employee has more cash income than is actually the case. It will therefore be possible for an employer to deduct more than 50% of an employee's cash earnings under PAYE.

**7 Q4 What might cause an employer to need to cease payrolling? Would employers prefer payrolling arrangements to be irrevocable once entered into, or for HMRC to develop terms of withdrawal which accommodate the necessary protection?**

7.1 We think employers should be able to cease payrolling.

7.2 We agree that the rules for transitions to and from payrolling should require changes to occur only at the beginning of a tax year, i.e. an employer must start payrolling at the start of a new tax year, and must only then be able to cease payrolling at the end of a tax year. As stated in the consultation document, this is pragmatic and will provide the most protection

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<sup>16</sup> Income Tax (PAYE) Regulations 2003, Reg. 2

for employees. We think that it will also make transitions simpler to manage for employers, even though they may occur at a busy time of year for payroll operators.

- 7.3 Employers who are not completely certain about payrolling might be more willing to try payrolling if they know that the arrangement is not irrevocable.
- 7.4 Payrolling arrangements should not be irrevocable once entered into, as there may be legitimate reasons for an employer to cease payrolling. Employers might need to cease payrolling for various reasons:
- they may try it, and then decide that it is too complex or have a bad experience;
  - there is a change of ownership or management of the business;
  - there is a change of accountant or tax/payroll agent.

## **8 Q5 Would respondents welcome the option to account for Class 1A NICs in real time where the BiKs are being payrolled?**

- 8.1 It is important to consult with employers concerning this question. There is a balance between the cash flow disadvantage of having to pay over Class 1A National Insurance contributions more quickly on a monthly basis if accounted for in real time, and the simplification of administration procedures that this alignment of accounting and reporting might allow.
- 8.2 On this basis, we suggest that it might be a useful option, but that it should not be compulsory for employers who adopt voluntary payrolling to account for Class 1A National Insurance contributions in real time. If real time accounting for Class 1A National Insurance contributions was made compulsory, this might deter some employers from adopting payrolling.
- 8.3 If this option is offered, it will be necessary to create a mechanism for claiming refunds of Class 1A National Insurance contributions where an employer pays them incorrectly during the tax year.

## **9 Q6 For employers experienced in payrolling, what are the most common reasons for errors in the amount of tax deducted, and what actions are commonly taken to address this, in particular after the payroll has closed?**

9.1 We make no comment.

### **9.2 *Q6A Where tax is under-deducted should the existing approach for PAYE be adopted with recourse to the employer using existing principles?***

9.2.1 We think that the existing approach for PAYE should be adopted with recourse to the employer using existing principles. If an incorrect amount of tax is deducted due to an

employer's careless error, there has to be recourse to the employer, as the employee should not automatically be penalised for a failure in a process over which they have no control and in which they have no involvement. In other cases, where the employer is not at fault, we would expect HMRC to collect any tax due from the employee, provided they notify the employee of the underpayment within the normal time limits.

9.2.2 As this consultation is concerned with voluntary payrolling, employers will not be under a duty to payroll; they could continue to complete P11Ds. In order to encourage employers to opt in to payrolling, we would expect HMRC to adopt a light touch in respect of penalties.

9.3 ***Q6B What other exceptions exist where new PAYE rules may be required, for example, where HMRC issue a tax code to be operated on a week 1 / month 1 basis?***

9.3.1 We make no comment.

**10 Q7 The Government is interested to hear from employers experienced in payrolling on dealing with the issues covered at paragraphs 6.1 – 6.5. What are employers' experiences of this, and do the options described provide workable alternatives?**

10.1 Careful consideration should be given as to whether it should be possible to payroll one-off benefits in kind. Payrolling a one-off benefit in kind, such that there is an increased deduction from gross pay in one month only may cause hardship for some employees. It could also have implications if the employee is claiming Universal Credit, as the amount of benefit paid to claimants can vary monthly in line with RTI. HMRC need to think carefully about the effect on Universal Credit of how particular benefits in kind are payrolled and the values used.

10.2 Practical issues may arise in respect of employees who experience sudden reductions in pay. This position is likely to arise where the employee has 'nil' or reduced pay, for example because they are off sick or on maternity leave. Where it is not possible to collect the full amount of tax during the tax year we think there should be a requirement for employers to flag this up to employees. This will ensure that they are aware that an under-deduction of tax has arisen and to expect HMRC to request payment of the outstanding tax.

**11 Q8 Company Cars and Fuel – a) How do employers deal with any payments or contributions for private use made retrospectively, and particularly those made from 6 April to 6 July? b) Do employers continue to submit form P46(Car) to report changes?**

11.1 We make no comment.

**12 Q9 PMI (or gym membership fees) paid on behalf of the employee – a) Where the policy renewal period falls part way through the tax year, unless the premium for the year is agreed in advance, what value is payrolled? Do employers project a value based on a previous year premium, or estimate the premium and begin payrolling on that basis and adjust once premium for that year is agreed? b) Do employers payroll the total annual premium in the month paid?**

12.1 We make no comment in respect of the individual questions. We think that benefits in kind such as PMI or gym membership should be payrolled over the course of a tax year, even if the employer pays the premium as a lump sum. The employee enjoys the benefit of the PMI or gym membership during the course of the year, not on one specific day. This is particularly important for low income employees, who could face cash flow problems if the full value of the benefit in kind is taxed in one month only.

**13 Q10 One off large BiKs in the form of the transfer of an asset (a property or valuable antique). These items with a large tax charge will require a significant deduction of tax in a single pay period – a) Do any employers payroll these items? If so, how are they dealt with? Do employers spread the value of these across the remainder of the year or do they payroll the total in one pay period, or b) Do employers report items on a P11D with a note that it is a one off?**

13.1 We make no comment in respect of the individual questions. We note, however, that the OTS received feedback from employers that one-off large benefits in kind caused problems, since if the employer reports the item on a form P11D, HMRC then include the item in the employee's PAYE code for several years. The OTS suggested that the form P11D should include a checkbox to allow an employer to indicate that a particular benefit in kind is a one-off item.<sup>17</sup> It may be that one-off benefits in kind are not suitable for payrolling at the present time, and that they should be dealt with by the form P11D process.

LITRG  
8 September 2014

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<sup>17</sup> Para. 5.23: <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>