

# Payrolling benefits

In the light of prospective changes to the tax environment for benefits, Jas Jhooty at expenses and benefits software firm **PAS** explains how companies need to prepare.



In December 2007, HMRC published a consultation document relating to the abolition of the year-end P11D form. Their intentions are to replace the P11D form with a new regime that would tax benefits in kind through the payroll. Many larger employers are in favour of this proposal, because it would save them a lot of time at the end of the year. Similar legislation was successfully introduced in the Republic of Ireland in 2004.

A decision will not be announced until the 2008 pre-budget report as to whether the proposed new legislation will be passed. If it is passed, it will come into effect in April 2011.

The important thing to note is that, under the new regime, the requirement to calculate the taxable value of a benefit (the cash equivalent that the employee will have to pay tax on) will not disappear. Only the year-end reporting requirement on the annual P11D form will be removed.

So if this change occurs, will your business be able to cope with the new demands? The three key questions that you should be asking are:

- Does my business possess the necessary IT infrastructure to gather raw benefits data from suppliers on a monthly basis?
- Is my current payroll system capable of calculating the cash equivalents of these benefits and processing these figures monthly?

**'There are very few payroll systems that can calculate cash equivalents of benefits in kind.'**

- How will my business cope with the rise in employee queries of how the taxable benefit values appearing on their payslips have been derived?

Most businesses already possess the IT infrastructure to report benefit values

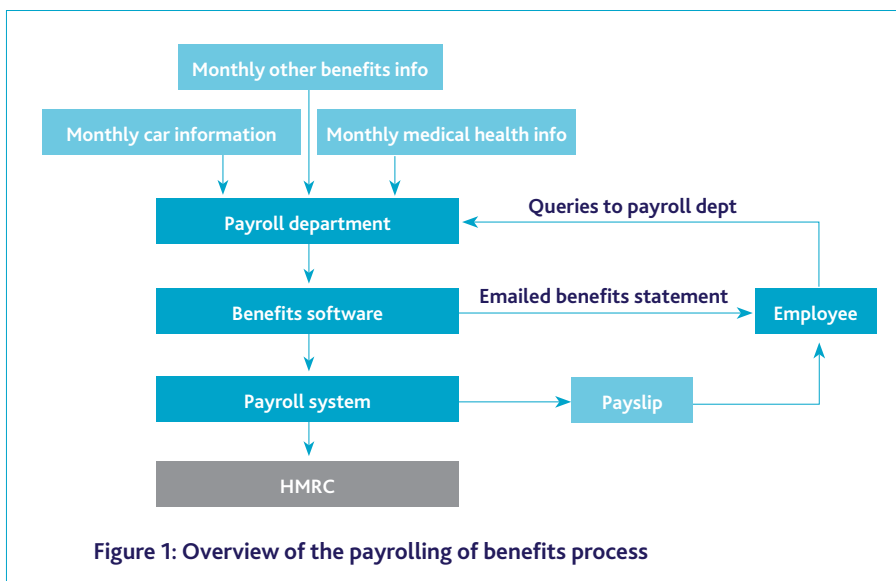
annually. Medical health insurance premiums are normally reported to companies annually by your insurer. However, under the proposed new regime, you will have to ensure that you can receive and process these details on a monthly basis.

There are very few payroll systems that can calculate cash equivalents of benefits in kind. Payroll companies have traditionally steered clear of developing benefits and expenses software because of complex benefits legislation. For this reason, most businesses currently use dedicated benefits and expenses software. Unfortunately most systems serving this niche have been designed to meet the current legislative requirements and are year-end P11D form fillers only.

Finally, a method of communication with your employees of exactly how the monthly taxable benefit values have been derived will have to be established. An employee should be informed of how the benefit has been worked out. This can provide valuable feedback from your employees when they experience a change in their benefits provisioning, thus ensuring you are minimising any potential mistakes being made.

The answer to all of these questions is benefits software that calculates the monthly figures to feed into the payroll system after importing the raw data from your supplier's monthly spreadsheets. The system should also be capable of emailing a detailed statement to the employee of how that month's benefits figures have been arrived at.

As the UK market leader in benefits and expenses software, PAS has developed a system that meets all of these requirements. ■



#### Further information

PAS Ltd

Website: [www.p11dorganiser.co.uk](http://www.p11dorganiser.co.uk)