Response from ICAS to the HMRC Consultation

‘Employee benefits and expenses: abolition of the £8,500 threshold for lower paid employment and form P9D’

9 September 2014
Employee benefits and expenses: abolition of the £8,500 threshold for lower paid employment and form P9D: Consultation

About ICAS

1. The Institute of Chartered Accountants of Scotland (ICAS) is the oldest professional body of accountants. We represent over 20,000 members who advise and lead businesses. Around half our members are based in Scotland, the other half work in the rest of the UK and in almost 100 countries around the world. Nearly two thirds of our members work in business, whilst a third work in accountancy practices. ICAS members play leading roles in around 80% of FTSE 100 companies. ICAS is also a public interest body.

Introduction

2. ICAS welcomes the opportunity to comment on the consultation ‘Employee benefits and expenses: abolition of the £8,500 threshold for lower paid employment and form P9D’, issued by HMRC on 18 June 2014.

General Comments

3. The recommendations of the Office of Tax Simplification (OTS) are warmly welcomed and ICAS agrees with the OTS recommendations to simplify this aspect of employee benefits and expenses by removing the £8,500 threshold for lower paid employment and form P9D. The £8,500 threshold should be abolished because:

   • While the reporting of benefits in kind on a form P11D is of taxable income for the employee, if the gross salary and benefits are less than £8,500 for the tax year there should be no actual tax payable on the benefit by virtue of the existing standard personal allowance of £10,000.
   • It would simplify the end of year reporting requirements of the employer by removing the distinction between a reportable benefit and an exempt benefit.
   • The Class 1A liability of most employers is unlikely to be significantly affected.

4. We have no specific examples from members of those who might be affected by the removal of the limit, but appreciate that a small number may be adversely affected. Alternative forms of protection could be given by statutory limitation of benefit in kind rules to those on low incomes, rather than by reframing the burdensome reporting process and calculations for all.

5. HMRC is encouraged to push forward with these recommendations.