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# Taxable employment benefits & expenses

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**The remuneration of many directors and employees is made up of more than just a basic salary. This factsheet gives guidance on some of the main types of benefits and expenses which may have taxation implications.**

## Reporting requirements

Employers are required to notify HMRC of benefits provided to employees and directors by completing forms P11D and P11D(b) on an annual basis.

The deadline for filing these forms is 6th July following the end of the tax year and the Class 1A National Insurance contribution calculated on these benefits is payable by **19th July**.

As a general guide, the penalty for late submission of the forms is £100 per 50 employees for each month that the return is late. There are more severe penalties for incorrect forms and so it is very important that you understand your responsibilities as an employer.

It is important to note that starting from April 2026, the government plans to make payroll of BIKs mandatory. This change will eliminate the need for P11D forms, as employers will report and tax benefits through the payroll system in real-time. While this mandatory change is set for 2026, employers can choose to voluntarily payroll benefits before then by registering with HMRC prior to the start of the tax year. The benefits that can't be payrolled are living accommodation, low-interest or interest-free loans, and vouchers or credit tokens. These must still be reported separately via a P11D, even after payroll of benefits becomes mandatory in April 2026.

## Taxable benefits

Below is a list of common types of benefits which are provided to employees. This list is not intended to be an exhaustive guide so please get in touch to discuss any issues you may have:-

### Employer provided cars

The taxable amount is calculated based on a percentage of the manufacturer's list price, the CO2 emissions of the car determining the percentage.

A separate charge applies where private fuel is provided, unless the employee reimburses the employer for all private mileage (including travel between home and work). The taxable benefit is based on a fixed figure (£27,800 for 2024/25) which is multiplied by the same percentage as above.

### Vans

No benefit arises as long as the private use of the van is restricted to ordinary commuting only (travel between home and work).

If the private use is not restricted, the taxable benefit of an employer provided van for 2024/25 is £3,960. If fuel is also provided, an additional fuel charge of £757 applies.

### Double Cab Pick-Ups – tax treatment changes from April 2025

From 1 April 2025 (Corporation Tax) and 6 April 2025 (Income Tax), double cab pick-ups (DCPUs) with a payload of one tonne or more will be classified as cars for tax purposes, impacting capital allowances, benefits in kind (BIK), and business profit deductions. However, transitional BIK rules will allow employers who purchase, lease, or order a DCPU before 6 April 2025 to apply the previous tax treatment until disposal, lease expiry, or 5 April 2029, whichever comes first.

### Cheap or interest free loans

There is no taxable benefit if the total loans to an employee remain below £10,000 throughout the tax year. For loans exceeding £10,000 (including overdrawn Directors Loan Accounts), the taxable benefit is the interest at the official rate (2.25% for 2024/25) which would have been payable on the loan, less any interest actually paid by the employee

### Medical Insurance & Gym Subscriptions

The cost of providing medical insurance and/or a gym subscription is a taxable benefit.

### Telephones

Payment of private telephone bills, including line rental charges, and mobile phone contracts in the employee's name, will usually be a taxable benefit, although reimbursement of business calls is covered by an exemption.

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The remuneration of many directors and employees is made up of more than just a basic salary. Many employees may have a choice of benefit options, all of which could have taxation implications. There can be significant penalties for non-compliance and so it is important that you understand your responsibilities as an employer.”

## Need help?

For help and advice on any of the matters raised in this guide, please call us and talk to one of our friendly experts.

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### Living Accommodation

There are some exemptions for job related accommodation but generally, the provision of accommodation gives rise to a taxable benefit, usually based on the market rent of the property.

### Private use of company assets

The taxable benefit is calculated at 20% of the asset's market value when first made available to the employee.

### Gifts/Awards

Any gift of cash is always taxable as earnings, subject to tax and NIC via the payroll.

Non-cash gifts are taxable on the employee, unless they are covered by one of the statutory exemptions (trivial benefits, long service awards, suggestions schemes).

Many employers choose to settle the employee's liability in respect of these gifts via a PAYE settlement agreement (PSA).

### Accountancy Fees

Personal accountancy fees paid by the company will constitute a taxable benefit.

For a free initial  
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## Trivial & exempt benefits

**From April 2016, legislation was introduced providing clarity as to what small benefits are deemed to be trivial and therefore exempt from tax and reporting obligations. remuneration of many director**

### Conditions to be satisfied

- the cost of providing the benefit cannot exceed £50 per employee (including VAT), or the average cost per employee if provided to a group of employees and it is impracticable to work out the exact cost;
- the benefit is not cash or a cash voucher (but gift cards would qualify as long as they are not exchangeable for cash);
- the employee is not entitled to the benefit as part of any contractual obligation (including under salary sacrifice arrangements);
- the benefit is not provided in recognition of particular services performed (or in anticipation of such services) or as part of their normal employment duties.

If any of these conditions are not satisfied then the benefit is taxed in the normal way – via a P11D, PSA or taxed through the payroll. Also, if the cost of the benefit exceeds £50, the whole amount will be taxable rather than just the excess.

### Close company

In most instances, an employee can receive multiple trivial benefits throughout the year, as long as each one does not exceed £50. However, where the employer is a close company, the exemption is capped at a total cost of £300 in the tax year where the benefit is provided to an individual who is a director or other office holder of the company (or a member of their family or household).

### Examples of trivial benefits

Per HMRC's guidance, some types of examples of trivial benefits are:

- taking a group of employees out for a meal to celebrate a birthday;
- buying each employee a Christmas present or birthday present;
- flowers on the birth of a new baby;
- a summer garden party for employees.

The aforementioned is on the basis that the benefit per employee does not exceed £50.

### Non taxable benefits

Certain other benefits you provide to your employees are not taxable. This can be a good way to incentivise staff, as well as being tax efficient from an employer's perspective.

Some of the most common examples are:-

- Payments for business mileage in an employee's own car, provided they are within HMRC approved rates (45p per mile for the first 10,000 miles and 25p per mile thereafter). Any excess above these amounts will be taxable
- Employer payments into a registered pension scheme
- Medical treatment to help an employee return to work after an absence (or expected absence) of at least 28 days, up to a maximum cost of £500
- One health screening assessment and one medical check-up per year, but any follow up treatment is taxable
- Meals provided in a staff canteen and light refreshments at work
- Parking provided at or near an employee's place of work
- Workplace nursery places for the children of employees and childcare vouchers (if entered in the voucher scheme prior to October 2018). For new parents, information on applying for tax-free childcare can be found at [www.gov.uk/get-tax-free-childcare](http://www.gov.uk/get-tax-free-childcare)
- Removal and relocation expenses up to a maximum of £8,000 per move
- One mobile phone per employee, registered in the employer name
- Annual social functions for employees provided that, in any one tax year, the total cost does not exceed £150 per head (including VAT)
- Use of a pool car – this is a vehicle made available for use by more than one employee, with very limited private use, which is not normally kept overnight near the residence of any of the employees
- Expenses that are paid or reimbursed by employers, so long as they were incurred entirely for business purposes. (Any personal element of the reimbursed expense should be subject to tax and NIC via the payroll.)

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There are now many incentives for business owners to run low emission vehicles through their companies.

For 2024/25, fully electric cars will attract a 2% benefit in kind rate which means very little company car tax is payable.

Enhanced Capital Allowances are also available, enabling 100% of the cost to be written off against profits in the first year.

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## Electric vehicles (EVs)

**Despite the increase in company car tax rates in recent years, there are now many incentives for business owners to run low emission vehicles (including hybrids and vans) through their companies and take advantage of the reduced benefit in kind rates on offer.**

### Electric vs fuel

Company car tax rates have historically been based on the vehicle’s CO2 emissions. Whilst this holds true for petrol, diesel and EVs, the government have changed how the benefit in kind rates apply to low emission cars. New rate bands have been introduced which depend on the electric range of the car.

For 2024/25, EVs attract a benefit in kind rate of 2% which means very little company car tax is payable. This rate will increase to 3% in 2025/26, 4% in 2026/27 and 5% in 2027/28.

The benefit in kind rate for hybrids with CO2 emissions between 1-50g/km varies depending on the electric range (see table below).

The rate for cars with emissions over 50g/km is based on emissions only. A surcharge of 4% applies to diesel cars which do not meet the RDE2 standard.

Whilst in previous tax years, the rates differ for cars registered pre and post 6 April 2020, this is now not the case and there is now only one rate for this tax year.

CO2 emissions g/km	Electric range	% of list price (BIK rate)
0	n/a	2
1-50	>130 miles	2
1-50	70-129 miles	5
1-50	40-69 miles	8
1-50	30-39 miles	12
1-50	<30 miles	14
51-54		15
For every 5		+1
160+		37
165+		37
170+		37*

\*\*\*Maximum benefit in kind rate is capped at 37%.

### Charging costs

The charging of an EV does not constitute ‘fuel’ when considering a possible benefit for private fuel. Similarly, there is no benefit in kind charge where an EV is charged at the employee’s workplace at the employer’s expense. It is also possible for the company to pay for a vehicle charging point to be installed at the employee’s home and a charge card to allow the employee to use commercial charging points without a taxable benefit arising.

For hybrids, the normal fuel benefit rules apply as well as the application of Advisory Fuel Rates for reimbursement to an employee of business related mileage.

### Capital allowances

You can write off 100% of the cost of new EVs against profits in the first year using Enhanced Capital Allowances.

### Salary sacrifice

Low emission vehicles are exempt from new optional remuneration package rules, allowing employees to receive EVs through salary sacrifice arrangements, enhancing tax savings for both parties.

### Government grants

To further the attractiveness of low emission vehicles, a government grant is available when purchasing a new van. Providing the CO2 emissions are below 50g/km and the vehicle has an electric range of at least 60 miles, the government will grant up to £2,500 towards the purchase. Plus, if you wish to install a new EV charging point at home or work, you might be eligible for a grant of up to £350.

### Electric vans

The benefit value of a zero emission company van (with significant private use) will attract a benefit in kind rate of 0% which means no company van tax is payable. Vans also qualify for 100% Enhanced Capital Allowances.

**For a free initial consultation please contact:**

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