

### **17/11/2021 – PAYE Settlement Agreements (PSAs)**

If your business pays minor, irregular or impracticable expenses or benefits for your employees, you may be able to apply for a PSA to cover these items. PSAs simplify the reporting process for employers, meaning that you can make one payment per year for the tax and National Insurance, and you do not need to inform the employees. If you have a PSA, you will not need to:

- Put them through to payroll to calculate tax and National Insurance
- Include them on P11D returns
- Pay Class 1A National Insurance on them

### **What can be included?**

These three criteria must apply for the item to be included:

- Irregular (not paid at regular intervals). For example:
  - Cost of attending a conference overseas
  - Use of company holiday flat
  - Relocation expenses over £8,000 (Any under £8,000 are tax free)
- Minor (no maximum amount has been set for them to be classes as 'minor')
  - Small gifts and vouchers (as long as the vouchers are not exchangeable for cash)
  - Employee incentive awards (eg long service award or wedding gift)
  - Non business expenses for an overnight business trip that are over the daily limit
  - Staff entertainment (eg ticket to a sporting event)
- Impracticable
  - Staff entertaining (that is not exempt from Tax or National Insurance)
  - Personal care expenses, e.g. hairdressing
  - Shared cars

### **Why apply?**

Having a PSA in place reduces the administration for the employer (by not having to process these items through payroll to calculate tax and NIC, or report them on a P11D, which could result in an additional tax liability for the employees).

### **How and when to apply**

First of all, decide which items you wish to be included in a PSA.

Bonuses, round sum allowances and beneficial loan are examples of items which CAN NOT be included in a PSA.

The PSA needs to be applied for in writing. The address to write to is:

*Business Tax and Customs - PSA Team*

*Benton Park View*

*Newcastle*

*NE98 1ZZ*

Once agreed, a new PSA does not have to be renewed every year, it will stay in place until the employer requires it to be amended (eg additional benefit items to be added), or until is it revoked by HMRC.

The deadline to apply is 5th July after the end of the tax year to which the benefits relate.

**Further information**

[PAYE Settlement Agreements - GOV.UK \(www.gov.uk\)](http://www.gov.uk)