

Tax Dispersations – Good News for One-Person Companies

Paying expenses for employees is often a problem area and employee expenses are routinely one of the first items looked at by PAYE inspectors, since it is so easy to get the paperwork wrong.

For that reason, as well as the saving of what is for many smaller firms a considerable administrative burden, HM Revenue and Customs (HMRC) will allow companies to claim a 'dispensation' from having to carry out the normal PAYE reporting of employees' expenses if they are satisfied that the business has sufficient procedures in place to ensure that only legitimate business expenses are reimbursed to employees.

Recently, HMRC issued guidance on dispensations for one-person companies. The guidance states that 'you must have an independent system in place for checking and authorising expenses claims. At a minimum, this means having someone other than the employee claiming the expenses check that:

- the amount claimed isn't excessive
- the claim doesn't include disallowable items.'

The Institute of Chartered Accountants in England and Wales has recently reported that HMRC have confirmed that it is sufficient for a company to use its external accountant to compile or check the accounts and complete forms P35 and P11D, and to ensure that such expenses and other benefits in kind are shown correctly in the accounts and are returned correctly on the required forms, for this to be 'an independent system for checking'.

*For more information contact PCB Solicitors on 01743 248148
or visit our website – www.pcblaw.co.uk*

PCB

SOLICITORS