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## Expenses and Benefits: Vouchers/Cash

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### Overview

As an employer, providing vouchers to your employees, you have certain tax, NI reporting obligations.

This includes vouchers that are:

- *exchangeable for cash*
- *only exchangeable for goods or services.*

#### **1. Vouchers exchangeable for cash**

For any vouchers exchangeable for cash, the employer is responsible for deducting PAYE tax and NIC regardless of who gives the voucher to the employer's employee.

#### **2. Non-cash vouchers**

Non-cash vouchers are vouchers that can only be exchanged for goods or services, not cash, e.g. M&S vouchers. Your liability depends on how active your involvement is in facilitating or arranging their payment to your employees. If your employees are being given non-cash vouchers by a third party which you neither arrange nor facilitate, then you will have no responsibility for P11D reporting or paying Class 1A NIC. These liabilities will fall on the provider of the voucher.

If you do facilitate or arrange the award of non-cash vouchers to your employees, then you will have NIC liability – this will be a Class 1 NIC liability via your payroll rather than a Class 1A NIC liability via your P11Ds. You will still however need to declare the value of the vouchers on your employees' P11Ds. Your employees will also have income tax on the voucher but this will be your employees' responsibility to pay via their tax return rather than yours to deal with via PAYE. For instance, you may be considered to be facilitating if you have a written agreement with the provider over the providing of vouchers to your employees. It is unlikely you will be considered to be facilitating if you are simply aware that such an arrangement exists.

It is common practice for the giver of vouchers to employees of a third party to register with HMRC to have a Taxed Award Scheme. If they do, they will pay over either basic or higher rate tax on behalf of your employee. If such an arrangement is entered into, then the provider will issue a certificate to your employee showing the tax that has been paid. The employee will need to report this in their self-assessment return for the tax year concerned.

### 3. Cash awards/incentives

If a cash award is provided by a third party to an employer's employee directly (without the employer being involved in the process), then the third party has responsibility for paying over the tax via PAYE while the employer has the obligation to pay over the Class 1 NIC due via PAYE. It's an unresolved point as to how the employer is meant to meet his obligations if he is unaware that his employee has been paid cash by someone else. HMRC's own instruction is that the third party must report the value of the cash award to the employee's employer.

You need to be clear on what is being paid to your employees by others and then whether you have a hand in facilitating or arranging their payment if they are cash payments or no-cash vouchers. If you don't fully understand this and don't have the right procedures in place you face the prospect of unexpected tax demands from the tax man.

**Should you have any queries, please do not hesitate to contact us**

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