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Benefits in Kind Statistics

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Summary

Key outturns for benefits in kind in 2016-17 are:

- As in previous years, company cars and private medical/dental insurance remain the most significant taxable benefits in terms of both number of recipients and total taxable value.

- The total number of recipients of taxable benefits in kind (based on electronically captured P11D returns) was 3.66 million (down from 3.76 million in 2015-16).

    - Around two thirds (65%) of this number received private medical/dental insurance benefits.
    - Around a quarter (26%) of this number received a company car.
    - The third most common benefit received was excess mileage allowance, received by 5% of all recipients of taxable benefits.

- The total value of taxable benefits in kind (based on electronically captured P11D returns) increased slightly to £8.25 billion (from £8.05 billion in 2015-16).

    - The value of taxable company cars was £4.57 billion, just over half (55%) of the total value.
    - The value of private medical/dental insurance benefits was £1.89 billion, around a quarter (23%) of the total value.
    - The third most valuable benefit received was company car fuel, accounting for 8% of the total value of all taxable benefits in kind.

The introduction of voluntary payrolling since April 2016 means that an increasing number of employers are opting not to return P11Ds at the end of the tax year. Since P11D returns are the basis of these statistical tables this has implications for the completeness of HMRC's statistics. The 'payrolling gap' is a measure of the value of the taxable benefits not reported on captured P11Ds and is estimated from the difference between the actual value of employer National Insurance Contributions paid on taxable benefits in kind and the estimated value based only on captured P11D returns. The larger the gap the less complete these statistics. In 2016-17 this payrolling gap is estimated to be 11.3% (up from 8.6% in 2015-16).

Benefits in Kind Statistics – Contents

About these statistics

This is a National Statistics publication produced by HM Revenue and Customs (HMRC). A full set of benefits in kind statistics is provided for 2016-17 together with some information for earlier years back to 2009-10. Provisional information for 2017-18 has also been included in this publication.

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

The statistics designated as National Statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

For more information on National Statistics and the governance of statistics produced by public bodies please see the UK Statistics Authority website (www.statisticsauthority.gov.uk).

These statistics are published annually. In accordance with the Code of Practice for Official Statistics, confirmation of the date of the next publication will be given not less than one calendar month in advance on the Official Statistics Release Calendar and on HMRC's Schedule of Updates webpage.

SECTION 1: Introduction

What does this publication tell me?

This publication contains a series of tables about the taxable benefits in kind provided by employers. These tables show the number of recipients of such benefits, the taxable value of the benefits and the income tax and National Insurance Contributions (NIC) liabilities on them. Breakdowns are provided by type of benefit, and by income level of the recipient and whether they are an employee or director. In the case of taxable company cars, there are breakdowns by CO_2 emission level and fuel type.

All figures are based on data collected from P11D forms returned by employers after the end of the tax year. This means that the statistics do not include any of the following:

- Taxable benefits and expenses which are taxed through an employer's payroll
- Taxable benefits and expenses which are covered by a PAYE Settlement Agreement (PSA)
- Taxable benefits and expenses which are reported on P11Ds that were received by HMRC after the data underlying these statistics was electronically captured.

For more information on the data used to create these tables, please see Annex B.

This publication refers to taxable company cars as reported to HMRC. Company cars with zero tax liability (for example when an employee's contribution reduces the taxable benefit to zero), are not included in these tables. Nor do the tables include cars belonging to companies which are not made available for employees' private use. Individuals interested in the number of cars registered to companies (and not necessarily liable to tax) may wish to use the Department for Transport's Vehicle Licensing Statistics[1].

Annex A provides further details of the tax and NIC treatment of the various types of benefit in kind.

Annex B describes the data sources and modelling and projection methods.

Annex C describes the completeness and accuracy of the data used.

Who might be interested?

Users will include analysts and others with an interest in benefits in kind.

User engagement

HMRC is committed to providing impartial quality statistics that meet users' needs. We encourage our users to engage with us so we can improve our official statistics

[1] See https://www.gov.uk/government/statistics/vehicle-licensing-statistics-2018 for the 2018 vehicle licensing statistics

and identify gaps in them. If you would like to comment on these statistics or have any questions on them please contact the statistical contact named at the end of this section.

We undertake to review user comments on a regular basis and use this information to influence the development of our official statistics. We will summarise and publish user comments at regular intervals.

The published statistics will be revised only if an error is discovered in the survey data or modelling. Projections will be revised at each publication until full administrative data for that year are available.

Statistical contacts

Enquiries about statistics on taxable benefits in kind and expenses should be directed to the statistician responsible for these statistics:

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Media enquiries should be directed to the HMRC Press Office contacts listed on the front page of this release.

SECTION 2: Benefits in Kind Statistics: Tables T4.1 to T4.5

This section provides detailed commentary and statistics on benefits in kind in 2016-17, together with some information for earlier years.

Impact of payrolling on the statistics

The term "payrolling" refers to the situation in which an employer calculates and deducts tax on employee benefits in kind through their payroll. This contrasts with the standard situation in which the tax on benefits in kind is collected via tax code adjustments notified by HMRC to the employer, based on P11D returns submitted.

Voluntary Payrolling

Before April 2016, some employers operated informal payrolling systems for taxable benefits in kind. These employers were still legally obliged to return P11Ds at the end of the tax year, but these P11Ds were not electronically processed and therefore not included in these statistics.

From April 2016 the requirement to report certain benefits in kind on the P11D form has been removed for those employers who register to deduct the tax due on those benefits in kind directly from payroll. From April 2018, employers who payroll company cars have to report details as part of their regular PAYE returns on RTI.

The Payrolling Gap

The table below shows HMRC's latest estimate of the 'payrolling gap' for recent years. The payrolling gap is an estimate of the difference between the total value of benefits in kind provided to employees and the value based only on captured P11D returns[2]. The greater the value of benefits taxed through payroll, the greater the 'payrolling gap'. Estimates of the payrolling gap in previous years have been updated.

Year	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Estimated payrolling Gap	8.8%	8.6%	11.3%	12.7%

Before the introduction of voluntary payrolling, the payrolling gap was less than 9%. Since April 2016 the gap has begun to increase and this increase is likely to continue over time as more employers adopt voluntary payrolling. This has implications for the longer-term viability of these statistics.

HMRC are currently considering how best to adapt these statistics to address the growing proportion of payrolled benefits in kind.

[2] Specifically the payrolling gap is estimated from the proportion of Class 1A NICs received by HMRC that cannot be linked to P11D returns. For example a payrolling gap of 10% would mean that P11D returns – the values shown in the tables – accounted for 90% of the total value of Class 1A NICs received.

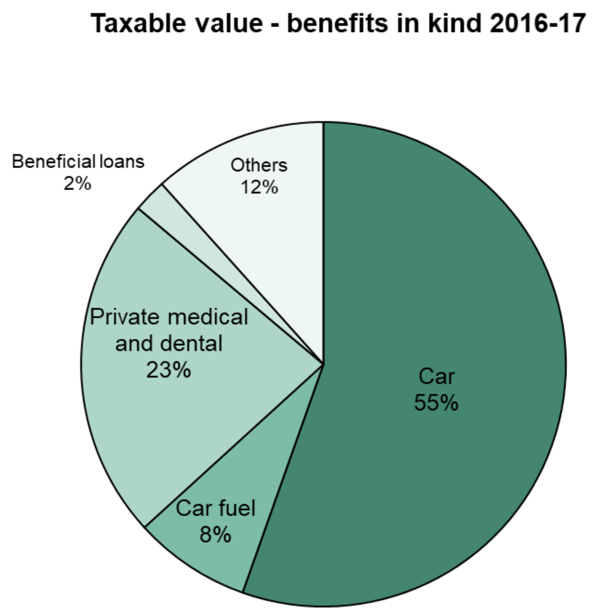
Commentary on individual tables

Commentary on Table 4.1

Table 4.1[3] gives the number of recipients, the total taxable value and the total Income Tax and Class1A NICs liabilities of the most frequent categories of benefits in kind for 2016-17.

- In total, around 3.66 million individuals received a taxable benefit in kind in 2016-17. The total value of these benefits was £8.25 billion. Total tax and NIC liabilities were around £2.84 billion and £1.14 billion respectively.
- In terms of numbers of recipients, private medical and dental insurance was the most widely received benefit (received by 65% of all those receiving any benefit), followed by cars (26%) and excess mileage allowance (5%).
- The average taxable values for van and van fuel benefit were £2,600 and £510 respectively. These are lower than the flat charges for 2016-17 of £3,170 and £598 because there is provision for the charge to be reduced when the van is unavailable for part of the year or shared or when employees make payments for private use of the van. The charge is also reduced for electric vans.

Figure 1: Proportions of taxable value from different benefits in kind



- Car benefit and car fuel benefit together represented over 60% of the total taxable value of all benefits in kind, considerably higher than the proportion of recipients who received these benefits. This was due to the higher average taxable value for these benefits. Private medical and dental benefit accounted for 23% of all benefits by value.

[3] See https://www.gov.uk/government/statistics/recipients-taxable-amount-and-income-tax-and-nic-liability

Figure 2: Numbers of recipients of different benefits in kind

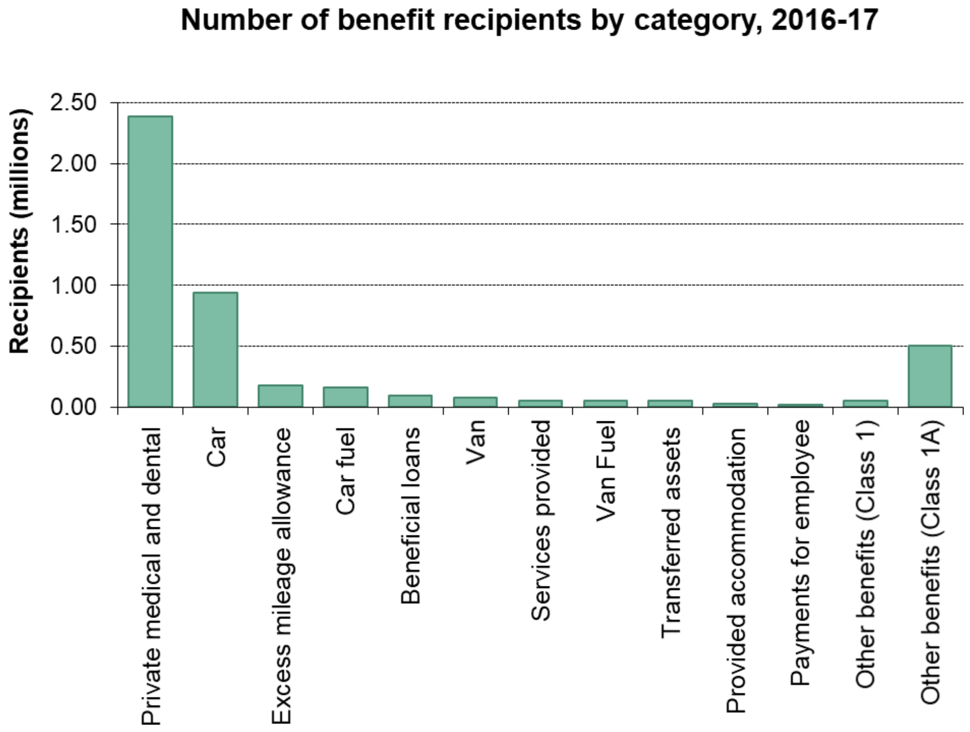
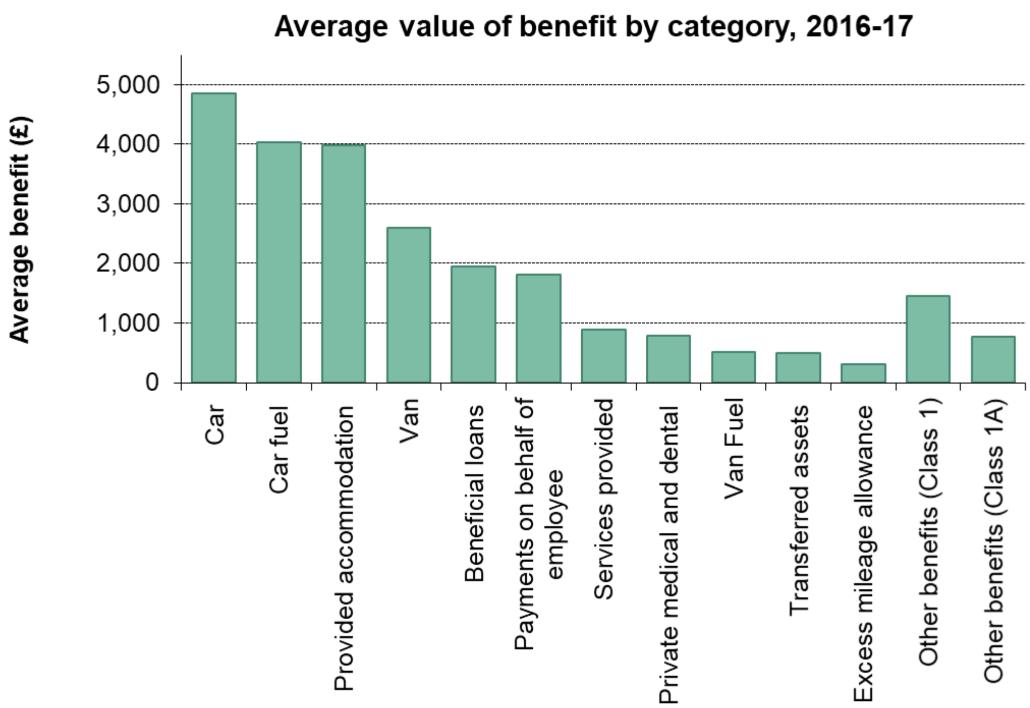


Figure 3: Average value of each benefit in kind type



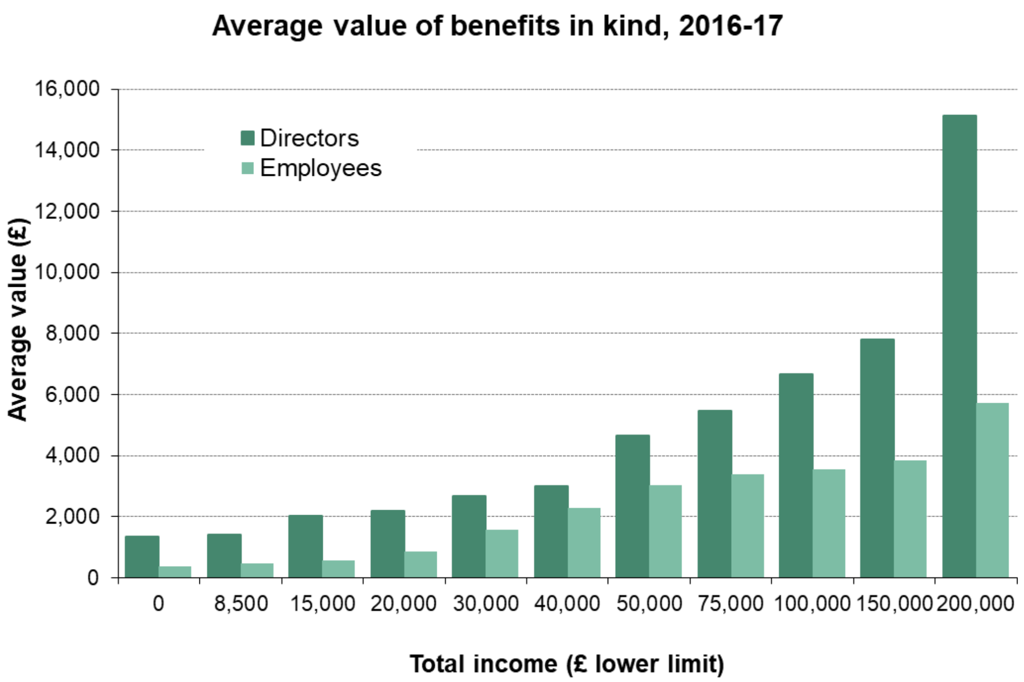
- Private medical and dental insurance/expenses was by far the most commonly received benefit in kind but had a relatively low average value. Cars were also high incidence and had the highest average value of all benefits.

Commentary on Table 4.2

Table 4.2[4] gives a breakdown of total benefits in kind for directors and employees by total income.

- Out of 3.66 million benefit in kind recipients in 2016-17, around 250,000 were directors.
- Before April 2016 employees whose total remuneration (inclusive of the value of any benefits received) was at a rate of less than £8,500 per year were not taxed on most benefits in kind they received. This exemption only affected a small number of individuals. In 2015-16 70,000 employees and 5,000 directors filled in a P11D return even though their total income was less than £8,500. These cases were retained in Table 4.2 for that year as it was assumed that these reported earnings represented only part of a year, and that the benefit was therefore still taxable.
- The earning rate threshold was abolished in April 2016 and all employee benefits are now taxed at the same rate, regardless of total income. The number of employees reporting income less than £8,500 in Table 4.2 in 2016-17 has increased slightly: up from 70,000 to 80,000.

Figure 4: Average value of benefits in kind by total income for those directors and employees with benefits in kind



[4] See https://www.gov.uk/government/statistics/total-expenses-and-benefits-for-directors-and-employees-by-range-of-total-income

- For both directors and employees, higher income earners tend to have higher value benefits in kind. The average value of benefits received increases with income at a faster rate for directors than for employees.

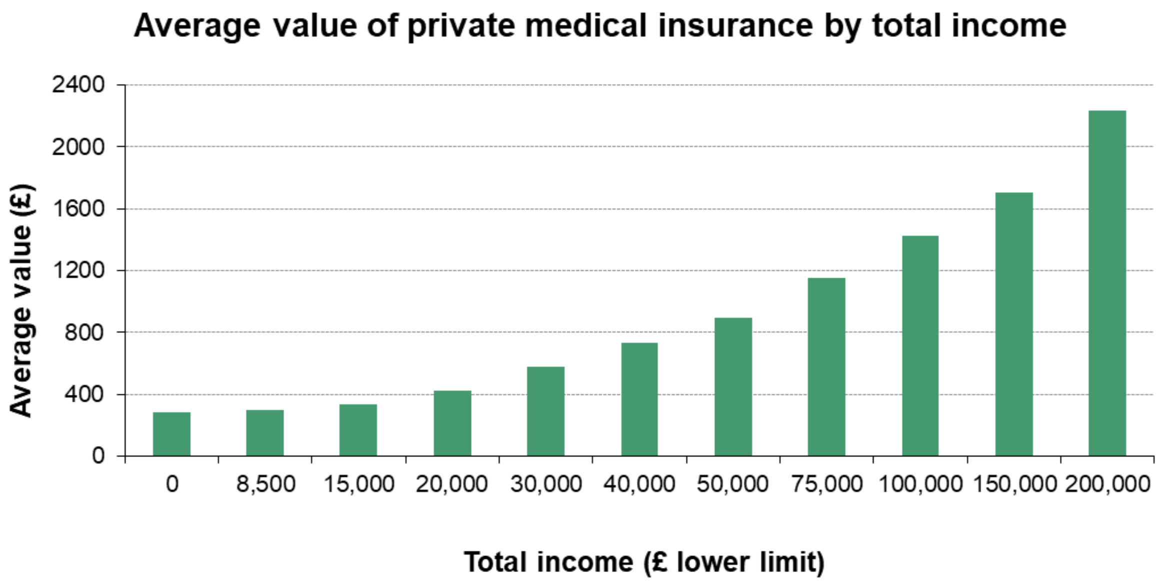
Commentary on Table 4.3

Table 4.3[5] gives a breakdown of company car benefits, company car fuel benefits and private medical and dental insurance by total income.

In 2016-17, the number of recipients of company car benefit was 940,000. Collectively these individuals received £4.57 billion of taxable value in company car benefit. There were 160,000 individuals who received car fuel benefit (with a total taxable value of £640 million) and 2.38 million individuals received private medical/dental benefits (with a total taxable value of £1.89 billion).

As shown in Figure 5 below, the average value of private medical insurance increases with total income.

Figure 5: Average value of private medical insurance by total income



[5] See https://www.gov.uk/government/statistics/analysis-of-company-car-benefit-employer-provided-fuel-and-private-medical-insurance-by-range-of-total-income

Commentary on Table 4.4

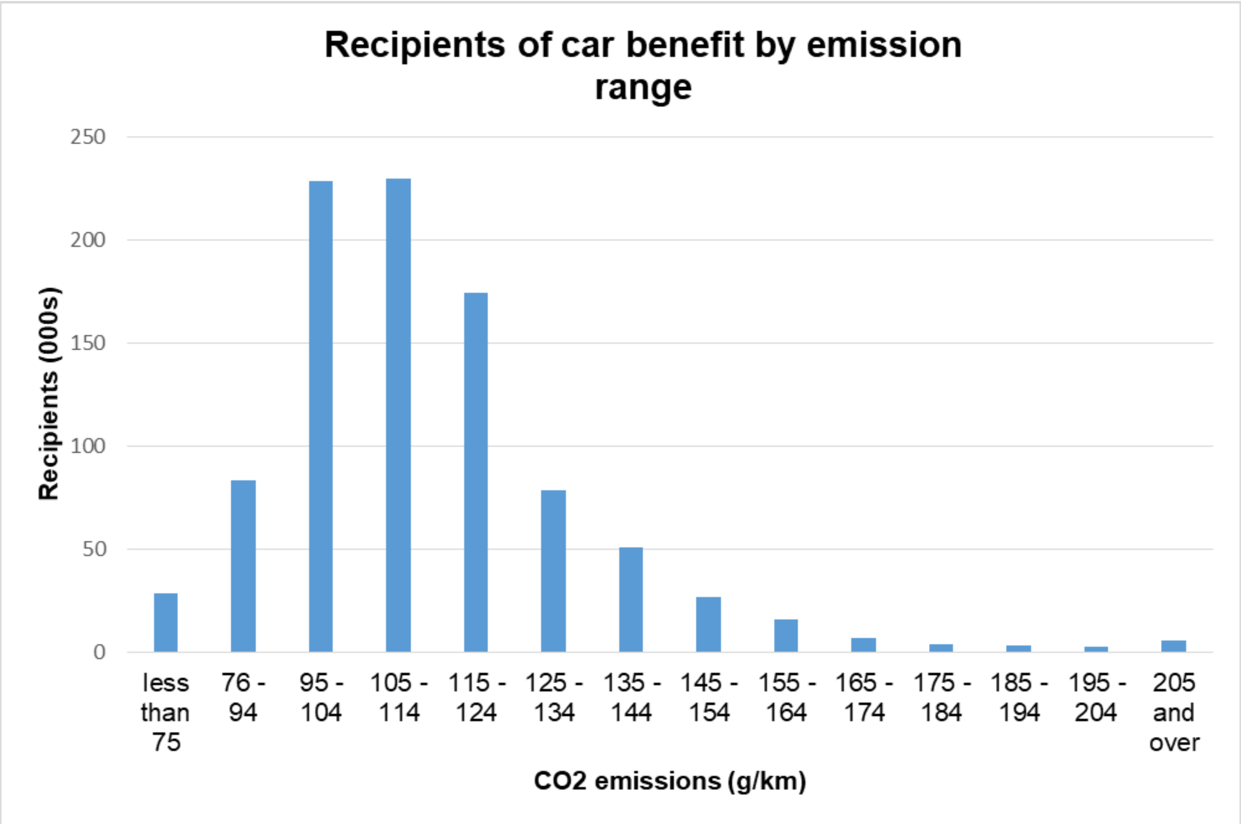
Table 4.4[6] gives a detailed breakdown of company car benefits by the fuel type and reported CO_2 emissions of the taxable company cars.

- 98% of company cars in 2016-17 reported emissions of less than 165 g/km of CO_2, an increase from 97% in 2015-16. This group contributes 92% of tax and 93% of NIC liability.

- There is an established strong reducing trend in the level of emissions. In 2002-03 58% of company cars reported emissions in excess of 165 g/km; in 2016-17 this had reduced to just 2%. The emission-dependent scale of appropriate percentages for company cars is one of many factors incentivising the manufacture and purchase of low emission vehicles.

- About 79% of company cars use diesel fuel with about 21% using other fuel types, predominantly petrol. In 2002-03 only 33% of company cars used diesel. Since April 2015 electric cars (with CO_2 emissions of 0 g/km) are liable to company car tax. Therefore this table includes electric cars. Company cars powered solely by electricity were reported in respect of fewer than 5,000 individuals in 2016-17.

Figure 6: Numbers of recipients of car benefits by emission range



[6] See https://www.gov.uk/government/statistics/analysis-of-company-cars-by-co2-emissions-and-fuel-type

Comparisons over time

Commentary on Table 4.5

Table 4.5[7] gives a time series of the number of recipients, the total taxable value and the total Income Tax and Class 1A NICs liabilities of the most common categories of benefits in kind from 2009-10 to 2016-17, as well as provisional figures for 2017-18.

Comparisons below make use of the 2017-18 figures. These are provisional estimates and the tax and NIC figures for 2017-18 are based on projections. The increasing uptake of payrolling from April 2016 means that caution should be used when comparing these figures with figures for earlier years.

Company car benefits

The current system of company car taxation, in which the taxable benefit of a company car is calculated with reference to the car's reported CO_2 emissions, was introduced in April 2002.

Figure 7: Company Car Recipients and Total Taxable Value

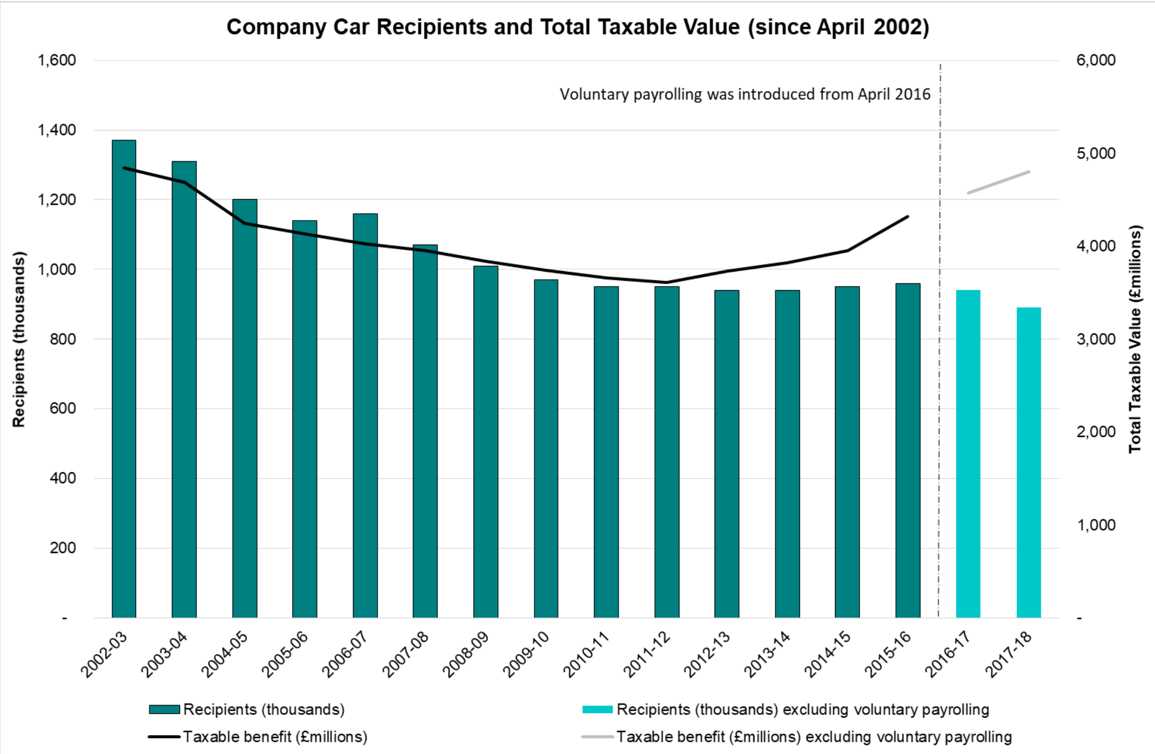


Figure 7 above shows how the number of recipients of company cars and the total taxable value of all company cars has changed since the current system began. Figures for 2016-17 and 2017-18 do not include any estimate of the impact of

[7] See https://www.gov.uk/government/statistics/number-of-recipients-and-amounts-of-taxable-benefits-by-type-of-benefit.

voluntary payrolling. Initial HMRC analysis suggests that this accounts for a significant proportion of the decline in reported numbers.

In recent years the total taxable value of company cars has increased significantly. This is primarily due to increases in car list prices and increases in the ‘appropriate percentages’ used to calculate a company car’s taxable value.

However since 2009-10 the number of company car users seems to have remained relatively stable (at just under one million). Provisional figures for 2017-18 indicate that these numbers may have begun to decrease, but this may also be a result of increased take-up of voluntary payrolling (as discussed previously). More detailed reporting of payrolled company cars was introduced from April 2017, but did not become mandatory until April 2018.

Reduction in reported number of recipients from 2016-17

The number of recipients of company cars reported in Table 4.5 has fallen since April 2016. This reduction coincides with the introduction of voluntary payrolling and at least part of the apparent reduction may be due to employers moving from submitting P11D returns to collecting tax on company cars through payroll. As previously noted, these tables only reflect information received via P11D returns.

In 2016-17 employers were not able or required to submit more detailed information about company cars when collecting tax on this benefit through voluntary payrolling. From 2017-18 employers payrolling car benefit were able to provide more detailed data about the cars being provided through their FPS (Full Payment Submission). However providing this data was not mandatory until 2018-19. As such, detailed information about the recipients of company cars through voluntary payrolling was not provided by many employers during the period covered by these statistics.

WLTP and RDE2

The way that a vehicle’s CO_2 emissions are measured is changing. The older test procedure (the NEDC or ‘New European Driving Cycle’ test procedure) is being replaced with a new test procedure called the Worldwide Harmonised Light Vehicle Test Procedure (or WLTP). From September 2018 all new cars will be tested using the WLTP, though for tax calculations before April 2020 the CO_2 emissions measured with this test will be converted back to equivalent NEDC figures. This change had yet to take place during the period covered by the current statistics and so has not had any direct impact on them.

The diesel supplement is also changing. Since April 2002, a ‘diesel supplement' has been applied to all diesel cars, increasing their taxable value compared to an otherwise identical non-diesel car. From April 2018, the diesel supplement will only apply to diesel cars that fail to meet the Real Driving Emissions 2 (RDE2) emissions standards. This change had yet to take place during the period covered by the current statistics and so has not had any direct impact on them.

Company car fuel benefit

There has been a general downward trend in the number of recipients and taxable value of car fuel benefits throughout the period covered by these statistics. In 2009-10 the number of recipients of car fuel benefit was 270,000 and the total taxable value was £840 million; provisional figures suggest that by 2017-18 the number of recipients fell to 140,000 while the total taxable value fell to £590 million.

This trend is likely to reflect rising fuel prices during most of this period, causing employers and employees to look more carefully at whether the fuel benefit formula results in a tax charge commensurate with the true value of the benefit.

Transferred Assets

Provisional figures for 2017-18 suggest that the number of recipients of transferred assets has increased to 70,000 (up from 50,000 in 2016-17). The total taxable value of transferred assets also increased to £40 million (up from £20 million in 2016-17). This means that the average value of transferred assets has also increased: from £490 in 2016-17 to £610 in 2017-18.

The average value of transferred assets has always been rather volatile. Since April 2010 it has ranged from £830 (in 2010-11) to £390 (in 2015-16). The projected 2017-18 average value is well within this range. Note that the average value of transferred assets in years before April 2010 was substantially higher.

It is not immediately clear why the number of recipients of transferred assets has been increasing over time. The number of recipients of transferred assets was 10,000 in 2009-10. Transferred assets can include electronic goods, vehicles, property and precious metals. However once the data from P11Ds has been electronically processed it is not possible to reliably identify particular types of transferred assets.

Annex A: Background – Tax and NIC liability for benefits in kind

Employees receive a number of benefits from employers, e.g., company cars, cheap or interest-free loans, free accommodation. Most are taxable but there are some statutory exemptions such as for workplace nurseries and canteens; accommodation which is necessary for the duties of the employment; a mobile telephone made available for private use; and cycles loaned to employees by their employer primarily for commuting journeys.

Most directors of companies and employees are liable to pay income tax on their earnings, including the value of the benefits in kind and expenses payments provided. For some expenses (for example, excess mileage allowance payments) there is also a Class 1 NICs charge. Their employers (or in certain cases other third parties who provide benefits in kind) are normally liable to pay Class 1 or Class 1A NICs on taxable benefits in kind. The taxable value of a benefit depends on its type:

1. Company Cars Since April 2002, the taxable value of a company car has been based on the car's list price and CO_2 emissions. Since April 2003, the value of employer-provided fuel has also been linked to the car's CO_2 emissions (it was previously fixed by scale charges). The current rules for calculating the benefit values for cars and employer-provided fuel are given in HMRC booklet 480 (see link below).

2. Beneficial Loans The value of a cheap or interest-free loan is the difference between the interest which would have been paid at the 'official' rate of interest and the interest actually paid. The official rate is published at HMRC Official Rates.

3. Provided Accommodation The value of provided accommodation, where it is taxable, is either the annual rent paid by the employer or the 'annual value', as specified in booklet 480 (see link below). In some circumstances there is an additional charge based on the cost or the current market value of the accommodation.

4. Provided Childcare No tax or NIC liability arises where the employer provides a nursery or crèche on or near the employer's premises, or one that is wholly or partially managed and financed by the employer. However higher and additional rate taxpayers who started to benefit from the scheme from April 2011 had tax relief restricted to the level available to basic rate taxpayers.

5. Company Vans In April 2016 the charge for unrestricted private use of a company van was set at £3,170. Further information on company van charges can be found in HMRC booklet 480 (Expenses and benefits).

6. Other benefits in kind The value of most other benefits in kind is based on the cost to the employer of provision.

7. Further details on the calculation of taxable values for benefits in kind can be found in HMRC booklet 480 (Expenses and benefits).

In general, the taxable value of benefits in kind may be reduced by contributions paid by the employee for the benefit in kind. The final value of the benefit for tax purposes will be used to assess the Class 1A NICs that the employer (or third party) is liable to pay. Taxable benefits not already subject to Class 1 NICs are liable for Class 1A NICs unless they are exempt.

Dispensations

Prior to tax year 2016-17, employers needed to report any expense payments made to employees on P11D forms, unless they had previously obtained a notice called a dispensation from HMRC covering the type of expense payment in question. From April 2016 an exemption for general employment expenses was introduced to reduce reporting for employers when reimbursing actual costs. Employers no longer have to report certain payments to employees which are reimbursements of allowable employment expenses, and dispensations no longer exist. However, there are certain conditions that must be met to qualify for an exemption.

PAYE Settlement Agreements

Employers may enter into a voluntary agreement known as a PAYE Settlement Agreement (PSA) with their HMRC office to meet the tax payable on certain expenses and benefits in kind. Under a PSA, the employer will be liable to pay Class 1B NICs on those expenses and benefits in kind included in the agreement which would otherwise attract a liability for Class 1 or Class 1A NICs and on the total tax payable under the PSA. The items covered by a PSA must be minor, or paid on an irregular basis, or be such that it is impracticable to operate PAYE on them. These items are not covered by these tables.

Further details about the taxation and NICs treatment of benefits in kind and expense payments can be found on the HMRC and gov.uk websites using the following links:

- Employment Income Manual,
- Expenses & Benefits: A tax guide (Booklet 480),
- Class 1A National Insurance contributions on benefits in kind: A guide for employers (Booklet CWG5),
- Expenses and benefits in kind: The basics

Information about PSAs can be found at PAYE settlement agreements.

Annex B: Data sources and Methodology

This section describes the data sources and methods used to compile statistics of the taxable value of benefits in kind and the number of recipients as well as the tax and NIC liability split by each benefit shown in Tables 4.1 to 4.5 of this release.

Data sources

The published estimates are based on the data collected from P11D forms and the Survey of Personal Incomes (SPI).

P11D Forms

At the end of each tax year, employers must provide HMRC with details of taxable expenses and employment benefits provided to directors and certain employees. Employers are required to complete a separate P11D form for each employee whose expenses and benefits they report. If a dispensation or PAYE settlement agreement covers the benefits and expenses, the employer should not report them on the P11D form. P11D data are captured on the HMRC Employer Compliance System (ECS).

Survey of Personal Incomes (SPI)

The SPI is a sample survey derived from data held by HMRC on persons who have been in contact with HMRC over the tax year through the PAYE, SA or repayment claims processes. The survey consists of a systematic random sample of individuals each tax year. For each individual in the sample, SPI includes information on incomes assessable to income tax for the tax year, together with some basic information on individual characteristics, for example age and gender.

The SPI sample size has increased over time to around 700,000. It is made up of three separate samples drawn from three different HMRC administrative systems (COP/NPS, CESA and Claims). SPI datasets are available for public use via the UK Data Archive at Essex University (registration required): https://www.data-archive.ac.uk/

Methodology

Following the end of each tax year an individual level dataset, containing all benefits in kind and taxable expenses that have been reported on a P11D return, is compiled. The number of recipients and the amount of each benefit can be obtained from the P11D returns, and are reported in Tables 4.1, 4.4 and 4.5.

A data cleaning exercise is performed to make sure the source data are fit for purpose. This included removing all instances where the benefit value was reported as negative or zero. The Survey of Personal Incomes (SPI) is then merged onto the P11D returns to obtain information relating to total income, tax and National Insurance Contributions as this is not currently held on the ECS data. In 2016-17, around 100,000 individuals in the selected sample received benefits in kind and expenses reportable in these tables.

Calculating tax and National Insurance Contributions

An average tax and NIC rate per pound of benefit is calculated from the P11D records merged with the SPI sample. The tax and NIC liabilities in respect of benefits in kind for an individual are calculated as the difference between liabilities arising with and without the value of benefits included.

The relevant tax rates applicable for each tax year on earnings, savings and dividends have been used to calculate the tax liabilities, taking into account various deductions which reduce an individual's tax liability such as the personal allowance and reliefs.

The difference between the tax liabilities including and excluding benefits is summed over all SPI sample cases (with grossing factors) and then divided by the summed total benefit amount to give an average tax rate per pound of benefit. This average tax rate (for each benefit) is then applied to the total taxable value derived from the full P11D data to obtain an overall tax liability estimate.

This approach effectively considers the benefit in kind as the top element of income, and consequently the tax liability reflects the taxpayer's highest rate of tax. An alternative approach would have been to attribute the amount of tax to the benefits in kind based on the proportion of the benefit in kind value over total income. This would have resulted in lower average tax rates compared to the approach adopted with a considerable impact on tax liabilities calculated.

The methodology adopted should be better suited to most users' needs. The tax liability shown represents the tax figure which would be affected by any changes to rules for determining taxable value of benefits, or by any change to take-up of benefits in kind.

A corresponding methodology was adopted for the NIC liability. Some benefits are liable to Class 1 employee and employer NICs where others are only liable to Class 1A employer NICs. The National Insurance Contributions are therefore calculated differently for Class 1 and Class 1A benefits. For Class 1A benefits, the National Insurance contributions are 12.8% of the value of the benefit (employer only) for years up to 2010-11 and 13.8% for years from 2011-12. For Class 1 benefits both the employer and employee contributions are included, and the relevant thresholds and rates applicable for each tax year are used. This NIC liability is then divided by the amount of the benefit to give an average NIC rate per pound of benefit. Weighted averages of these rates are then multiplied by the total value of the benefits from all P11D records to produce a value for National Insurance Contribution liability.

Table 4.1 reports the number of recipients and the amount of the benefit along with their tax and National Insurance Contributions. Where an individual benefit is quite small, these have been combined into an 'Other benefits' category.

Expense types excluded

Many of the expense payments previously reported up to 2010 were removed in the 2012 publication as a result of the finding that subsequent claims to relief rendered the majority of the amount reported non-taxable. Further details are given in the report released in 2012 entitled [“Benefit in Kind statistics: Review of Methodology and Format”].

Treatment of excess mileage allowance

The tax-free Approved Mileage Allowance Payments (AMAPs) are 45 pence for the first 10,000 miles driven[8] and 25 pence thereafter. When an employer pays more than these allowances, the excess is a taxable benefit. However a NIC liability only occurs on the excess over a flat 45 pence per mile regardless of miles driven. Therefore not all the taxable value is subject to National Insurance Contributions.

For example, if an individual is paid by their employer a 45 pence per mile flat rate regardless of mileage driven, there would be a taxable benefit incurred of 20 pence per mile above 10,000 miles, where the AMAPs rate is only 25p per mile. However there would be no liability to National Insurance Contributions in this case.

It is not possible to establish accurately the proportion of taxable mileage allowances which are also subject to National Insurance. However previous analysis of the distribution of business mileage together with information on typical rates of allowance paid suggest strongly that the proportion is over 90%. It was decided to treat the full taxable value as subject to National Insurance Contributions. The estimate of NIC liability reported in the tables for Mileage Allowances will therefore have a slight bias towards over-statement.

Definition of total income and directorship

The total amount of benefits split by total income, inclusive of the benefit amount, are reported in Tables 4.2 and 4.3. Total income includes total earned income as well as total investment income; not just earnings from employment. Total earned income includes state benefits as well as earnings from employment such as taxable incapacity benefit, other taxable social security benefits and jobseeker's allowance payments. Gross profits assessable for all sources of self-employment income, taxable pay on termination of employment, and pensions are also included. Total investment income would include net income from UK and overseas property, net interest from UK banks, building societies and other deposit takers, dividends from shares in UK companies and unit trusts, gains on life policies with tax treated as paid, gross interest paid, and any other interest & dividends from UK and overseas savings & investments charged at 20%.

The published T4.2 tables for 2009-10 defined a director as an individual who was recorded as a director in any their jobs. Otherwise, the individual was counted as an employee. Following a review, from 2010-11, an individual is only counted as being a director if they submitted a P11D (i.e. received benefits in kind or expenses) from their directorship.

Where an individual has more than one employment where they are receiving benefits in kind and expenses, details of whether the individual was a director or

[8] Increased from 40 to 45 pence per mile from April 2011.

employee are only captured for the first three employments. If any of these employments record the individual as being a director, they are treated as a director for the purpose of these tables; otherwise they are treated as an employee.

Estimating breakdown of totals according to total income

Tables 4.2 and 4.3 provide a breakdown of total values according to range of total income.

Estimates for each range are found from the SPI sample, as the full P11D data do not contain all details of income. The estimates are grossed up using standard SPI grossing factors, but a further adjustment factor is then applied in order that the total taxable benefit value for all cases is equal to the total figure known from the full P11D data.

The same adjustment factor is used for both benefit value and number of recipients, with the result that the number of recipients reported by income band will not sum exactly to the total number of recipients from the P11D forms.

It is not possible to adjust the number of recipients to the P11D value by a different factor than that used for the amount of benefit without distorting estimates of average benefit value.

Calculation of number of car recipients split by CO_2 emission

Table 4.4 reports all car benefits split by the CO_2 emission of each benefit. However since a recipient can have more than one car benefit in the tax year, it was necessary to apportion that recipient between their multiple car benefits, so that they would not be counted more than once. A recipient was therefore apportioned between their car benefits according to the length of time they had each benefit.

Where a recipient only had a car benefit for part of the year, the car benefit, tax and NIC values in the table reflect the part year. However the individual still counts as one person for the purposes of the recipients column. Where a recipient had multiple car benefits at the same time so that they had the equivalent of one benefit for greater than a year, this was scaled down to a year, and the recipient apportioned between them.

Imputation of CO_2 values and fuel type

CO_2 values are reported on the P11D forms where an employer reports a car benefit. Sometimes these are missing or are implausible values. Where other supporting data can help impute the missing or implausible value, this has been done prior to producing the figures in Table 4.4. Less than 1% of car benefit values were imputed for 2016-17.

After a cleaning exercise, the average tax rate per pound of benefit was calculated for each appropriate percentage (i.e. different bands of CO_2 emissions). This is because there is evidence that higher rate taxpayers tend to have higher emitting cars. Where the appropriate percentage could not be identified, an average tax rate per pound of benefit was used from all car benefits. This was multiplied by the amount of each car benefit to provide a tax liability. The National Insurance Contribution was 13.8% of the value of the benefit.

Due to sampling error, the sum of tax liabilities across CO_2 bands would not equal the total sum calculated for Table 4.1, therefore an adjustment factor is used to make the total tax liability match that calculated for all car benefits. The same average tax rates used across CO_2 emissions were applied when grouping by the type of fuel in Table 4.4. This was adjusted to the total sum calculated for Table 4.1 in the same way.

For the first time, this year's publication of Table 4.4 includes some information on average CO_2 emissions (including a breakdown by fuel type).

Projections to 2017-18

The SPI data have been projected forward to 2017-18 based on the individuals selected for the 2016-17 sample.

Further details about the projections with indications of quality can be found in Annex B of the Income Tax Liabilities Statistics Publication, found here: https://www.gov.uk/government/collections/income-tax-statistics-and-distributions

The number of recipients and taxable value of the benefit for 2017-18 are obtained from P11D returns for 2017-18 and are not based on projections. The projected SPI for 2017-18 is then merged onto the P11D returns for 2017-18 to obtain information relating to total income, tax and National Insurance Contributions. The average tax rate per pound of benefit and average Class 1 National Insurance Contribution rate is then calculated in the same way as previously described. These rates are then applied to the P11D returns from 2017-18.

Annex C: Quality

Limitations

Users should be aware of various issues affecting the completeness and accuracy of the tables. A Quality Report covering these statistics is available via the link below:
https://www.gov.uk/government/statistics/quality-report-benefits-in-kind-national-statistics

This report assesses the statistics against different attributes of quality such as relevance, accuracy and reliability, timeliness and punctuality, accessibility and clarity, and coherence and comparability.

The following section contains more detailed information about two particular aspects of quality: completeness and accuracy.

Completeness

Some taxable benefits in kind and expenses are not included in the source data used to produce the statistics and are therefore excluded from the tables. They are:

1. Payrolled benefits and expenses. These are benefits and expenses where the employer has deducted tax through the payroll system. Before April 2016 this was done through 'informal payrolling'. In such cases P11Ds were submitted to HMRC but are not captured on ECS. From April 2016, employers may register for 'voluntary payrolling', removing any requirement to submit a P11D return when deducting tax through the payroll system.

   HMRC estimates that the combined taxable benefit value from the above is approximately 11.3% for 2016-17. One benefit type which is known to be frequently payrolled is private medical benefit/treatment and it is believed that a large proportion of payrolled benefit relates to this type. However at the current time no evidence enabling us to quantify this is available.

2. P9D benefits and expenses. Until March 2016 taxable benefits and expenses were reported on form P9D when an employee's total remuneration was at a rate of less than £8,500 per annum. P9D returns were not captured on ECS. This only affected a few benefit types which were still taxable when the employee's total remuneration was less than £8,500 per annum such as employer-provided living accommodation.

3. Late arriving P11D forms. P11D forms are due to be filed in the July following the end of the tax year. The data used in the published tables come from extracts from live data and any P11D forms processed after the extract dates will not be reported in the tables. These P11Ds will either be new cases or changes to existing cases.

Estimated "late-arriving factors" for the data used in the statistical tables, representing the additional proportion of benefit value likely to arrive after the extract date, are shown below.

Late-arriving factors in the tables for each tax year reported

Tax Year	Last filing date	Estimated additional late-arriving benefit value
2009-10	11th March 2011	2.4%
2010-11	22nd March 2013	0.2%
2011-12	14th April 2014	0.3%
2012-13	27th March 2015	0.3%
2013-14	29th March 2016	0.4%
2014-15	3rd April 2017	0.2%
2015-16	3rd April 2018	0.2%
2016-17	4 April 2019	0.2%
2017-18 provisional	10 May 2019	0.8%

The late-arriving factors will vary from year to year even if the data extracts were taken at the same date each year. They are influenced by changes in the pattern of submission and processing of P11D returns, and are affected by occasional late-arriving large cases.

Late-arriving factors for individual benefit types can also be estimated. The variation between benefits is mostly minor or inconsistent from year to year, but there are two benefits for which there are consistent significant differences from the overall average: accommodation and beneficial loans.

In the case of employer-provided living accommodation, a small number of high value cases consistently arrive in the January to March following the end of the tax year. With previous versions of the extract schedule this meant that the provisional tables significantly understated accommodation benefit value, although the understatement in the final versions was much more modest. For recent releases the provisional table is affected by lower late-arriving factors, as a result of taking later extracts of data.

Late-arriving factors for accommodation benefit in the tables in this release.

Tax Year	Last filing date	Estimated additional late-arriving benefit value for accommodation
2009-10	11th March 2011	3.1%
2010-11	22nd March 2013	0.4%
2011-12	14th April 2014	0.3%
2012-13	27th March 2015	0.4%
2013-14	29th March 2016	0.4%
2014-15	3rd April 2017	0.3%
2015-16	3rd April 2018	0.2%
2016-17	4th April 2019	0.5%
2017-18 provisional	10th May 2019	1.8%

In the case of <u>beneficial loans</u> there is a long tail of late-arriving cases which for the final version of the tables gives a larger late-arriving factor than for other benefits. The factor for the provisional tables is also higher than for other benefits.

Late-arriving factors for beneficial loans in the tables in this release.

Tax Year	Last filing date	Estimated additional late-arriving benefit value for beneficial loans
2009-10	11th March 2011	3.8%
2010-11	22nd March 2013	1.3%
2011-12	14th April 2014	1.5%
2012-13	27th March 2015	2.3%
2013-14	29th March 2016	2.3%
2014-15	3rd April 2017	0.8%
2015-16	3rd April 2018	0.6%
2016-17	4th April 2019	0.9%
2017-18 provisional	10th May 2019	3.4%

4. <u>Benefits covered under PAYE settlement agreements.</u> As explained in Annex A, employers may enter into a voluntary agreement known as a PAYE Settlement Agreement (PSA) with their HMRC office to meet the tax payable on certain expenses and benefits in kind.

   In 2016-17 the amount of employee benefits and expenses covered by PSAs was approximately £1.2 billion.

5. <u>Excluded expense types</u>. As explained above under “Methodology: Expense types excluded” certain expenses reported on P11D forms are excluded from

these tables because large proportions are subject to subsequent relief claims and are therefore non-taxable.

6. Zero benefit values. In a small number of cases where the reported taxable benefit value was zero (for example where an employee contribution matched or exceeded the taxable benefit value) the cases were discarded.

Accuracy

The following is a list of the key issues with a bearing on the accuracy of the figures provided. In most cases the figures provided have already been described in the Methodology and Completeness sections above.

- All excess mileage allowances reported are treated as being subject to National Insurance Contributions. More details are set out in “Annex A: Methodology – Treatment of mileage allowances”.
- An individual is defined as a director when there is at least one P11D in which they have declared themselves as a director. A small number of directors will submit one P11D as a director with expenses only, and one or more P11Ds with taxable benefits in kind as an employee. In this case the taxable benefits in kind would be classified as falling under a director. This will only impact upon a few thousand cases and is therefore not considered significant given the rounding in the tables.
- There will be sampling error for those figures which depend on the Survey of Personal Incomes (tax and NIC liability estimates, and breakdowns by total income).