

Note to employer

You don't have to use this form but you may find it a useful way to calculate the cash equivalent if you provided interest-free or low interest loans for a director, or an employee during the year 2017 to 2018 (that is 6 April 2017 to 5 April 2018).

Read the 'P11D Guide' before you complete this form. Enter details of non-qualifying loans made to, or arranged for, a director or employee (or for any of his or her relatives) on which no interest was paid, or on which the amount of interest paid was less than interest at the official rate. Include 'notional loan' benefits of shares acquired by the director or employee at undervalue.

As a guide to whether a loan needs to be reported on the form 'P11D', see booklet '480'.

If you use this form you must also fill in forms 'P11D' and 'P11D(b) Return of Class 1A National Insurance contributions due'. Booklet 'CWG5(2018) Class 1A National Insurance contributions on benefits in kind' gives more information. You're advised to keep a copy of each completed working sheet as it could help you to deal with enquiries. You don't have to give a copy of the completed working sheet to the director or employee, or to your HM Revenue and Customs office.

The term employee is used to cover both directors and employees throughout the rest of this form.

Employer details

Employer name

Employer PAYE reference

Employee details

Employee name

Surname

First name(s)

Works number or department

National Insurance number

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The loans

If the total amount outstanding on all the loans isn't more than £10,000 at any time in the year, there's no need to complete this working sheet or Section H of form 'P11D' unless the loan is provided under an optional remuneration arrangement when the threshold doesn't apply.

You may find it helpful to complete the table below to identify:

- other small exempt loans
- for directors of close companies only, non-qualifying loans which may be treated as a single loan for the purpose of calculating the benefit

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5
Maximum amount outstanding at any time in the year					
Currency if other than sterling					

If you know that the total amount outstanding on all non-qualifying loans doesn't exceed £10,000 at any time in the year, ignore such loans when completing the remainder of this working sheet and Section H of form 'P11D'.

If you're a close company and the borrower is one of the company's directors, you can elect to treat all loans which are:

- in the same currency
 - non-qualifying
 - owing at the same time
- as a single loan.

You can make the election by showing all such loans as a single loan in Section H on the form 'P11D'. Please note that if you make the election and don't include all such loans within the single loan, you'll be making an incorrect return.

Please turn over

Official rates of interest

To calculate the cash equivalent of a loan you'll need to know the:

- average official rate of interest for the year ended 5 April 2018 for loans made in sterling (or if the loan was outstanding for less than the full year, the average official rate of interest for the part of the year during which the loan existed)
- official rate for Japanese Yen or Swiss Francs where the loan was made in one of those currencies and the conditions in paragraph 17.5 of booklet '480' are met

Note: Where the official rate of interest remains unchanged throughout a whole tax year, the average official rate of interest will be the same as the official rate even if the loan is only in place for part of the tax year.

For details of the official rates of interest for 2017 to 2018, go to

www.gov.uk/government/publications/rates-and-allowances-beneficial-loan-arrangements-hmrc-official-rates

Calculating the cash equivalent

Use the formula below for each loan separately except where an election has been made to treat a director's loans as a single loan.

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5
A Maximum balance on either 5 April 2017 or the date the loan was taken out, whichever is later					
B Maximum balance on earlier of day loan was discharged or 5 April 2018					
C Total (A + B)					
D Divide C by 2					
E Number of complete tax months in tax year (6th of month to 5th of following month) throughout which loan was owing					
F Multiply D by E, then divide by 12					
G Official rate of interest	%	%	%	%	%
H Multiply F by G					
J Enter interest paid in 2017 to 2018					
K Cash equivalent of loans H minus J					

The figures at K are the amounts to be entered in Section H box 15 on form 'P11D'.

If the employee has more than 2 loans, you can write 'see attached' in Section H box 15 and attach a copy of this working sheet. But you must remember to add together the cash equivalents of all the loans for the purpose of calculating the total benefits liable to Class 1A NICs when completing form 'P11D(b) Return of Class 1A National Insurance contributions due'.

Employees may elect for a more complex but accurate method of calculating the benefit from interest-free or low interest loans. Employers aren't responsible for providing such a calculation.

If the loan is made available under an optional remuneration arrangement and the amount of salary or pay foregone is greater than the interest that would have been payable on the loan at the official rate of interest, the relevant amount to enter in Section H box 15 is the amount forgone less the amount of any interest paid on the loan for the tax year.

If the amount foregone is less than the interest that would have been payable on the loan at the official rate of interest then enter the figures at K.