

Earnie IQ

Car and Fuel Benefit
in Payroll

April 2021

Contents

Car and Fuel Benefit in Payroll	3
How to add a Company Car to the software	4
How to Edit an existing Car	5
How to Delete a Car	5
How to allocate a car to an employee	5
How to withdraw a car/fuel from an employee	7
How to view Car History	7
How to view Employee History	8
Processing Car and Fuel Benefit through Payroll	9
Example:	9
Reports to print	10
Car List	10
Car Benefit Summary	10
Year-end	10

Car and Fuel Benefit in Payroll

From the 2016/2017 tax year, employers were able to account for the tax on the benefits in kind (BiKs) they provide to employees via PAYE instead of sending a P11D after the end of the tax year. The value of the benefit is added to the employee's taxable pay for each pay period and reported via FPS.

You can payroll all BiKs apart from:

- employer provided living accommodation
- interest free and low interest (beneficial) loans

You must still report these excluded BiKs on a P11D, even if you are payroll other BiKs for the same employee(s).

This means you can choose to payroll company car BiKs instead of submitting the P11D and P46(Car) forms. The benefits are calculated in the same way as previously, but the cash equivalent is divided into an equal amount for each pay period, with any residual amount going through the final pay period for the year.

In your payroll software you can add cars, allocate them to employees, calculate the cash equivalents of the car and fuel benefit for the year and process a prorated amount through payroll.

There are three stages to managing company cars in the payroll software:

1. Adding the cars
2. Allocating the cars to employees and calculating the cash equivalents
3. Processing the car benefit through payroll and reporting to HMRC via FPS

You can reach all car options in the payroll software by selecting **Company | Configure Company Car Details**. This will open the **Company Cars** screen.

How to add a Company Car to the software

To add a company car to the software:

1. Go to **Company | Configure Company Car Details**. This will open the **Company Cars** screen
2. Click **Add** to open the following **New Car** screen:

Car Details			
Registration No.	<input type="text"/>	Fuel Type	<input type="text" value="Other"/>
Make	<input type="text"/>	CO2 Emissions	<input type="text" value="0"/> g/km
Model	<input type="text"/>	Zero Emissions	<input type="text" value="0"/> Mileage
Description	<input type="text"/>	Engine Size	<input type="text" value="0"/> cc
Transmission	<input type="text"/>	Price New	<input type="text" value="0.00"/>
First Registered	<input type="text" value="/ /"/>	Price Accessories	<input type="text" value="0.00"/>
Withdrawn	<input type="text" value="/ /"/>	Allocated To	<input type="text"/>

3. Enter the **Registration No.** of the car and then select a **Make** from the drop-down list. The list will be populated by the VCA database. If the car is not in the VCA database, you can just type in the make/model etc
4. The options in the **Model** field will change according to the **Make** you select, the **Description** options will change based on the **Model**, and the **Transmission** and **Fuel Type** options will alter according to the selected **Model** and **Description**. The **CO2 Emissions** and **Engine Size** will also be populated automatically based on previous selections, but you can amend them manually if needed
5. **Zero Emissions** will be disabled unless **CO2 Emissions** has a value from 1 to 50 g/km. For cars with 1 to 50 g/km CO2 emissions, you need to complete this field. The default for is 0 miles, i.e. less than 30, with a cash equivalent of 14% for NEDC, for WLTP it is 13%. If the CO2 Emission value is over 50, the **Zero Emissions** field will be blank, and you will not be able to enter a value
6. Complete the **First Registered** date field. This is essential for the **Cash Equivalent** to be calculated. It should be today's date or earlier
7. Enter a **Withdrawn** date if the car is not currently going to be allocated to any employee. Just clear the date out and **Save** if you need to make the car available again in the future
8. Initially when adding a new car, the **Allocate** button will be disabled; click **Save** to be able to **Allocate** the car to an employee
9. Click **OK** to close the car details and return to the **Company Cars** screen, or click **Allocate** to allocate the newly set up car to an employee straight away

How to Edit an existing Car

If you need to make changes to an existing car:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click **Edit** to open the **Car** screen
3. Make the required changes
4. Click **OK** to close the **Car** screen and return to the **Company Cars** screen

How to Delete a Car

If you need to remove a car from the payroll software completely:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click on the car that you need to delete
3. Click the **Delete** button

NOTE: Deleting a car will stop any associated benefits being processed through the payroll. If a car is deleted, the **Car History** will be deleted. The actual payment/deduction records/history will not be deleted. This will be deleted in the normal way when history is cleared at year end.

A car can only be deleted if it is not allocated to anyone and it has not been allocated to anyone in the current tax year.

How to allocate a car to an employee

Once the car has been added to the payroll software, you can allocate it to an employee in order to calculate the cash equivalent. To do this:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click onto the car that you want to allocate
3. Click the **Allocation** button
4. If the highlighted car is already assigned to an employee the **Car Allocation** screen will be displayed, with the car and employee's name across the top. If the highlighted car is not already assigned to an employee, the **Employee Selection** screen will be displayed
5. If the **Employee Selection** screen is displayed, select the relevant employee to open the **Car Allocation** screen. The **Car Allocation** screen will be displayed, with the car and employee's name across the top

NOTE: A car can only be assigned to a single employee at a time whereas an employee can be assigned multiple cars

The screenshot shows a software interface for managing car allocations. It is divided into several sections: 'Car Details', 'Car Allocation', 'Fuel for Private Use', and 'Cash Equivalent'. The 'Car Allocation' section includes a date picker for 'Date car made available to employee' (06/01/2020), input fields for 'Additional accessories', 'Capital contributions made by employee', and 'Sum employee will pay for private use of the car' (all 0.00), and a date picker for 'Date car withdrawn from employee' (//). The 'Cash Equivalent' section shows a calculated value of 2371.00 for 2019/2020, with a 'Recalculate' button. The 'Fuel for Private Use' section has a checked box for 'Fuel provided for private use', a date picker for 'Date fuel provided' (06/01/2020), a date picker for 'Date fuel withdrawn' (//), and a calculated cash equivalent of 2157.00 for 2019/2020. The overall 'Cash Equivalent' section shows a total of 4528.00 for 2019/2020 and a 'Processed through payroll To-Date' field with 0.00. Callouts explain that dates must be within the current tax year, optional fields are used in cash equivalent calculations, the 'Recalculate' button is used for changes like fuel type, and the total cash equivalent is the sum of car and fuel benefits. A note at the bottom explains that the payroll-processed amount can be edited initially.

BD3 DCC - Allocated To - (1) Arnold DUNSTON

Car Details
 Make ALFA ROMEO
 Model Alfa 4C Spider

Car Allocation
 Date car made available to employee 06/01/2020
 Additional accessories 0.00
 Capital contributions made by employee 0.00
 Sum employee will pay for private use of the car 0.00
 Date car withdrawn from employee //
 Cash equivalent for 2019/2020 2371.00
 Recalculate

Fuel for Private Use
 Fuel provided for private use
 Date fuel provided 06/01/2020
 Date fuel withdrawn //
 Cash equivalent for 2019/2020 2157.00

Cash Equivalent
 Cash equivalent for 2019/2020 4528.00
 Processed through payroll To-Date 0.00

Delete OK Save Cancel

A date within the current tax year

Optional - used in the cash equivalent calculation

The **Cash Equivalent** of the car benefit

Click to recalculate the cash equivalent if there has been a change, for instance in **Fuel Type** from **Diesel** to **Diesel Meets RDE2 Regulation**

Defaults to **Date car made available** - must be in the current tax year

A date within the current tax year

The **Cash Equivalent** of the fuel benefit

The total **Cash Equivalent** of the car and fuel benefits

Can be edited initially if setting up the payroll mid-year and BiKs have been paid using another payroll system. Is then populated automatically and 'display only' once an amount has been processed through payroll

6. Click into each field to enter the car information. As soon as data is entered into any of the fields, the **Cash Equivalent** fields will be calculated and updated for you
7. Click **OK** to save and return to the **Company Cars** screen

How to withdraw a car/fuel from an employee

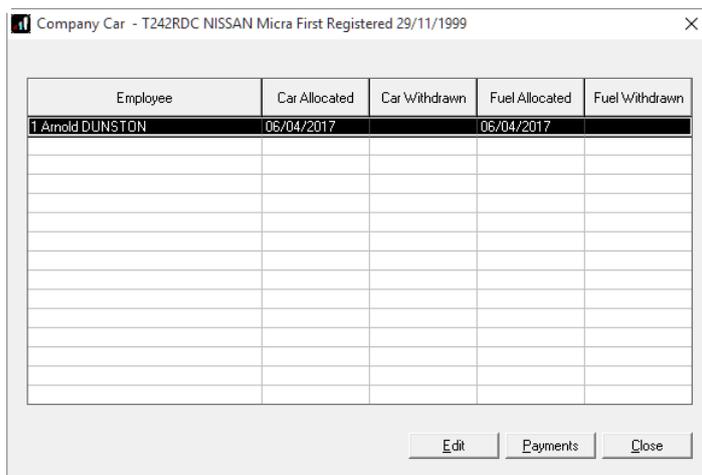
When you need to record that an employee no longer has access to a car or fuel, you just need to enter a **Date car withdrawn from employee** on the **Allocation** screen. To do this:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click onto the car that you need to withdraw
3. Click the **Allocation** button
4. Enter a **Date car withdrawn from employee** and/or a **Date fuel withdrawn**. The dates must be in the current tax year
5. Click **OK**

How to view Car History

If you need to view the employees that have been allocated a particular car over time:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click on the **Car History** button



The screenshot shows a window titled "Company Car - T242RDC NISSAN Micra First Registered 29/11/1999". Inside the window is a table with the following columns: Employee, Car Allocated, Car Withdrawn, Fuel Allocated, and Fuel Withdrawn. The first row contains the data: "1 Arnold DUNSTON", "06/04/2017", "", and "06/04/2017". Below this row are several empty rows. At the bottom of the window, there are three buttons: "Edit", "Payments", and "Close".

Employee	Car Allocated	Car Withdrawn	Fuel Allocated	Fuel Withdrawn
1 Arnold DUNSTON	06/04/2017		06/04/2017	

3. The screen will display a list of employees to whom the car has been allocated
4. Click **Edit** if you need to make changes to records that exist in the current tax year, for example, to change the dates allocated to or withdrawn from an employee
5. Highlight a row and click **Payments** to display the history screen for payments in the appropriate tax year

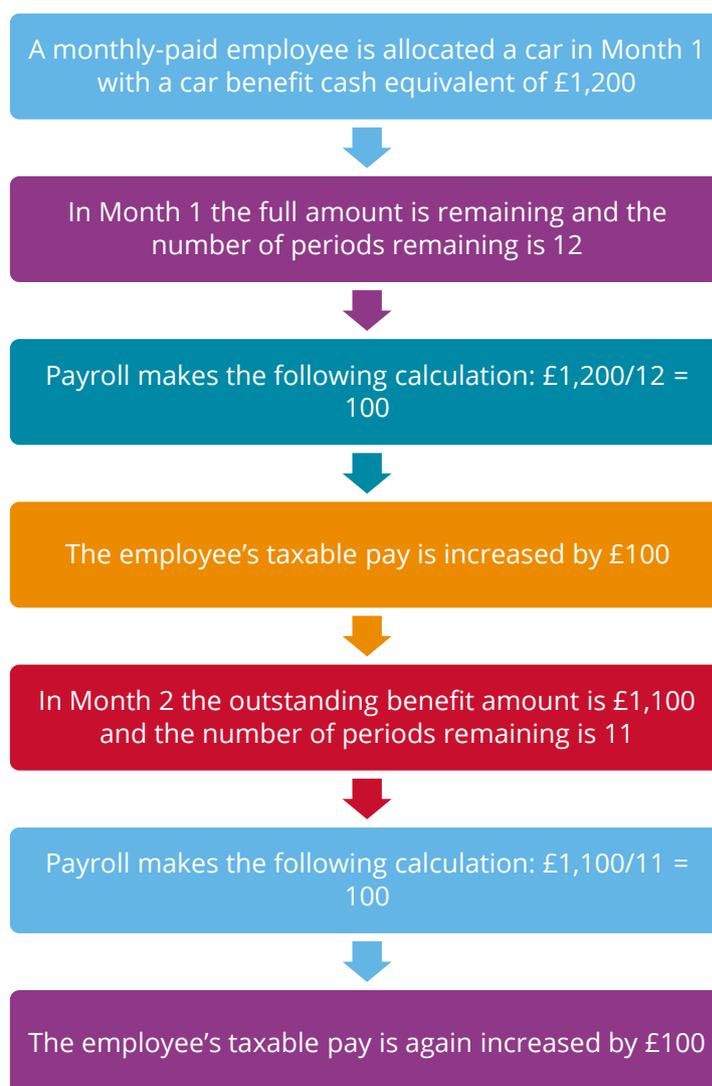
Processing Car and Fuel Benefit through Payroll

Once the car and/or fuel benefit is calculated, the payroll software will automatically create a notional payment for you and allocate it to the relevant employee records.

Earnie IQ takes the calculated benefit for an employee and splits it into a periodic 'payment', depending on the number of pay periods left in the tax year. When payroll is processed, that amount will be added to the employee's taxable pay, without actually paying them the amount, so that the tax on their benefit is deducted correctly.

Earnie IQ uses a cumulative calculation, similar to how tax is calculated. The remaining benefit for the year is divided by the number of payments remaining in the year to give the amount to be paid this period.

Example:



NOTE: Multiple car allocations will be merged into a single Car Benefit payment. If an employee is advanced for holiday, the benefit amount is multiplied by the number of periods being paid.

Reports to print

Car List

The **Car List** report can be printed by going to **Company | Configure Company Car Details | Company Cars** and clicking the **Print** button.

It will print a list of all cars available and all the allocation records for each employee assigned to the car, in the current tax year.

Car Benefit Summary

To install the **Car Benefit Summary**, go to **Reports | Library Selection | Summaries** and select **Car Benefit Summary**.

To print it, go to **Reports | Print Summaries** and select **Car Benefit Summary**.

The Car Benefit Summary will show Employee, Registration No., Make, Model and Car Benefit for the pay period selected.

Year-end

At the end of the tax year the **Year-end Restart** will recalculate car benefits, for all cars not withdrawn from an employee, based on a full year i.e. an issue date of 06/04/YYYY where YYYY is the beginning of the tax year. Benefit amounts may change if a car was previously allocated during the middle of a tax year or because the percentages used to calculate the cash equivalent are increasing for most levels of CO2 Emissions.

Useful numbers

HMRC online service helpdesk	HMRC employer helpline
Tel: 0300 200 3600	Tel: 0300 200 3200
Fax: 0844 366 7828	Tel: 0300 200 3211 (new business)
Email: helpdesk@ir-efile.gov.uk	

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls	For IRIS Payroll Professional
Tel: 0344 815 5656	Tel: 0344 815 5676	Tel: 0345 057 3708
Email: sales@iris.co.uk	Email: earniesales@iris.co.uk	Email: payrollsales@iris.co.uk

Contact Support

Your Product	Phone	E-mail
IRIS PAYE-Master	0344 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0344 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0344 815 5661	ipsupport@iris.co.uk
IRIS GP Payroll	0344 815 5681	gpsupport@iris.co.uk
IRIS GP Accounts	0344 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0344 815 5671	earniesupport@iris.co.uk
IRIS Payroll Professional (formerly Star)	01273 715300	payroll-support@iris.co.uk

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