

# PAYE Settlement Agreements (PSA)



**A PAYE Settlement Agreement (PSA) allows you to make one annual payment to cover all the tax and National Insurance due on minor, irregular or impractical expenses or benefits for your employees.**



Tax on a PSA is due by the employer at a rate equal to the individual employees' rate of tax paid during the year. Class 1B National Insurance is paid at a rate of 14.53% from 2022-23 and 13.8 from 23/24 on the value of the benefit plus the amount of tax paid on behalf of the employee.

If the employer does not want to cover the tax (and be payable by the employee instead) or if the benefits do not meet the criteria for a PSA, the benefits can be reported on Form P11D. Please review our [P11D quick guide for more information](#).

The deadline for applying for a PSA is 22 October (19 October if you pay by post.) There is no specific deadline for submission, but we recommend submitting them at least a month before payment is due.

Any benefits reported on a PSA do not need to be featured on a P11D.

### **What are minor, irregular, or impractical benefits?**

#### **Examples of minor expenses and benefits include:**

- Incentive awards, for example for long-service.
- Telephone bills.
- Gifts and vouchers.
- Staff entertainment, for example a ticket to an event.

Irregular benefits and expenses are not paid at regular intervals over the course of a tax year, for example weekly or monthly. Employees must not have a contractual right to them.

#### **Examples of irregular expenses and benefits include:**

- Relocation expenses over £8,000 (these are tax-free below £8,000).
- The cost of attending overseas conferences.
- Use of a company holiday flat.

Impractical expenses are hard to place a value on, or to divide the value between employees.

#### **Examples of impractical expenses and benefits include:**

- Staff entertainment, for example company events
- Shared cars by employees

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**Disclaimer:** This note does not contain a full statement of the law and it does not constitute legal advice. Please contact us if you have any questions about the information set out above.

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