

Guidance

Paying employees in shares, commodities or other non-cash pay

Find out how to operate PAYE if you pay your employees with assets that can be sold or cashed in, like stocks, shares or cryptoassets.

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Contents

- Valuing a readily convertible asset
- What to report and pay
- Recovering PAYE tax and NICs from the employee
- Long service awards
- Payments in kind that can be cashed in

If you offer non-cash payments to an employee that count as a readily convertible asset you'll have to calculate and deduct PAYE tax and National Insurance contributions (NICs) on that payment.

These assets could be:

- stocks and shares
- commodities - such as precious metals
- financial instruments
- cryptoassets

Payments in kind that can be cashed in and long service awards may also take the form of a readily convertible asset.

Valuing a readily convertible asset

A readily convertible asset is one that can be easily exchanged for cash.

To work out the value of an asset, so that you can add to the employee's pay for PAYE tax and NICs calculations, consider these things:

- what did the asset cost you
- the value of the asset when you gave it to the employee
- if the employee has already sold the asset how much they got for it
- where the employee made a contribution towards the cost of the asset deduct that amount from the estimated value

Read CWG2: Further guide to PAYE and National Insurance contributions (<https://www.gov.uk/government/publications/cwg2-further-guide-to-payee-and-national-insurance-contributions>) to find out more about readily convertible assets.

Share Incentive Plans

Separate rules may apply for shares you give under a Share Incentive Plan (SIP). There's more information about a SIP in Tax and Employee Share Schemes (<https://www.gov.uk/tax-employee-share-schemes/share-incentive-plans-sips>).

What to report and pay

Once you've agreed the value of the readily convertible asset:

- add the total value to your employee's earnings

- deduct and pay Class 1 NICs and PAYE tax through your payroll

Record the figures for the 'taxable pay for this period' and the 'pay subject to Class 1 NICs' on the employee's payroll record so that this is reported to HMRC in a Full Payment Submission (FPS).

You must send the FPS on or before the date of the payment itself. If you cannot do this you must report the payment as soon as it's reasonably practicable - the earliest of:

- the time you deduct PAYE tax and NICs in respect of the payment
- 14 days after the end of the tax month the payment is made in

If you make the payment on a day that is not the employee's usual payday your payroll software will probably process the extra payment automatically - if you're not sure, check with your payroll software provider.

Recovering PAYE tax and NICs from the employee

As you will not be able to make deductions direct from the non-cash payment itself, you must recover the PAYE tax and NICs due on it from any cash payments - like wages, salary, commission, fees - that you make to the employee.

Any PAYE which you do not recover from the employee, must be made good by the employee within 90 days of the end of the tax year in which the non-cash payment was received.

PAYE tax

Try to recover money from payments made at the same time as the non-cash payment - even if this reduces the cash received by the employee to zero.

If you need to, you can carry on recovering money from any later cash payments made in the same tax month until the full amount has been recovered. Even if you have not been able to recover it all from the employee, you must still pay HMRC the full amount owed at the end of the tax month.

Any PAYE which you do not recover from the employee, must be made good by the employee within 90 days of the end of the tax year in which the non-cash payment was received. You must record any unrecovered amount of tax as a benefit received by the employee. Use forms P9D and P11D

(<https://www.gov.uk/government/publications/payee-end-of-year-expenses-and-benefits-online-form>) to do this.

NICs

Recover the NICs due by deducting them from your cash payments to the employee. Record the full amount of employee's NICs due on their payroll record, and report this to HMRC in an FPS.

You must pay all NICs due to HMRC by the deadline for the tax month in which the non-cash payment is made - even if the employee does not have enough cash earnings that month for you to recover the full amount from them.

You can do this from any cash payments made in the same tax year as the non-cash payment - and you can carry on doing this until the end of the following tax year if the payment was:

- made by an intermediary acting on your behalf
- a payment by way of shares
- in the form of securities or an interest in securities

If you're adjusting amounts for the following tax year, when you send your FPS:

- do not include the amount in the employee's NICs field
- deduct the amount from the net pay figure
- do not include the amount in 'deductions from net pay'

If you pay the PAYE tax on the employee's behalf

You may have additional NICs to pay if you pay the PAYE tax due on the employee's behalf.

You should recover the full tax amount from the employee within 90 days of the end of the tax year in which the payment was received. You must add any unrecovered amount to the employee's earnings for the earnings period in which the 90th day falls - then calculate the NICs on this combined total.

Long service awards

If you give an award that's a readily convertible asset and the recipient's had at least 20 years service and no previous award in the last 10 years:

- add any value above £50 per year of service to your employee's earnings
- deduct and pay Class 1 NICs and PAYE tax through your payroll

For all other employees:

- add the total value to your employee's earnings
- deduct and pay Class 1 NICs and PAYE tax through payroll

Payments in kind that can be cashed in

Payments you make to employees that can be converted into cash, like a cheque, Savings Certificate or Premium Bonds, count as earnings.

You must:

- add their value to your employee's other earnings
- deduct and pay tax and Class 1 NICs through payroll

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