



EMPLOYMENT TAX UPDATE

Payrolling Employee Benefits

PAYROLLING BENEFITS BECOMES MANDATORY FROM 6 APRIL 2026 – ARE YOU PREPARED?

Payrolling Benefits



In January 2024, it was announced that Payrolling Benefits in Kind (“PBIK”) will become mandatory from 6 April 2026. HMRC are to issue further details, which are expected to be included in the Chancellor’s October Budget.

Before this change takes effect, employers can voluntarily register to join the scheme and payroll benefits. Agreement with HMRC needs to be in place before the beginning of the tax year the employer wishes to payroll benefits. In effect this means there is only one tax year left (2025/26), in which employers can voluntarily transition to payrolling benefits.

According to the Government’s latest statistics, there are c.1.4m employers in the UK. Whilst there is no data issued identifying how many are currently payrolling benefits, it is likely a significant number of employers will look to payroll benefits for the first time when it becomes mandatory.

Payrolling benefits in the 2025/26 tax year could help employers get ahead of the curve (and the rush) prior to when the scheme becomes mandatory. It also provides the opportunity to ‘test out’ the scheme and internal processes on a small number of employees and/or benefits.

Key points to consider and suggestions on next steps



- Are your benefits and payroll teams aligned? Who will be responsible for capturing and reporting the benefits through payroll? **Consider putting together a working group to iron out teething problems and agreed and plan how teams will work together effectively.**
- Is your benefit data robust and up to date; are your benefit providers prepared for the changes – can they provide real-time benefit data? **It may be worth speaking to benefit providers now so they can understand your requirements and whether their systems can meet these. It would also be prudent to discuss any additional fees at this stage.**
- Are your payroll/benefits systems capable of reporting and calculating benefits in real-time? **Consider running dummy test data now to understand your systems capabilities.**
- If payroll is outsourced how will the new scheme be managed. Review service agreements now and discuss the new regime to understand/agree any additional costs.
- In the first year of payrolling, employees may experience an overlap in respect of the income tax payable on the previous year’s benefits (reported via a P11D) and the current year income tax on payrolled benefits. **It will be key to engage with employees to make them aware of the changes and impact on their net pay. Consider circulating FAQs and running employee workshops.**
- Class 1A National Insurance payment date is to be brought forward and will be payable in ‘real-time’; how will businesses absorb this cashflow impact? **Now may be the time to raise this point with finance teams and consider/discuss how accruals may be affected.**





Points yet to be clarified by HMRC



- Are P11Ds and P11D(b)s to be abolished?
- Currently the provision of living accommodation and beneficial loans are excluded from the scheme – is this to change?
- Will there be a 'soft' landing, penalty amnesty, should errors occur in the initial period?

How A&M can help



- There is no one size fits all solution, however key considerations have come out of our discussions with clients and benefit providers. Our understanding of these will be informative and helpful to you as you navigate these changes.
- We have an experienced team of employment tax specialists who can advise and support. Whether it is an early adoption of the scheme or preparation for 2026 we are here to help and offer guidance.
- If you have any questions, or just want to talk through the changes we are here to help.

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