

Mandatory Payrolling of Benefits from April 2026

HMRC have announced that reporting and paying income tax and Class 1A National Insurance Contributions (NIC) on benefits in kind through payroll will become mandatory from April 2026. This article summarises what employers need to consider.

Benefits in Kind - Current position

Currently, taxable benefits and expenses must be reported on forms P11D by 6 July following the end of the tax year. This then means the additional tax must be paid on the benefit as well. The employee can complete a self-assessment tax return or alternatively, the tax code can be adjusted to collect the tax via PAYE.

It is possible for taxable benefits to be payrolled now (except for accommodation and beneficial loans). Unlike with a P11D, the benefits value is reported to HMRC in real time via the payroll.

Where employers have payrolled employee's benefits, the employer is still currently required to file a P11D(b) to calculate and pay any Class 1A National Insurance due (this will not apply from April 2026).

What's Changing from April 2026?

HMRC have announced that payrolling taxable benefits will be mandatory from April 2026. This is part of their commitment to digitise and simplify the UK tax system, as well as attempting to lift the administrative burden on employers and HMRC. It is estimated that this will remove the need for 4 million end of year returns to be submitted to HMRC.

HMRC have confirmed class 1A NIC will be payable via payroll software this will be potentially welcome from an administrative viewpoint, although it is currently unknown whether the due date for paying class 1A NIC will change in line with the monthly class 1 primary NIC payments. Currently this is not due until the 22 July following the end of the tax year if the payment is made electronically.

What does this mean for my company/business?

As an employer, you will need to:

- Check whether your current payroll software meets the functionality requirements to allow you to payroll benefits.
- Consider educating your employees on the changes. The employees will need to be made aware of the potential impact the reporting may have on their net income and whether this may cause cashflow issues.
- Be aware that all benefit data throughout the year must be accurate, reliable, and available in ample time for the payroll reporting so it can be processed. Errors when reporting could result in potential penalties and/or have a direct impact on the net pay of your employees.

With the deadline looming why not get ahead of the game? You can register with the HMRC to start payrolling benefits, from April 2025 for the 2025/26 tax year [here](#).

At Monahans we have a dedicated team available to assist you with the preparation of P11Ds up to the point of the change and assist you with the transition into and throughout the new payrolling mandate.