



GMS Flash Alert



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United Kingdom - Mandatory Payrolling of Benefits-in-Kind from April 2026

The U.K. tax authority, HMRC, has confirmed its plans to simplify the reporting of employee benefits-in-kind, in a recently-published update.¹

Under the new proposals, the government will mandate the reporting and payment of Income Tax and Class 1A National Insurance Contributions (NICs) on benefits-in-kind via payroll software from April 2026. In turn, this is expected to remove the need for employers to report such benefits on Forms P11D and P11D(b) as is currently the case. A consultation document and further details are expected to follow later in the year.

WHY THIS MATTERS

For many years U.K. employers have been required to report the benefits provided to both domestic and globally-mobile employees on an annual basis using Forms P11D. The resultant Class 1A NIC liability has also been reported using Form P11D(b) with payment subsequently falling due each July, following the end of the tax year.

For both employers and HMRC this annual compliance cycle has formed an additional administrative burden, generating millions of returns which have often done little more than report simple benefits such as employer-provided medical insurance.

In 2016, HMRC introduced voluntary payrolling of benefits-in-kind (known as “voluntary PBIKs”), which has been available for all employee benefits other than beneficial loans and employer-provided accommodation. Where benefits have been reported via the payroll under this arrangement, the employer has no longer needed to report them on Forms P11D, though Form P11D(b) has still been necessary for Class 1A NIC reporting purposes.

KPMG LLP (U.K.) INSIGHTS

The full mandation of the PBIKs regime should prove to be a welcome simplification for both employers and HMRC in due course. A thorough consultation process will be required, however, to help ensure that complexities around the calculation of certain benefits-in-kind are addressed, prior to going live in April 2026.

HMRC has confirmed that it intends to engage with stakeholders to inform design and delivery decisions and the development of draft legislation later in 2024. HMRC will also work with interested parties to produce guidance, which will be made available in advance of April 2026.

In particular, consideration will need to be given to those benefits which are currently deemed too complex to be included in the voluntary PBIKs regime. This may entail giving further thought to a process for calculating the taxable benefit on interest-free loans on a "best estimate" basis, with a true-up following the end of the tax year.

For employer-provided accommodation, this may be a suitable moment to revisit some of the reforms considered in the [2016 call for evidence](#), which concluded without any changes to the existing means of taxing such benefits.

In the meantime, the [voluntary PBIKs regime](#) remains open to all employers, so if there are businesses that wish to get ahead of the curve, registration for voluntary payrolling during the 2024/25 tax year must be carried out before 6 April 2024.

FOOTNOTE:

1 See "[Guidance: Payrolling employees: taxable benefits and expenses](#)" (last updated 24 November 2023).

See HMRC, "[Policy Paper: Simplification Update -- January 2024](#)," section entitled "Mandating the payrolling of benefits in kind" (published 16 January 2024).

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