



Payrolling Benefits in Kind

End of year reporting

Automate your employee benefits reporting



What to consider

Payrolling the Benefits in Kind ('BIKs') you provide to employees can reduce your employer reporting requirements and improve accuracy.

Most BIKs can now be reported via the payroll, although care is needed when implementing this to ensure your payroll is set up correctly to collect tax, with the Class 1A NIC still reportable via Form P11D(b) at the end of the tax year.



Dates to watch out for

5 April

To register to payroll BIKs, employers should make an application to HMRC before the commencement of the following tax year in which they wish to payroll BIKs.

6 July

The deadline for employers to file their P11D(b), and Forms P11Ds if there are any benefits that have not been payrolled, or any benefits that have been informally payrolled.

31 May

Employers should notify their employees in writing of the change to payrolling BIKs and what this means for them for the first tax year.

22 July

Deadline for employer to pay Class 1A NICs electronically to HMRC.

1 June

Annual employee communications should include the value of payrolled BIKs, tax due, adjustments to reporting and year end summaries. This information can be provided as part of an employee's payslip or as a separate note or statement. This information will be needed by employees to enable them to complete the employment pages of their self-assessment return.



Benefits



Flexibility

Employers can decide which benefits to payroll. It is also possible to exclude particular employees.



Reduced admin and paperwork

There is no requirement to file Forms P11D for payrolled BIKs or to complete P46 (car) forms if car benefits are payrolled. However annual employee communications are still required.



Automation

Reduces the risk of errors once the benefit value is set in payroll, although care is required where benefit values change mid-year e.g. upgrade of private medical.



In-year tax collection

Employees will pay tax in real time and are more likely to be paying the correct tax due avoiding underpayments.

Pitfalls



Indefinite reporting

The employer must continue to payroll BIKs for the remainder of the tax year and any future tax years until HMRC is notified of an intention to cease payrolling. Failure to payroll a BIK during the tax year may lead to PAYE penalties.



Required to submit Form P11D(b)

Employers still need to file a Form P11D(b) and pay Class 1A NIC in line with normal deadlines.



Reconciliation of benefits

A reconciliation should be undertaken at the end of the tax year to check all benefits have been reported accurately and the appropriate tax and NIC applied to all employees.



Excluded benefits

Forms P11D are still required for employer provided living accommodation and beneficial loans, even if the employer provides the same employees with other payrolled BIKs.



Internationally mobile employees

Payrolling benefits is not suitable for populations with uncertain benefit values. These employees should be reviewed separately at the end of the tax year.





How can KPMG help?

KPMG can assist employers with the end-to-end process of payroll BIKs; from registering with HMRC to consultation around payroll process and implementation. Our services can include:

- Drafting or reviewing correspondence with HMRC.
- Supporting organisations to draft employee communications, both when setting up the payroll of BIKs and the annual reporting.
- Reviewing payroll systems, processes, and controls in place to support payroll BIKs.
- Supporting the integration of payroll and benefits systems and processes, together with the organisation's expenses policy.
- Supporting with end of year reconciliations of benefits and expenses provided to employees, highlighting tax exemptions and reporting requirements, and providing summary schedules per employee which can be used to create the necessary payroll adjustments, Forms P11D, or feed into the annual PAYE Settlement Agreement calculations.
- Providing global relocation benefit data analysis services in conjunction with our Global Mobility Service colleagues, highlighting tax exemptions and reporting requirements, and providing summary schedules per employee which can be used for preparing annual compliance returns.

If you have any questions or want to discuss how these services can be tailored to meet your organisation's needs, please get in touch using the contact details on the right or reach out to your usual KPMG Employment Solutions contact.

Contact us

Eloise Knapton, Employment Solutions

T: +44 (0)7500 121372

E: eloise.knapton@kpmg.co.uk

Hayley Perkin, Employment Solutions

T: +44 (0)7769 631715

E: hayley.perkin@kpmg.co.uk

Emily Salathiel, Employment Solutions

T: +44 (0)7867 462428

E: emily.salathiel@kpmg.co.uk

Natalie Shingler, Employment Solutions

T: +44 (0)7510 376995

E: natalie.shingler@kpmg.co.uk

kpmg.com/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Document Classification: KPMG Public

CREATE: CRT153962 | February 2024