

Be ready for changes to benefits in kind reporting



Payrolling benefits in kind, which is already an option available to employers, is set to become compulsory for all from April 2026.

The final details of the proposal are subject to further consultation, and we also await guidance on how beneficial loans and living accommodation will be reported after April 2026.

However, employers should familiarise themselves with the process before the change comes into effect (assuming there's no policy reversal following a general election).

The main advantages of payrolling benefits include:

- Employers are not required to give details of payrolled benefits on form P11D or P46(Car).
- Once registered, HMRC automatically identifies employees with payrolled benefits and removes the benefits from their tax codes. Employees' tax codes are therefore often simpler and pay-as-you-earn deductions more accurate.
- It's potentially simpler for employees, which can mean HR teams receive fewer P11D and payroll queries.
- Where the benefit is withdrawn,

this is immediately reflected in the employee's monthly salary.

An employer still needs to submit a P11D(b) form by 6 July after the end of the tax year to report the employer's Class 1A national insurance contributions due on the payrolled benefits.

Employers that opt for payrolling benefits in kind must register online with HMRC before the start of the relevant tax year, through their Government Gateway account. More help is available at the gov.uk website at: <https://tinyurl.com/4y7jtecu>

For the time being at least, many employers will continue to report benefits in kind using the P11D form.

Benefits covered by the P11D are:

- company cars
- loans for rail season tickets
- other loans
- health insurance
- assets provided to an employee that have significant personal use
- self-assessment fees paid by the employer
- on-employment related travel expenses
- non-business entertainment expenses.