



March 2026

Mandatory payrolling of benefits in kind from April 2027

From 6 April 2027, all employers will be required to payroll benefits in kind. This marks a major shift away from the traditional P11D/P11D(b) reporting cycle. Employers who have not yet adopted voluntary payrolling will need to prepare for significant operational and cash flow changes.

What mandatory payrolling of benefits in kind means

- Instead of reporting benefits annually on P11Ds, employers must include the taxable value of benefits through payroll in real time.
- Employers will need to include the cash equivalent of each benefit on employees' payslips, calculate tax and National Insurance contributions (NICs), and report the details via the Full Payment Submission (FPS).
- Employees will pay income tax on benefits included in each pay cycle (and not via PAYE coding adjustments or self-assessment).
- Employers will pay Class 1A NICs in real time, rather than in July following the tax year.

Benefits excluded from mandatory payrolling in April 2027

Two benefits will not be mandatory to payroll initially:

- Employment related loans (eg overdrawn director loan accounts below the official interest rate), and
- Employer provided living accommodation.

These will remain voluntary until a later phase of mandatory adoption.

Impact on Class 1A National Insurance contributions (NIC)

- Class 1A NIC will move from an annual July payment to proportional payments each payroll cycle.
- This creates a cash flow impact for employers who currently plan for a single annual payment.

How employers should prepare for mandatory payrolling

Employers are advised to begin preparations now. Key actions include:

- Review payroll systems to ensure they can handle real time benefit reporting,
- Identify additional data requirements, and plan how to collect, validate, and report this information,
- Communicate with employees on changes in way payslips will look, impact on tax codes and requirements under self-assessment,
- Model cash flow implications of paying Class 1A NICs throughout the year, and

- Plan for complexities, such as:
 - Fluctuating benefits.
 - Joiners and leavers.
 - Globally mobile employees.

Voluntary payrolling of benefits for 2026–27 tax year

Employers may still choose to voluntarily payroll benefits for the 2026–27 tax year. Benefits include:

- Reduced P11D reporting
- Fewer year end errors
- Smoother transition ahead of mandatory adoption

However as mentioned below employers need to register with HMRC for this service before 6 April 2026.

Key dates for the 2026–27 voluntary payrolling cycle

| Action | Deadline |
|--|--------------|
| Register to payroll benefits | 5 April 2026 |
| Notify employees in writing | 31 May 2026 |
| Include benefits in FPS | Each payday |
| Provide employees with benefit details | 1 June 2027 |
| Submit P11D/P11D(b) for non payrolled benefits | 6 July 2027 |
| Pay Class 1A NIC (electronic) | 22 July 2027 |

How Saffery can support employers

Saffery's Employment Tax Team can assist by:

- Reviewing payroll readiness,
- Advising on in year tax and NIC calculations,
- Supporting HMRC registration,
- Preparing employee communications including FAQ, and
- Conducting end of year compliance reviews and reconciliations.

If you would like to see how Saffery can help you with payrolling benefits in kind, please speak to your usual Saffery contact or get in touch with Stuart Daltrey.



Stuart Daltrey
 Director, London
 T: +44 (0)330 094 4290
 E: stuart.daltrey@saffery.com

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