



Mandatory
payrolling of
benefits in
kind (BiKs)

In the Autumn 2024 Budget, the Chancellor confirmed that the mandatory payrolling of benefits in kind (BiKs), first announced by the previous Government in January 2024, would proceed as planned, taking effect from 6 April 2026.

However, on 28 April 2025, HMRC announced that the measure will be postponed until April 2027. This decision follows extensive consultation with stakeholders, which highlighted concerns about the readiness of employers, payroll service providers and HMRC's own systems to meet the original deadline.

The rationale for mandatory payrolling of BiKs

HMRC aims to modernise taxation and reduce administrative burdens on employers. The new process will eliminate the one-year delay in BiKs tax payments, ensuring a more efficient tax collection aligned with income receipts. Employees will receive clearer, more accurate information about their taxable benefits, helping them better understand their tax obligations.

From P11Ds to real-time reporting

Currently, BiKs are assessed for tax and National Insurance contributions (NICs) through the P11D process. This assessment typically occurs after each tax year ends. Employers must submit a P11D form to HMRC for every employee receiving certain taxable benefits by 6 July annually, creating a substantial administrative burden.

Once HMRC receives the submission, it calculates the tax and NICs owed and adjusts employees' tax codes to recover any unpaid amounts over the remainder of the tax year. As a result, employees pay tax and NICs on these benefits in arrears.

However, from 6 April 2027, employers must payroll BiKs in real time through the Full Payment Submission (FPS), submitted to HMRC every time employees are paid.

Which benefits are affected?

Mandatory payrolling will apply to most BiKs, including company cars, gym memberships, mobile phones, and private medical insurance. However, employers may choose to payroll these benefits voluntarily before the deadline. Employment-related loans and accommodation will remain exempt from mandatory payrolling, although these exemptions are expected to be reviewed in the future.

What should employers consider now?

To prepare for the transition, employers should take the following key steps:

- **Identify benefits subject to BiKs:** thoroughly review your current P11D reports to identify all benefits subject to BiKs taxation. Creating a comprehensive inventory now will help prevent complications as the implementation date approaches.
- **Information collection:** plan how you will gather the necessary information each month.
- **Payroll provider support:** assess the level of support you will require from your payroll service provider.
- **Payslip adjustments:** determine what changes should be made to your payslips.
- **Salary exchange benefits:** consider how this will affect any salary exchange benefits you currently offer.
- **Employee education:** develop a strategy to educate employees about the potential for 'double' tax on their benefits during the 2027/28 tax year.

How can our benefits platform help?

Managing this process could quickly become overwhelming – like running a P11D project every pay period. Fortunately, there's a smarter way. MyWay, our flexible benefits platform, is designed to remove the complexities of payrolling BiKs and ensure your business is ready for the new requirements.

With MyWay, you can:

- **Automate BiK calculations** every pay period, eliminating manual errors and saving valuable time
- **Instantly update payroll** whenever benefits change throughout the year
- **Reduce administrative burdens** and maintain ongoing HMRC compliance
- **Access a complete audit trail** to ensure accuracy and transparency
- **Provide employees with clear, real-time visibility** of their benefits and tax position before they make selections

Early action, smoother transition

While the delay gives employers more time to prepare, the move to mandatory payrolling of BiKs will still demand significant changes to your processes and systems. Taking action now will help minimise disruption and ensure compliance when the new rules come into effect. MyWay supports a smooth transition and simplifies your BiKs reporting from day one.

Get in touch

For more information, or to arrange a meeting to discuss your employee benefits strategy and employee communication options, please email us at **info@mattioliwoods.com**, or contact your Mattioli Woods consultant.

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