

Payrolling Benefits in Kind

Roadmap to April 2027

Whitley Stimpson

CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

Banbury 01295 270200 | Witney 01993 700010

whitleystimpson.co.uk

Planning phase: 2025-2026 (Now)

- Understand what's changing – payrolling of benefits will be mandatory from April 2027
- Review your current BiK reporting process – which benefits do you currently offer and how are they recorded?
- Talk to your payroll provider about whether their software will be ready
- Assess internal training needs – are your payroll and admin teams up to speed?
- Start early conversations with employees and stakeholders

Optional early adoption: 2026/27

- Employers can register voluntarily to payroll BiKs for this year
- A useful opportunity to test your systems and identify communication issues
- Be mindful: this will require hybrid reporting (some benefits payrolled, others still on P11Ds)

Final preparation year: 2026/27

The last tax year before payrolling becomes mandatory, focus on:

- Reviewing systems and payroll capability
- Communicating with employees about payslip changes and new year-end statements
- Preparing for monthly Class 1A NIC payments from April 2027

HMRC is expected to publish the final technical spec for FPS entries in the second half of 2026.



Go-live year: 2027/28

- Mandatory payrolling of benefits begins from 6 April 2027 (excluding accommodation and beneficial loans)
- BiKs must be reported through the FPS with new data fields (cost, cash equivalent, year-to-date amounts)
- Class 1A NICs payable monthly in real time
- A statement must be provided to employees by 1 June confirming which benefits have been payrolled
- HMRC has confirmed a light-touch approach to penalties in year one

2028/29 and beyond

- Full compliance required – penalties and interest may apply for errors
- Ensure all internal processes are embedded and reviewed regularly
- Keep employees informed of changes to codes and tax implications

Key considerations throughout

- Budget for cash flow impact of earlier Class 1A NIC payments
- Any mid-year BiKs should be payrolled across the remaining periods of the year
- BiKs provided post-employment will still need to be reported
- Modified PAYE arrangements (Appendix 6 or 7A) will initially continue to use P11Ds
- Final guidance on all areas is expected in late 2026

Need support?

Outsource your payroll to Whitley Stimpson's experienced payroll team. We're ready to help you navigate the transition to mandatory payrolling of benefits smoothly and efficiently.