Mintago

EMPLOYER'S GUIDE

Mandatory payrolling for Benefit in Kind (BiK)

From 6th April 2027, it will be mandatory to payroll the following benefits in kind:

Company cars/vans | Car/van fuel | Medical insurance (including dental)

What you need to do:

- Make a list of all the BiKs you offer which you'd normally report to HMRC via a P11D form.
- Ensure your payroll software can handle real time BiK reporting.
- Consider whether your payroll team will be able to handle real-time reporting and identify any potential difficulties.
- Consider whether your current payroll processes and records make it easy to calculate payments for employees with variable pay periods.
- Communicate the changes to your employees.
- Consider how you will manage employees who join or leave during the tax year.
- For company cars/vans, ensure you are aware of the calculation process for BIK tax as this differs from other benefit calculations.
- Be aware of your Medical insurance renewal dates as new figures will need to be reflected via payroll at that time.
- Consider whether the introduction of real time payrolling of Class 1A National Insurance contributions from April 2027 may create cash flow challenges for your business, particularly in the first year of transition.

Why is this changing?

- It's simpler for employers – no more P11D forms to manage.
- It's easier for employees to understand what they're paying tax on – they'll see tax deducted in real time via PAYE.
- Instead of paying Income Tax in arrears, employees will pay the right tax at the right time.

Want to payroll your other benefits from April 2027?

You can choose to voluntarily payroll all benefits except loans and accommodation.

For non-mandatory benefits, you'll need to register each benefit with HMRC before payrolling them. The voluntary payrolling registration service will be reopened in November 2026 for April 2027.

However, you'll need to check with your payroll provider that this is possible as you will need to ensure both income tax and Employers Class 1A NIC is applied to the benefit. If not possible, you'll need to continue filing a P11D and/or a P11D(b).

Early enquiries means you'll have plenty of time to prepare for the new tax year.