Price Bailey
CHARTERED ACCOUNTANTS

Q&A

Common queries for PBIK

How will the employer make the P11D(b) payment going forward, will that be monthly now?

At present, a P11D(b) is still required at the end of the tax year for benefits that have been payrolled. HMRC has confirmed that this will remain the case until April 2027, when payrolling benefits becomes mandatory and Class 1A NICs will be collected through payroll. From that point, P11D(b) will no longer be required for most benefits, although employer-provided accommodation and beneficial loans will continue to need separate reporting if not payrolled.

What happens if premiums for health insurance change during the tax year due to a renewal?

If the insurance premium changes due to a renewal mid-tax year, you apply the new monthly taxable BIK amount from the month it changes. For example, if October 2023-September 2024 the annual premium is £1,200 for an employee, each month you would process the monthly BIK amount of £100. If from October 2024 the premium amount changes to £1,440 you would process the new monthly BIK rate of £120 from October 2024.

What is the effect on benefits currently dealt with via a PSA?

HMRC hasn't advise of any changes to this process, therefore it shall remain the same.

How will directors benefits be managed if they are not on the payroll?

Whilst Payrolling BIK is still voluntary, the directors will remain to be processed via P11Ds in the usual way. HMRC has confirmed that from April 2027, mandatory payrolling will apply to most benefits, including those for directors, effectively phasing out P11Ds except for certain complex cases (e.g., accommodation and loans). Further detailed guidance is expected closer to implementation.

Can someone register for Payroling BIK on my behalf?

Yes, if they have agent access on the HMRC Government Gateway and have all the details of which benefits you wish to payroll.

How will tax codes be amended?

Tax codes are typically adjusted when a person owes tax from a previous year, and they can often include an estimate of tax owed on benefits for the current year, so HMRC can collect tax in 'live time' and avoid arrears. This estimate is usually based on the previous year's figures, and if it turns out to be incorrect, the tax code is adjusted the following year to collect any outstanding tax.

When you switch from reporting benefits on P11D to payrolling them, there is a transition period: in the first year employee's tax codes are adjusted to collect tax owed on last year's benefits (reported on the P11D), and HMRC also removes the current year estimate from the code to prevent double taxation, since tax is now being collected via payrolling. This means that in the first year, employees pay tax on both last year's benefits and this year's benefits at the same time, but this cross-over only happens once. From the second year onwards, tax codes no longer need to be adjusted for benefits, as tax is already being collected through payrolling in real time.

How do I manage Payrolling BIK on my software?

All softwares will have this set-up differently and we would recommend asking your provider for guidance. Most will include this within the pay element set-up and you can select BIK but it will be a manual process to include the right treatment on each benefit/element. Cars are often within the employee record as they require more information to calculate the relevant benefit percentage.

Will there be many changes between the 2025-26 voluntary process and when it becomes mandatory?

HMRC has confirmed that payrolling will become mandatory from April 2027 (not April 2026 as originally planned). We expect the process through payroll to remain very similar to the current voluntary approach, with the key changes relating to the removal of P11Ds and P11D(b) for most benefits, as Class 1A NICs will be collected in real time via payroll.
HMRC has also indicated that, ahead of this requirement, the estimated amount for benefits will be automatically removed from employees' tax coding notices to prevent double taxation. However, if an employee still owes tax from a previous year, that adjustment will remain in the tax code until it has been fully repaid. If HMRC's estimate was accurate, any double taxation should be minimal, as most of the tax due will already have been collected. Further detailed guidance is expected closer to April 2027, and we will provide an update once HMRC publishes more information.

Contact Us

Stuart Curtis
Partner
T: +44 (0)122 394 1294
E: stuart.curtis@pricebailey.co.uk

Charlotte Stokes
Assistant Manager
T: +44 (0)160 356 7892
E: charlotte.stokes@pricebailey.co.uk

Zoe Masterson
Manager
T: +44 (0)160 370 9330
E: zoe.masterson@pricebailey.co.uk

Our promise.
At Price Bailey - **It's all about you**

pricebailey.co.uk