Get ready for payrolled benefits in April 2027

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What changes

Use this article to get your benefits ready for mandatory payrolling. HMRC require it for each pay date on or after 6 April 2027.

From 6 April 2027, HMRC require you to payroll company cars, car fuel, vans, van fuel and private medical benefits. Each benefit that you payroll is:

- taxed through the payroll each pay period, as payrolled benefits are today
- reported to HMRC on the FPS, under its own type
- charged Class 1A National Insurance at 15% each pay period, not once a year on the P11D(b)

You must payroll most other benefits from 6 April 2028. To payroll them in 2027 to 2028, see "Register any other benefits" below.

HMRC will take payrolled benefits out of the tax codes of your employees before 6 April 2027.

In July 2027, you still pay the Class 1A for 2026 to 2027 through the P11D(b). You also pay Class 1A each pay period from April 2027.

Pay runs with a pay date before 6 April 2027 do not change. Until then, Payrolling Benefits in Kind (BIK) still applies.

A benefit increases the taxable pay of the employee, but not their take-home pay, because it is not paid in cash. You do not report payrolled benefits on a P11D.

New release automation

The new release made the following changes automatically:

- Each benefit Pay Definition now uses the **MPBiK** Template.
- Each one has an **Expense Type** from its name, as the table shows.

- paiyroll® calculates Class 1A each pay period.
- Company cars on the **GB Car and Fuel** Template continue as they are. From April 2027, their details also go to HMRC.

A name which contains	Became
"medical", "dental", "health", "BUPA", "PMI" or "HCP"	**Private medical**
"car"	**Other, with Class 1A**
"van"	**Van**
"van" and "fuel"	**Van fuel**
none of these	**Other**, which has no Class 1A

Expense Types

The **Expense Type** decides if you pay Class 1A on a benefit, and which figures HMRC get.

Expense Type	Class 1A	Use it for
Private medical	Yes	Medical, dental and health insurance. Also enter the annual cost.
Van	Yes	A van available for private use.
Van fuel	Yes	Fuel for the private use of a van.
Living accommodation	Yes	Accommodation you provide. Payrolling it is optional.
Beneficial loans	Yes	A cheap or interest-free loan. Payrolling it is optional.
Relocation expenses	Yes	Only the amount above the £8,000 exempt limit.
Assets transferred	Yes	Something you give the employee to keep.
Assets placed at disposal	Yes	Something you lend the employee for private use.
Services supplied	Yes	A service you provide to the employee.
Other, with Class 1A	Yes	Any other benefit which attracts Class 1A, such as gym membership, life insurance, or a car paid as an amount.
Payments made for an employee	No	Bills you pay for the employee. Class 1 National Insurance applies through the payroll instead.

Expense Type	Class 1A	Use it for
Vouchers and credit cards	No	Vouchers, and a company credit card used privately. Class 1 National Insurance applies instead.
Mileage allowance	No	Mileage payments above the approved rate of HMRC. Class 1 National Insurance applies instead.
Other	No	Any other benefit which does not attract Class 1A.

In 2027 to 2028, only Private medical, Van and Van fuel are required, with cars on the **GB Car and Fuel** Template. For each other Expense Type, you must first register with HMRC: see "Register any other benefits" below. Loans and accommodation also stay optional after April 2028. When you payroll a benefit which attracts Class 1A, Class 1A applies each pay period.

The HMRC guide CWG5: Class 1A National Insurance contributions on benefits in kind lists which benefits attract Class 1A.

To set up a benefit, and enter its values for each employee, see Set up payrolled benefits (MPBiK).

After HMRC get a benefit under one Expense Type, you cannot change it to another until the next tax year. If you did, HMRC would count it twice. If this has already occurred, see "Troubleshooting" below.

Before you start

- If you are not sure which **Expense Type** a benefit must have, look up the benefit in HMRC's Expenses and benefits: A to Z. It gives the tax and National Insurance rules for each kind of benefit.

Do these before 5 April 2027.

Register any other benefits

In 2027 to 2028, you can payroll a benefit which is not a car, car fuel, a van, van fuel or private medical. But first you must register with HMRC to do so. Registration opens in November 2026 and closes on 5 April 2027.

- If you register, keep the pay items of the benefit. paiyroll® calculates Class 1A each pay period, as for the benefits that HMRC require.

- If you do not register, remove the pay items of the benefit before your first pay run in April 2027. Report it on a P11D, as you do today.

Employees working abroad

If an employee works overseas or is globally mobile, you may be able to leave their benefits out of the payroll. Apply to HMRC for an exception by 5 April 2027.

A National Insurance only payroll cannot carry benefits. If you give benefits to those employees, they need a standard PAYE scheme.

Check the Expense Type of each benefit

Do these steps before your first pay run in April 2027.

1. Open the Pay Item editor.
2. For each employee with a benefit, check the **Expense Type**.
3. If a benefit must have Class 1A but shows **Other**, change it.
4. Click **Update**.

Set up company cars

From April 2027, HMRC expect the details of each company car on the FPS. Thus set up cars on the **GB Car and Fuel** Template.

1. In the bar at the top of the page, select the company.
2. Click **Setup** > **Pay Definitions**, then click **Add**.
3. For **Template**, select **GB Car and Fuel**.
4. Click **Create**.
5. In the Pay Item editor, add a pay item for each employee with a car.
6. Enter the details of the car, from the list below.
7. Click **Update**.

The details of a car:

- **Make and Model**, and **Car ID** (the registration number)
- **Calculated price**: the list price with accessories, and any **Accessories** that the list price does not include

- **CO2 emissions**, **Fuel type** and **First registered**, from the V5C
- **Electric range** for a hybrid
- **Engine size** for a car first registered before 1998, or with no CO2 figure
- **Car from** and **Car to**: the dates that the employee has the car
- **Fuel from** and **Fuel to**, if you give private fuel
- **Private use payment** and **Capital contribution**, if the employee pays towards the car

A classic car is at least 15 years old and worth £15,000 or more. For a classic car, enter its market value in **Calculated price**. From April 2027, this is its value at the start of the tax year. If the employee first has the car later, it is its value on that day.

You can move a car onto the **GB Car and Fuel** Template at any time. You do not have to wait for the end of the tax year. Add the car and remove the old amount in the same pay period. Then the employee is not charged twice.

If you continue to pay a car as an amount, set its **Expense Type** to **Other, with Class 1A**. The tax and the Class 1A will be correct, but HMRC will not get the details of the car.

A car allowance is pay, not a benefit. Workplace parking is exempt. Thus neither belongs here.

Set up vans

HMRC report a van and its fuel separately.

1. If you give both, add two Pay Definitions on the **MPBiK** Template, as in Set up payrolled benefits (MPBiK).
2. Give one the **Expense Type Van**, and the other **Van fuel**.

Both are fixed amounts that HMRC set each year. For 2026 to 2027, they are £4,170 for the van and £798 for its fuel. HMRC announce the amounts for 2027 to 2028 at the Budget. A zero emission van is nil.

Tell your employees

1. Send your employees the HMRC sample letter, which explains the change.
2. By 1 June after each tax year, give a statement to each employee whose benefits you payrolled.

For each benefit, the statement says what the benefit is, and its cash equivalent. It also says that tax was paid on it through the payroll. There is no set format. A letter, an email or the final payslip of the year is sufficient. The P60 does not show the benefits separately.

Check your first pay run

After your first pay run in April 2027:

1. Check that the PAYE tax increases by the tax on each benefit, as it does today.
2. Check that the employer's Class 1A National Insurance shows for each benefit whose **Expense Type** attracts it.

Troubleshooting

A value was wrong in an earlier pay period

You see this when a **Cash Equivalent-Period** in an earlier pay run was too high or too low.

Cause: The wrong value went to HMRC.

Remedy: Correct it in the next pay run. To take back too much, enter a negative **Cash Equivalent-Period**. To make up too little, enter a larger one. The Class 1A follows. A benefit cannot go below zero for the tax year. Thus you cannot take back more than you reported.

A benefit was reported under the wrong Expense Type

You see this when a benefit has the wrong **Expense Type**, and it has already gone to HMRC.

Cause: HMRC already have it under the old type.

Remedy: In the same pay run:

1. Keep the **Expense Type** as it was. Enter a negative **Cash Equivalent-Period** which brings the total of the benefit for the year to zero.
2. Add a second benefit with the correct **Expense Type**. Enter the value for the year to date on it.

From the next tax year, you can change the **Expense Type**.

A value was wrong after the tax year ended

You see this when you find a wrong value after the final pay run of the tax year.

Cause: The final pay run of the tax year has gone to HMRC.

Remedy: Up to 19 April, you can still correct it in the final pay run of the tax year. After that, HMRC need a further FPS for that tax year, with the corrected year to date figures. Any extra Class 1A is due by 22 July, or 19 July if you do not pay electronically. Contact us and we will help you send it.

Next steps

- Set up payrolled benefits (MPBiK): Pay Definitions and Pay Items for each benefit, step by step.
- Car & fuel benefit reporting