Set up payrolled benefits (MPBiK)

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Payrolled benefits

From 6 April 2027, you must payroll cars, vans, their fuel and private medical. Other benefits are optional.

Each benefit is a Pay Item created from the **MPBiK** Pay Template. Its **Expense Type** says what kind of benefit it is. The Expense Type sets how the FPS reports the benefit, and if Class 1A is charged.

A company car and its fuel have a template of their own, **GB Car and Fuel**. See Car & fuel benefit reporting.

Cost or Amount Forgone

Private medical needs a second value: the Cost or Amount Forgone for the year. In the Pay Item editor, it is **Cost(Forgone)-Year**.

If the company gives no cash alternative, this value is the cost to the company. If the company offers a higher cash alternative, use that figure. The employee has forgone the cash alternative for the benefit. Under a salary sacrifice arrangement, it is the salary that the employee gives up for it.

For example, private medical insurance costs the employer £500 a month. The employer also offers a cash alternative of £600 a month. Use the higher, forgone figure: enter 7,200.00. This is £600 for each of twelve months.

Before you start

First decide how many Pay Definitions you want. You can have one generic benefit, and change its Expense Type in the Pay Item editor. Or you can have several benefits, each with its own name. Then you can easily find each one in the app, and in Analytics and journals.

	One generic Pay Definition	A Pay Definition for each benefit

Set up	One, such as **Benefit in kind**	One for each kind, such as **Private medical** and **Company van**
Expense Type	Changed on each Pay Item, in the Pay Item editor	Set on the Pay Definition, and not normally changed in the Pay Item editor
Create Pay Item	Select **Benefit in kind**, then its Expense Type	Select the benefit by its name
Custom Description	Entered and changed for every employee	Entered and changed once, on the Pay Definition, for everyone
Analytics and journals	Every benefit under one name	Each benefit under its own name
Suits	One or two benefits	Several benefits

Either way, the payslip names each benefit by its Expense Type, unless it has a custom Description. For example, a Pay Definition named **Private medical** can have the Description **Bupa health cover**. The payslip of each employee with this benefit then shows Bupa health cover. You do not enter it for each employee. You change it once, on the Pay Definition, for everyone.

Set up the Pay Definition

Set the Template, Name and Description

1. In the bar at the top of the page, select the company.
2. Click **Setup** > **Pay Definitions**, then click **Add**.
3. Keep the Group at **Payment**.
4. For **Template**, select **MPBiK**.
5. For **Name**, enter a name.
6. Keep the **Description**. The app generates it from the kind of benefit, such as Medical BiK on the payslip. Change it only if you need something different.

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Select the Expense Type

1. Under **Inputs**, for the **Value** of **Expense Type**, select the kind of benefit. Each Pay Item created from the Pay Definition starts with this kind.
2. Click **Create**.

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Add one Pay Definition for each benefit, such as one for private medical and one for a company van.

Add the benefits to an employee

1. In the **Pay Item editor**, select the employee.
2. Click **Create Pay Item**, then select the benefit.
3. Enter the **Cash Equivalent-Period**. This is the taxable value for the pay period, after anything the employee made good. For a benefit worth £1,200 a year, enter £100 a month, or £23.08 a week.
4. For private medical, also enter its **Cost(Forgone)-Year**, as in "Cost or Amount Forgone" above. Every other benefit needs only the Cash Equivalent.
5. Click **Update**.

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The payslip beside them shows each benefit, and the tax on it.

Next steps

- Get ready for payrolled benefits in April 2027: what changes in April 2027.
- Car & fuel benefit reporting: company cars and their fuel.