Delay in benefits payrolling

Briefings



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A delay in the mandatory payrolling of benefits in kind is ‘welcome’, says ATT, but the government must use that time to simplify the plans and help employers prepare.

In a package of tax and customs administration and simplification measures announced on 28 April, the government said that a new requirement to report and pay income tax and National Insurance on benefits via payroll software will be deferred from April 2026 to April 2027. Penalties will also not be charged for errors in the first year, while two types of benefit have been delayed indefinitely – employer provided loans and living accommodation.

Emma Rawson, ATT Director of Public Policy, said: ‘This is a welcome announcement, and it is especially reassuring to see that the government has listened to the concerns of the tax and payroll profession and software providers. Mandatory payrolling of benefits will have a big impact on employers, employees and software providers. It is therefore welcome that extra time is available for all parties to prepare.’

Two types of benefit in kind – employer provided loans and living accommodation – were originally going to be brought in a year later than other benefits, but the information published by HMRC merely says that a timeline will be set out in due course. ATT is encouraging the government to use this additional time to look at how the taxation of employer provided living accommodation could be updated and simplified to better facilitate payrolling.