

PAYE settlement agreements: Call for Evidence - CIOT and ATT responses

Employment Tax

November 2026



23 October 2026

Both the ATT and CIOT have called for HMRC to improve the process for setting up and maintaining PAYE Settlement Agreements, to make them easier for employers to use.

Both the ATT and CIOT have responded to HMRC's Call for Evidence on how PAYE Settlement Agreements (PSAs) operate in practice. The Call for Evidence asked for feedback on how PSAs are used by employers and explored how organisations decide what to include in a PSA, as well as asking questions about managing, operating and agreeing PSAs and how employers approach calculations.

ATT response

The [ATT response](#) recognised that PSAs continue to play an important role in allowing employers to meet their reporting obligations. It also highlighted feedback from members suggesting that employers' reliance on PSAs has increased in recent years, partly because reliefs such as the trivial benefits exemption have not kept pace with inflation. It referenced the recent [Budget representation on the trivial benefits exemption](#), noting that the £50 threshold has not increased since the exemption was legislated for in April 2016.

The ATT felt that an illustrative or non-exhaustive list of items that can and cannot be included in a PSA could assist employers, but HMRC still need to take account of the fact that benefits and expenses can vary considerably between employers, so we cautioned against a definitive list.

The ATT also suggested areas where HMRC could improve the PSA process for employers, including more effective use of technology to reduce the delays currently being experienced through manual processes. The ATT encouraged HMRC to develop an application programming interface (API) to incentivise software developers to create products that can accurately calculate PSA liabilities.

In terms of reducing compliance costs for employers, the ATT recommended that HMRC consider introducing group-wide PSA agreements, which the ATT felt would benefit companies involved in mergers and acquisitions and would avoid the need to reapply for a PSA every year.

Finally, the ATT stressed that any future digital solution should enable authorised agents to submit, amend and manage PSA arrangements on behalf of their clients.

CIOT response

The CIOT response considered that the principal difficulties with the current regime are uncertainty over eligibility, the administrative processes for agreeing and amending PSA arrangements, and the complexity of annual calculations. We suggested that employers would benefit from simpler amendment procedures, improved digital administration and greater flexibility to report qualifying benefits and expenses without having to agree rigid categories in advance.

We also identified the interaction of PSAs with trivial benefits as being insufficiently clear and suggested clearer guidance on the boundary between trivial benefits and

PSA items, including more practical examples. Additionally, we recommended a review of thresholds, such as the £50 trivial benefits threshold and the £150 annual functions threshold, to reflect rising costs.

The CIOT raised again the PSA treatment of employees who have no employment income tax liability. We consider that applying the basic rate to benefits attributable to employees whose income falls below the personal allowance is inconsistent with the practical purpose of PSAs and creates disproportionate burdens for employers with large numbers of lower-paid employees. We suggested that introducing an appropriate 0% band, supported by clear guidance and worked examples, would produce a more proportionate outcome.

Finally, the CIOT thought that a proposed election-based model merited further consultation. In our opinion, allowing employers to self-assess eligibility against prescribed criteria and make an annual declaration would reduce administrative burdens. Overall, we suggested that reform should preserve the flexibility and simplification that make PSAs useful, while improving certainty, consistency and digital administration.

Chris Campbell

ccampbell@att.org.uk

Matthew Brown

mbrown@ciot.org.uk