



Real-Time Benefits-in-Kind Reporting

From April 2016, HMRC is introducing the means of collecting, (and paying), income tax on certain benefits-in-kind in real time called 'Payrolling'.

Instead of completing an annual P11D form for each employee, employers will be able to directly report certain benefits, and hence collection of tax, in real time through their payroll. Changes to employee benefits can be made on a monthly basis without having to inform HMRC retrospectively. Real time reporting should mean reducing errors and delays which leads to employees under or over paying tax.

If you use this service the only benefits you will not be able to payroll are for vouchers and credit cards, provision of living accommodation and interest free and low interest (beneficial) loans.

Employers will still have to complete and file a P11D(b) form after the end of the tax year and pay the Class 1A National Insurance Contribution (NIC) as a separate exercise to payrolling. You will therefore still have to keep a record of both your payrolled and non-payrolled benefits in kind to compute the NIC due and file the P11D(b) form before 6 July following the end of the tax year.

Employers can therefore continue with the existing system of reporting or voluntarily chose to report benefits through payrolling. If you wish to report benefits through payrolling for the 2016/17 tax year, HMRC recommend that to avoid being sent multiple tax codes for each employee, you should notify them before the annual tax coding letters are sent which starts around 21 December 2015. You can still register for payrolling for the new tax year after this time and before the start of the new tax year. You will need payroll software that allows payrolling.

HMRC will presume that you will payroll the allowed benefits in kind for all employees, although you will have the option to exclude particular or a group of employees.

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