

PBIK Series: Company Vans & Fuel

UK Knowledge Centre & UK PALS

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*This guide aligns with the HMRC requirements for mandatory payrolling Company Vans and Van Fuel from 6th April 2027 which applies from the 2027/2028 tax year.

Introduction

The SD Worx UK payroll service is one of the most flexible, capable of dealing with the sometimes highly complex areas such as the Payrolling of Benefits In Kind (PBIK) even before voluntary payrolling was introduced by HMRC in April 2016.

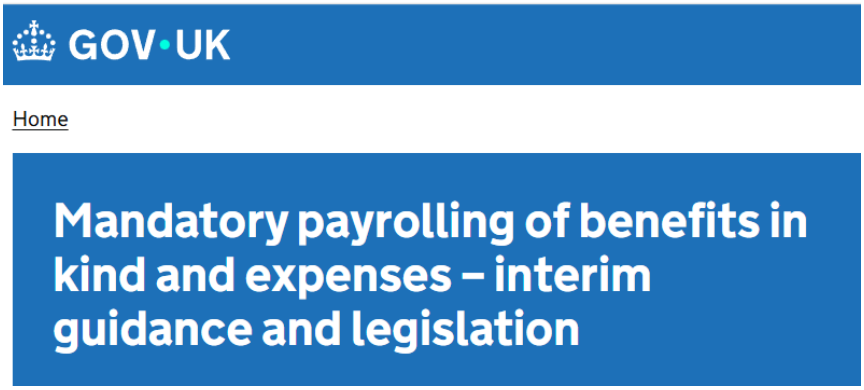
Operating these arrangements does not form part of a standard payroll service and requires expertise support.

The PBIK service may be subject to additional charges to cover setup and ongoing service covering extra activity and complex maintenance requirements.

SD Worx also offers a benefits calculation service to aid employers in calculating the amount to be payrolled – this service attracts an associated charge for each calculation performed and the interface with payroll to: Apply the benefit amount to the pay allowance element associated with the benefit in kind

The SD Worx Pay service incorporates thought leadership value add capabilities for Payrolling Benefits In Kind (PBIK) as part of the Payroll Advisory Legislation Services (UK PALS).

The HMRC GOV.UK information on payrolling (subject to further change) can be located at: https://www.gov.uk/guidance/draft-guidance-and-legislation-to-aid-preparation-for-reporting-benefits-in-kind-in-real-time/the-phased-introduction-of-mandatory-payrolling-for-benefits-in-kind



SD Worx UK Knowledge pages on payrolling can be found at payhr.uk: https://sdworx-payhr.co.uk/sdworx-pay-payrolling-benefits-in-kind-from-april-2027/

Company Van Tax

Where a company van is provided to an employee that has any private usage, there arises a benefit in kind charge which is announced annually following the government budget. These are then pro-rated based on 365 days in the year.

The annual amount for the 2027/2028 tax year as an example are:

- The cash equivalent where a van is capable of emitting CO2 by being driven and is made available to an employee for private use increases to £4,310 for tax year 2027 to 2028
- The flat rate charge for the van fuel benefit increases to £825 for tax year 2027 to 2028.

The amounts for 2027/2028 tax year, applicable from 6th April 2027, which is the first year of mandatory payrolling company Vans were announced as part of Budget 2026 held on 28th October 2026.

The notification of the change for 2027/2028 can be found at:
https://www.gov.uk/government/publications/increase-to-van-benefit-charge-and-fuel-benefit-charges-for-cars-and-vans/van-benefit-charge-and-fuel-benefit-charges-for-cars-and-vans-for-tax-year-2026-to-2027

SD Payroll Payroll Allowance Element for company vans and fuel

Where an employer provides employees with a company van (and fuel) that has any private use, then from 6th April 2027, that employer is required to payroll the benefit for the assessment of Income Tax and BIK Class 1A National Insurance via the Real Time Information (RTI) Full Payment Submission (FPS) via payroll.

There is an exception for Globally Mobile Employees who the employer may retain a P11D reporting option.

Company Van and Fuel pay element configurations (allowances)

Employers will require a pay element for the company car benefit and if fuel benefit is provided, a separate pay element for the company car fuel benefit.

The SD Worx pay solution will need to be told which allowance and which BIK category is to be applied:

- G – is used for a company van
- GF – is used for company van fuel

The SD Worx PALS team and the PBIK service team usually recommend for ease of use and identification that allowances in the 800+ range are utilised for payrolling benefits, however, other allowances can be used.

The settings of the new or amended pay element would be:

Allowance?	Benefits type	Payable	Benefit Category	Tax Status	NIC Status
NNV	Company Van	No	G	YES	BIK Class 1A
NNF	Car Fuel	No	GF	YES	BIK Class 1A

Where NNV and NNF are the numerics of the chosen allowance mapped to these benefits. The total should be cleared down at the start of the new tax year.

Salary Sacrifice schemes pay element configuration (allowances)

The section only applies where a van is provided as part of salary sacrifice or other Optional Remuneration Arrangement (OpRA) where an amount is to be reduced from the employees contractual pay.

Salary Sacrifice schemes which provide vans to employees are treated by HMRC and for tax purposes as company van and the sacrifice is not a contribution for private use or a capital contribution, but a reduction in contractual earnings.

The sacrifice requires a separate payroll allowance element with a negative value (deductions should not be used as the only pre-tax dedection relates to: Pensions; Charity Giving; and Share Incentive Plans). Salary Sacrifice are not deductions from pay but a reduction of contractual earnings - the employee never contractually earned that money.

In relation to a company van salary sacrifice scheme, another pay allowance element is required to apply the negative sacrifice amount to reduce the amount of Tax and Class 1 national insurance:

Allowance?	Allowance tyoe	Payable	Benefit Category	Tax Status	NIC Status
SSV	Van Salary Sacrifice	Yes to effect the salary reduction	None this is not a benefit	YES to effect the tax reduction	YES To effect the Class 1 NIC reduction

Where SSV is the numeric of the chosen allowance mapped for the sacrifice, any amount applied would generally be negative.

Please note that for those on parental leave such as Maternity, the sacrifice should not be applied to Statutory Maternity Pay as reduction, however, the individual is still in receipt of the taxable benefit and retains the right to the use of the vehicle.

Entering the payroll data – effecting the payrolling

The HMRC have no requirement for recording within payroll and the payrolling exercise any additional van details.

What is reported on the regulat FPS submission is the value amounts for each period and year to date in relation to the van benefit allowance amounts along with any van fuel allowance amounts.

The combined company van benefit(s) and any associated fuel benefit amount(s) to be taxed must be entered each time they are started or adjusted when stopped (generally at the start of each new tax year and on a change in circumstance such as mid year starter, leaver etc).

Depending on your allowance entry type, enter against the relevant allowance the period amount if applicable, or if using the annual amounts for allowances, the adjusted annual amount to effect the correct period value relating to the remainder of the relevant tax year. These would be entered against the associated Allowance Number as a new permanent amount and adjusted at relevant change points.

This value will need review and update when there is a change which results in a different benefit value than the original notified. Please note that these values can be combination of original and replacement vans combined. There is no requirement to report individual vans details which is different to Company Cars and also different to Medical Benefits.

The SD Worx pay solution will calculate and deduct the relevant Income Tax (subject to the 50% statutory limit) and BIK Class 1A liability and will report within the FPS financial fields for company vans and the associated BIK Class 1A fields.

Example entry of Company Van benefits

The following is to illustrate (the values are illustrative only and not based on actual benefit calculations):

- Adam Adamson
- Issue with a Company Van and Fuel
- Van benefit to be taxed is £4,310 (for example allowance 805) – this rate is applicable to 2027/2028
- The fuel benefit to be taxed is £825 (for example allowance 806) – this rate is applicbale to 2027/2028.

Example 1 - Applying full year benefit amounts for April 2027 (or a new annual period)

The Following illustrates an example of the data where annual amounts are entered for the start of employment where the amount is for a full year, or a new policy year that aligns usng annual amounts:

Data entered	The FPS reports
8050 431000 This will apply £359.17 per month	This amount is divided by 12 and is subject to tax and BIK Class 1A and reported within the relevant medical benefit amount payrolled
8060 82500 This will apply £68.75 per month	This amount is divided by 12 and is subject to tax and BIK Class 1A and reporting within the relevant medical benefit amount payrolled

For payrolls that operate periodic allowance amounts, then for the allowances apply the periodic allowance amount of the benefit. So in the example above the entries for monthly would be:

- 8050 35917 (to apply £359.17 per period month)
- 8060 6875 (to apply £68.75 per period month)

And for a weekly payroll the entries would be:

- 8050 8288 (to apply £82.88 per period week)
- 8060 1587 (to apply £15.87 per period week)

Example 2 – An employee leaves and the benefit ends

If the employee was leaving, then the amount being payrolled may require adjustment for pro-rating the benefit charge. That could be a positive or a negative adjustment to reflect the revised benefit value monis the amount already taxed. So if the final amount on leaving was an added £75.00 and £35.00 for the period the following would be applied:

Data entered	The FPS reports
8055 7500 This will apply £75 in that month	This amount is subject to tax and BIK Class 1A and reported within the relevant medical benefit amount payrolled
8065 3500 This will apply £35 per month	This amount is subject to tax and BIK Class 1A and reporting within the relevant medical benefit amount payrolled

Example 3 – New employee with only part year benefit until the end of the tax year

For a new employee who has an initial part year benefit charge that joined on 1st September may have a pro-rata cost amount of £4,310/365*217=£2,562.38 until the end of the tax year. Where allowances use annual amounts, the monthly value applicable may need to be multiple by 12 – so £2,562.38 / 7 months * 12 months = £4,392.65:

Data entered	The FPS reports
8050 439265 This will apply £366.05 per month for the 7 months	This amount is subject to tax and BIK Class 1A and reported within the relevant medical benefit amount payrolled

The same principle would apply to van fuel for private use it that benefit charge was also applicable
Yes, this process is complex to understand, however, it aligns with the HMRC requirements for operating company van benefit across the remainder pay periods of the tax year to apply the benefit amounts.

Data Reporting

Van and fuel benefit data is available for view, extraction, and reporting in the same way as other pay allowances.

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