

PBIK Series: Phase 1
Voluntary payrolling 2027/2028

UK Knowledge Centre & UK PALS

Version 27.0 (Live) – November 2026

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Disclaimer: This guide does not constitute formal tax or legal advice and is not intended or considered to be a substitute for professional advice. It is based on signposted HMRC information and the application by a user within the SD Worx pay solution. The examples are illustrative only. It is not intended to be relied upon in any specific context or as a substitute for seeking tax or legal advice on a specific circumstance, as each case may be different.

*This guide aligns with the HMRC requirements for the HMRC phase 1 requirements under mandatory payrolling which applies to additional benefits which can be registered to be payrolled on a voluntary basis for the 2027/2028 tax year. Many of these benefits may become compulsory for payrolling from 6th April 2028 and require revision and futher data provision to HMRC from that point in time..

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.

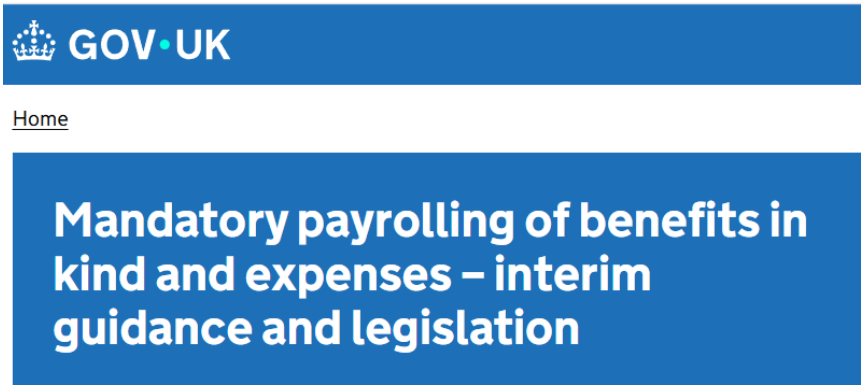
Operating these arrangements does not form part of a standard payroll service and requires expertise support.

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/

Voluntary payrolling

Where an employer chooses to voluntary payroll items which are not mandated for the 2027/2028 tax year, they are required to register with HMRC which of the benefits they will operate.

From 6th April 2027, for the first time, employers may voluntarily payroll Beneficial Loans and Accomodation on an estimated basis. The final benefit charge may not be known until the end of the tax year once applicable percentages or rates are confirmed by HMRC.

SD Payroll Payroll Allowance Element for voluntary payrolled benefits

Where an employer provides employees with vountary benefit items, then from 6th April 2027, that employer is required to identify the voluntary benefit type to the SD Worx pay solution so that it is able to apply the relevant Income Tax and BIK Class 1A National Insurance amount and report the related Real Time Information (RTI) Full Payment Submission (FPS) via payroll.

This voluntary process applied to 6th April 2027. Many of these benefits, as part of the HMRC Phase 2 project, may become mandatory from 6th April 2028 with the exception of Globally Mobile Employees.

Employers who do voluntary payroll, must also pay the related BIK Class 1A liabilities in real time aligned with other taxes due.

Voluntary Payrolling pay element configurations (allowances)

Employers will require a pay element for each benefit type they use. When new benefits are offered to individuals within the payroll, then additional allowances and benefit types will be required.

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

For the 6th April 2027 the non-mandatory items are as follows, most may become mandatory PBIK items from 6th April 2028 and there maybe later associated data requirements added for that tax year and onwards, however, it is anticipated that these allowance setting and Classigication will remain relevant:

Benefit Type	**PBIK Classification**
Assets transferred:	
• Cars	AX
• Metals	AM
• Property	AP
• Other (the allowance descriptor may be used from April 2028)	AO

Benefit Type	PBIK Classification
Payment on behalf of the employee:	
• Accountancy	BA
• Private Car	BC
• Domestic bills	BD
• Education	BE
• Other (the allowance descriptor may be used from April 2028)	BO
Vouchers and Credit Cards (subject to Class 1 NICs)	C
Living Accommodation	D
Mileage Allowance	E
Loans	H
Relocation Expenses	J
Services supplied	K
Assets Places at disposal	
• Aircraft	LA
• Boat	LB
• Corporate Hospitality	LC
• Holiday Accommodation	LH
• Other (the allowance descriptor may be used from April 2028)	LO
• Timeshare	LT

Benefit Type	PBIK Classification
Other Items including Subscriptions professional fees, and other miscellaneous benefits	
• Education Assistance	ME
• Loans WO	ML
• Nursery Places	MN
• Other (the allowance descriptor may be used from April 2028)	MO
• Subs or Professional Fees	MP
• Non-qualifying relocation	MR
• Stop Loss Charges	MS
Expenses Payment	
• Entertainment	NE
• Payment for use of home telephone	NH
• Other (the allowance descriptor may be used from April 2028)	NO
• Non-qualifying relocation	NR
• Travel and subsistence	NT

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?	Description	Payable	Benefit Category	Tax Status	NIC Status
XXX	a suitable name	No	aa	YES	BIK Class 1A
YYY	a suitable name	No	bb	YES	Class 1A

Where XXX and YYY 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.

Please note that some benefit types (such as vouchers) are subject to Class 1 NICs and not BIK Class 1A, but are taxed as benefits.

Salary Sacrifice schemes pay element configuration (allowances)

The section only applies where a beenfit 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 benefits that are not exempt to employees are treated by HMRC and for tax purposes as benefits and sacrifice is not a purchase or contribution for private use, but a reduction in contractual earnings. The benefit charge is often the high sacrificed earnings.

The sacrifice required a separate payroll allowance element with a negative value (deductions should not be used as the only pre-tax deductiosn relate 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 voluntary benefit 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 type	Payable	Benefit Category	Tax Status	NIC Status
ZZZ	Associated 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 NIC reduction

Where ZZZ 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 throughout their maternity leave period.

Entering the payroll data – effecting the payrolling

Please note that the payroll does not calculate the amount fo the benefit that is subject to Tax and NICs. The benefit value must be provided for application into the payroll for the automated calcation of income tax and BIK Class 1A and where appropriate, Class 1 National Insurance.

HMRC have no requirement for recording other information within payroll and the payrolling exercise any additional benefit details for the 2027/2028 tax year. Added details requirement may be introduced from 6th April 2028 under the HMRC Phase 2 mandation project.

What is reported on the regulat FPS submission is the value amounts for each period and year to date in relation to other voluntary van benefit allowance amounts combined. In future years, HMRC may have a separation reporting requirement, however the correct population into reporting fields on the RTI FPS is governed by the SD Worx solution in alignment with the employer chosen and confirmed BIK classification and the associated Tax and NIC selection.

The voluntary benefit must be entered each time they are started or adjusted when increase, decreased or stopped (generally at the start of each new tax year and on a change in circumstance such as mid year starter, leaver, renewal point 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 assocaited 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. There is presently no requirement to report individuals about these voluntary benefit other than the classification type being applied to the allowance configuration.

The SD Worx pay solution will calculate and deduct the relevant Income Tax (subject to the 50% statutory limit) and either the Class 1 or BIK Class 1A liability as applicable, and will report within the FPS financial fields for voluntary benefits and the assocaited Class 1 and BIK Class 1A fields as applicable to the allowance configuration instructed.

Example entry of a voluntary payrolled benefit

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

- Adam Adamson
- Has a Company Assett costing £1,000 available for use (BIK Type 'LO' computer)
- The benefit amount is 20% of the asset cost being £200 (for this example, allowance 808)
- Also the provision of Gym membership worth £450 per annum (BIK Type 'MO' Gym)
- The benefit amount is 100% of the cost being £450 (for this example, allowance 809)

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
8080 20000 This will apply £16.67 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
8090 45000 This will apply £37.59 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:

- 8080 16.67 (to apply £3.85 per period month)
- 8060 37.59 (to apply £37.59 per period month)

And for a weekly payroll the entries would be:

- 8050 385 (to apply £3.85 per period week)
- 8060 864 (to apply £8.64 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 minus the amount already taxed. So if the final amount on leaving was an added £7.50 and £25.32 for the period the following would be applied:

Data entered	The FPS reports
8085 750 This will apply £7.50 in that month	This amount is subject to tax and BIK Class 1A and reported within the relevant medical benefit amount payrolled
8095 2532 This will apply £25.32 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 for Gymn that joined on 1st September may have a pro-rata cost amount of £262.50 until the end of the tax year. Where allowances use annual amounts, the monthly value applicable may need to be multiple by 12 – so £262.50 / 7 months * 12 months = £450:

Data entered	The FPS reports
8090 45000 This will apply £37.50 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

Data Reporting

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

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