

# Employment Taxes — Year-End Overview

## Key Deadlines and Changes for Employers

### Overview of Key Deadlines – Tax Year 2026/27

The below table highlights key end-of-year deadlines and changes to consider:

Deadline or effective date	Overview	Details
01 April 2026	National Minimum Wage ("NMW") increases	The main rate of NMW increases to £12.71 per hour (from £12.21). NMW applicable to other age groups and populations also increases.
06 April 2026	Renew S.690(A) notifications	<p>Employers with non-resident employees working partially in the UK may have obtained a notification under S.690(A) to reduce PAYE withholding for income tax to a specified percentage of income. S.690(A) notifications are only valid for the current tax year and must be renewed annually.</p> <p>Employers should determine whether (1) any need to be renewed and the estimated percentage of UK workdays for 2026/27; and (2) should any new notifications be submitted to HMRC.</p>

Deadline or effective date	Overview	Details
06 April 2026	Low value expense reimbursements	Reimbursements made by the employer to the employee for eye tests, home working equipment or flu vaccinations are no longer treated as taxable benefits from this date.
06 April 2026	Home working expenses	Employees who are required to work from home by their employer can no longer take a tax deduction for related homeworking expenses that are not reimbursed by their employer. Employers who wish to reimburse homeworkers for expenses can do so tax free, but not where it is the individual's choice to work at home.
06 April 2026	National Insurance Contributions ("NICs") – Class 2 and Class 3	The ability to make Class 2 NICs will be removed for individuals working abroad whilst non-resident of the UK. In addition, the eligibility criteria for Class 3 voluntary contributions will be tightened, with higher thresholds for both initial residence and prior contribution history.
06 April 2026	Enterprise Management Incentives ("EMI")	<p>The qualifying criteria for eligible companies implementing an EMI scheme will be broadened, including:</p> <ul style="list-style-type: none"> <li>– Maximum gross assets test increasing to £120m (from £30m);</li> <li>– Maximum number of employees increasing to 500 (from 250); and</li> <li>– Maximum total market value of all unexercised EMI options increasing to £6m (from £3m).</li> </ul>
06 April 2026	HMRC official rate of interest ("ORI") increases	HMRC will now review the ORI on a quarterly basis and any changes to the ORI will take effect on 6 April, 6 July, 6 October and 6 January. The ORI is currently 3.75% (until, at least 6 April 2026).
31 May 2026	Form P60	Summary of the pay and tax that has been deducted in the tax year should be provided to all employees.
31 May 2026	Short Term Business Visitors ("STBV") report submission (Appendix 4 and Appendix 8)	The annual STBV report, showing specific details of certain visiting foreign employees, must be submitted to HMRC. For employers using the Appendix 8 PAYE special arrangement for taxable STBVs, the PAYE records and payment must also be completed.
06 July 2026	PAYE Settlement Agreement ("PSA")	PSA arrangements with HMRC must be finalised — for example, if an employer does not already hold a PSA or if amendments are required as to what is covered.

Deadline or effective date	Overview	Details
06 July 2026	Forms P11D and P11D(b)	<p>Forms P11D and P11D(b), reporting benefits in kind provided to employees, and the associated employer's Class 1A NICs payable, to be submitted.</p> <p>Benefits which have been payrolled with formal agreement from HMRC do not need to be reported on the P11D but must be included on the P11D(b) to calculate Class 1A NICs. Benefits which have only been informally payrolled must still be reported (but the amount payrolled included as an "amount made good").</p> <p>From 6 April 2027, mandatory payrolling of benefits in kind ("PBIK") will apply for most taxable benefits.</p>
06 July 2026	EMI – notification	EMI options granted in the 2025/26 tax year to be reported to HMRC (note, from April 2027 the requirements to notify HMRC will be changed).
06 July 2026	New Employment Related Securities ("ERS") plan registration	Any new plans to be registered with HMRC (we suggest registration is completed at least two weeks in advance to allow time to complete the required return after registration).
06 July 2026	ERS return	The ERS annual return needs to be submitted by 6 July 2026 for all reportable events. Even if there have been no transactions during the year, an ERS return will still need to be submitted to HMRC (unless the ERS scheme has ended and a relevant notification was made in previous years).
06 July 2026	Termination payment report	Employers should provide HMRC with a report of any termination packages that both (1) exceed £30,000; and (2) include non-cash benefits. It is customary to provide the terminated employee with a copy for their tax return.
22 July 2026	Payment of Class 1A NICs	Class 1A NIC liability on non-cash benefits as reported on form P11D(b) should be paid to HMRC (assuming the payment is made electronically).
31 July 2026 or 31 August 2026	PSA calculation deadline	PSA calculation deadlines are set out in an employer's PSA but deadlines are usually 31 July or 31 August. This allows time for review and approval by HMRC prior to the deadline for payment.
22 October 2026	PSA payment deadline	Deadline for PSA payment, assuming that payments are made electronically.

## Easing the Administrative Burden — Agreements with HMRC

There are several administrative easements offered by HMRC for employers that have reached agreement with them. We have highlighted a few of the most common arrangements below and note that, in some cases, it is not too late to apply for the easements for the 2025/26 tax year, despite the tax year being almost over. In other cases, it will be important to look forward and determine what arrangements might be helpful for the future.

### **PAYE Settlement Agreement (“PSA”)**

If an employer provides benefits to staff on which it does not want individuals to pay tax themselves (for example, taxable staff entertainment costs such as meals when working late or ad hoc staff drinks), it can enter into a PSA with HMRC. The relevant benefits are included on the PSA and the employer pays the grossed-up tax and NIC rather than reporting via payroll and/or P11Ds.

It is possible to agree a PSA where one is not already held, or change the items included, for the 2025/26 tax year, if agreed with HMRC by 6 July 2026. The application can be made easily online to HMRC. However, care will be needed for National Insurance purposes, and advice should be sought.

### **Non-Resident Individuals Working in the UK — S.690(A) Notifications**

For UK employers that have non-resident individuals spending some (but not all) of their working time in the UK, the default PAYE position is that the entire earnings must be subject to PAYE for income tax. This can lead to cash flow difficulties for employees who are likely to have overseas tax liabilities.

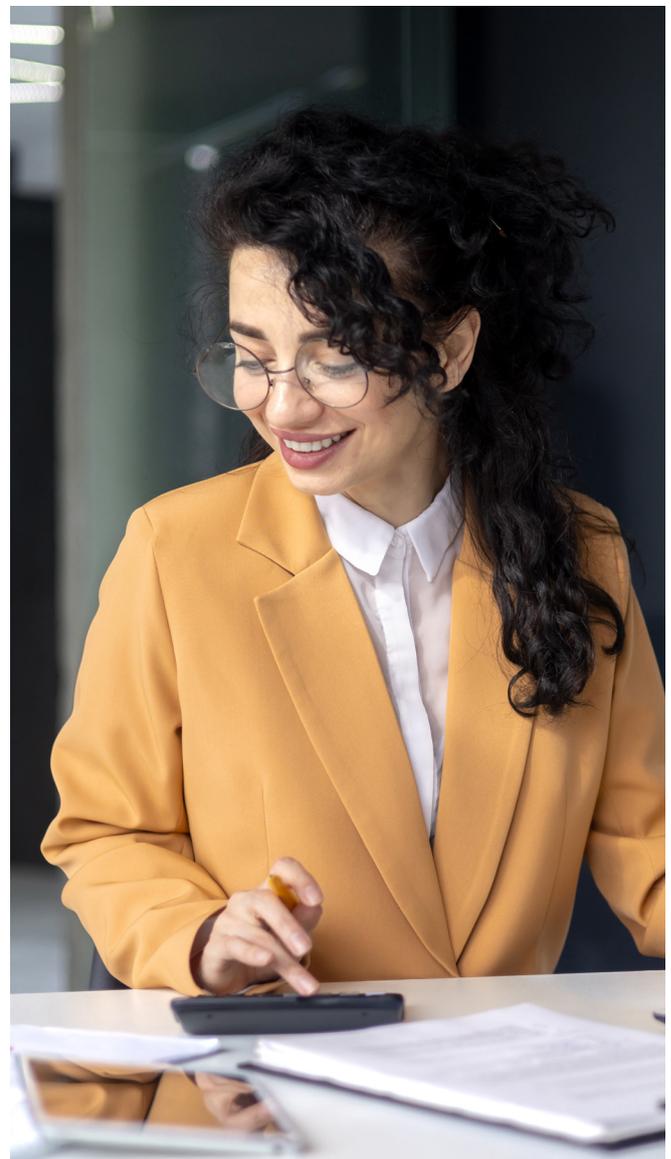
Employers can make a notification under S.690(A) Income Tax (Earnings and Pensions) Act 2003 (“ITEPA”) to reduce the amount of income subject to PAYE withholding for income tax via payroll (to the estimated percentage of UK workdays the individual will have). There is an automatic acknowledgement from HMRC on submission which is sufficient to operate PAYE on this basis. The S.690(A) notification is only valid for the current tax year and must be renewed annually. If any material changes occur during the tax year, a new application should be submitted to HMRC.

Employees subject to a S.690(A) notification will need to file an annual self-assessment tax return to accurately report the income that relates to their actual workdays (with the PAYE position being only a best estimate).

### **Payrolling of Benefits**

From April 2027, it will become mandatory to report benefits in kind via payroll, and P11Ds will only be required for those employees who receive employment-related loans or accommodation.

Benefits in kind will be reported through the Full Payment Submission (“FPS”) as is currently used to report salaries to HMRC. A full breakdown of benefits being provided will need to be reported through payroll and will also need to reflect Class 1A NIC being payrolled.



## Other Developments

### Expense Reimbursements

From 6 April 2026, reimbursements made by employers for certain low value employee expenses, such as eye tests, home working equipment and flu vaccinations will no longer be treated as taxable benefit-in-kind (“BIK”). Previously, the direct provision of these items was tax free, but reimbursing an employee's expense created a tax liability.

### Home Working Expenses

Employees who are required to work at home have been able to claim a tax deduction for related expenses – however, many incorrectly claimed this tax deduction when working at home through choice. Employees will no longer be able to claim a tax deduction for such expenses from 6 April 2026.

Employers can still reimburse certain expenses tax free for employees who they require to work from home. The conditions are restrictive and employers should ensure they are correctly considering the facts and circumstances.

### National Insurance Contributions (“NICs”) – Class 2 and Class 3

From 6 April 2026, individuals living overseas will no longer be able to make Class 2 National Insurance Contributions. In addition, the eligibility criteria for Class 3 voluntary contributions will be tightened, with increased requirements relating to both initial UK residency and previous contribution history.

These changes will affect individuals seeking to maintain or build entitlement to the UK State Pension while working abroad and may have implications for planning retirement benefits or future pension entitlements.

Those impacted should carefully review their current National Insurance Contributions record and consider alternative arrangements to protect their State Pension rights.

### Increase to HMRC’s Official Rate of Interest (“ORI”)

The ORI will no longer be set annually. Instead, HMRC will review and adjust the ORI on a quarterly basis, with any changes taking effect on 6 April, 6 July, 6 October, and 6 January each year. This approach ensures that the ORI remains more closely aligned with prevailing market conditions. The current ORI is 3.75% and will next be reviewed on 6 April 2026.

Employers who have made loans to employees should monitor these quarterly updates, as changes may impact taxable benefits, interest calculations, and cross-border tax planning.

### Enterprise Management Incentives (“EMI”)

From 6 April 2026, certain statutory criteria for determining whether a company is eligible for EMI will become more generous, allowing not only start-ups but also scale-up companies to benefit. Key changes include:

- Employee limit raised from 250 to 500 for ‘full-time equivalent’ employees.
- Gross assets increased from £30 million to £120 million.
- Aggregated total market value of shares under option increased from £3m to £6m.

In addition, the life of an option has been extended from 10 to 15 years, subject to the requirements outlined in the legislation which is still to be published. In addition, from April 2027, the requirement to notify HMRC regarding individual grants of EMI options will be removed.

#### Lewin Higgins-Green

Senior Managing Director  
+44 (0) 20 7269 9367  
lewin.higgins-green@fticonsulting.com

#### Ellie Avni

Senior Director  
+44 (0) 20 3077 0296  
ellie.avni@fticonsulting.com

#### Karen Johal

Senior Director  
+44 (0) 20 7632 5101  
karen.johal@fticonsulting.com

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