Payroll Compliance Checklist

2026/27

MILSTED LANGDON

Introduction

Due to the ongoing complexities of payroll compliance, we have compiled a checklist of the key areas that you should be aware of.

It is important to be mindful that broad advice cannot account for a business's unique circumstances and seeking tailored support from our trusted team is recommended.

Minimum wage

Minimum wages: Are your workers all paid the statutory minimum for their age group? This means all workers over the age of 21 are paid the National Living Wage and those under the age of 21 are paid the National Minimum Wage. The current rates for each can be found here.

Salary sacrifices and unpaid work time need to be considered to ensure wages are not pulled below the minimum.

Age changes: Is there an automatic payroll process in place to catch birthdays? Where an employee moves into a new age bracket for pay, this needs to be captured by payroll as soon as it happens. Also, apprentices who have completed their first year need to be moved onto the correct banding for their age.

Deductions: Have you considered salary sacrifice, unpaid work and deductions for uniform or any other costs associated with employment? These need to be considered to ensure wages are not pulled below the minimum.

Statutory payments and holiday pay

Maternity leave: Are eligible employees being paid for maternity leave? Employees on maternity leave should be paid 90 per cent of their average weekly earnings for their first six weeks. They should then receive the current maternity leave rate each week or 90 per cent of their average weekly earnings, whichever is lower, for the next 33 weeks.

Adoption leave: Are eligible employees being paid for adoption leave? Employees on adoption leave should be paid 90 per cent of their average weekly earnings for their first six weeks. They should then receive the current adoption leave rate each week or 90 per cent of their average weekly earnings, whichever is lower, for the next 33 weeks.

Statutory paternity leave: Are employees paid the correct amount for paternity leave? The right to paternity leave should be granted from the first day of employment and paternity pay should be provided after 26 weeks of service. Employees on paternity leave should be paid the current paternity leave rate per week or 90 per cent of weekly earnings, whichever is lower, for up to two weeks.

Sick pay: Are employees who are too sick to work paid the statutory amount when they take time off work? Employees should be paid the current statutory sick pay rate or 80 per cent of average weekly earnings, whichever is lower, for up to 28 weeks from the first day of absence.

Parental bereavement leave: Are employees paid when taking time off work for the death of a child? Employees on parental bereavement leave should be paid the current bereavement leave rate per week or 90 per cent of average earnings, whichever is lower, for up to two weeks.

Holiday pay: Does your payroll system correctly calculate holiday pay? Calculations should reflect overtime, commission and any other forms of normal remuneration. Holiday accrual should be checked for part-year and irregular-hours workers.

Benefits in Kind and P11D

Benefits in Kind reporting: Is your company prepared for the mandatory payrolling of Benefits in Kind (BiK)? From 6 April 2027, company cars, vehicle fuel, vans and employer-arranged medical and dental insurance must be payrolled. Most remaining taxable BiK should be payrolled from April 2028.

P11D: Did your company meet mandatory P11D deadlines in 2026 and are you prepared for future submissions? While mandatory payrolling for BiK payments will be rolled out next year, the P11D is being phased out gradually. This means P11D submissions for some benefits will be needed until 2028 – with some exceptions requiring submissions after this date.

Deductions

Student loans: Does your payroll system accurately process student loan deductions? The different student loan repayment thresholds and plans should be considered when calculating how much of a salary is to be deducted.

Authorisation for deductions: Have all deductions been given written authorisation from employees? Both employers and employees must agree in writing to change the terms of an employment contract.

Pensions: Does your workplace offer pension auto-enrolment to eligible employees and is the correct banding applied? Eligible employees are between the age of 22 and State Pension age, making more than £10,000 a year and not already belonging to a workplace pension scheme. There is a total minimum of eight per cent of qualifying earnings, split between a three per cent minimum employer contribution and a five per cent employee contribution (which includes one per cent tax relief).

Salary sacrifice: Are your company salary sacrifices optional and do they affect statutory payment entitlement? Salary sacrifice must be optional, and any changes are generally only permitted in line with the scheme contract and rules, or following a significant personal lifestyle change. As statutory payments are calculated using cash earnings after a sacrifice, lower cash salaries can reduce the amount of statutory pay an employee receives.

IR35

IR35: If working with contractors, are you performing the IR35 checks correctly? If your company meets or exceeds the large company size threshold, you should evaluate whether contractors should be taxed as an employee or remain a contractor operating via their own personal service company.

Payslips

P60s: Do you provide every employee on payroll with a P60 document following the end of every tax year? These documents should accurately report total pay, where tax has been deducted and NI contributions over the tax year.

P45s: Is every employee leaving your company provided with a P45 document? This document should contain accurate details of the employee's earnings and tax at the end of their employment.

National Insurance and payroll thresholds

National Insurance rates: Does your payroll system reflect the National Insurance rates? Employees in the UK pay eight per cent on weekly earnings between £242 and £967 and two per cent on any earnings above £967. Employers pay 15 per cent on any employee earnings above £96 a week.

Income tax thresholds: Does your payroll system reflect current Income Tax rates and Personal Allowances? The Personal Allowance is £12,570 and earnings below this are tax free. Earning between £12,571 and £50,270 applies the 20 per cent Basic rate of Income Tax. Earning between £50,271 and £125,140 applies the 40 per cent Higher rate of Income Tax. Earning over £125,141 applies the 45 per cent Additional rate of Income Tax.

Getting your payroll right

Every payroll is different, which means there is no one-size-fits-all advice to firms wanting to get it right.

Add in new starters and leavers, alongside constantly shifting legislation, and it can quickly become complicated.

While using this checklist is a good starting point, you can trust us to handle the smaller details.

We can provide bespoke payroll solutions that are built around your business and up to date with changes to legislation. For further information, please contact us.

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