

What Are Benefits In Kind (BIK)?

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If your company provides you with something for personal use or benefit, like a company car or private health insurance, it may count as a Benefit in Kind (BIK), which HMRC treats differently from regular business expenses.

In this article, we'll explain:

- What common benefits are
- How they're taxed
- How they're reported to HMRC

What counts as a Benefit in Kind?

Benefits in kind are perks or non-cash items that your company provides to you or your employees. Some common examples include:

- **Company cars** (especially those available for private use) - see [here](#) for a full article on company cars.
- **Private health insurance**
- **Critical illness cover**
- **Life insurance** (that isn't relevant life cover, which is often not a BIK)
- **Income protection** (that isn't executive income protection, which is often not a BIK)
- **Gym memberships**
- **Director's loans over £10,000**
- **Assets made available for personal use** (like phones, laptops, or property)

These benefits can be great, however, because they have a personal value, they're usually taxable. It's worth noting that there are some policies such as relevant life cover and executive income protection that are set-up in a way that they're not classed as a benefit-in-kind.

How are these categorised in Mighty?

As these benefits are taxable and need to be reported to HMRC, within Mighty we have specific categories that you can categorise these benefits in kind to, including:

- Company Vehicles
- Director Loans
- Directors & Employee Benefits: this acts as a catch-all for other benefits such as private health insurance, life insurance, critical illness policies, gym memberships etc.

We also have another category called 'Director Insurance (Not a BIK)' which can be used for director insurances such as relevant life cover and executive income protection policies that aren't benefit-in-kinds (but will depend on the policy).

Using these categories will ensure that the correct tax treatment is applied and that it's easy to source the information needed for the P11D and tax return where necessary.

What are the tax implications?

If you receive a benefit in kind:

- You may need to pay additional personal tax through your self-assessment
- The company will usually need to pay Class 1A National Insurance (at 15%) on the value of the benefit

Should I pay for benefits like private health insurance or gym memberships through my company?

Benefits in kind are attractive for employees, but when you're both the employer and employee, in most cases when it comes to health insurance and gym memberships, it's better to pay personally. As:

- They often don't offer any tax efficiencies.
- They can add extra admin.
- They can make it harder to plan a tax-efficient pay strategy, as you'll be taxed on these personally, but the costs can increase.

That said, there are exceptions. Some taxable benefits such as company cars or director's loans, can still be worth it depending on your situation. If you're not sure what's right for you, your accountant can talk you through the options.

How are benefits reported to HMRC?

Each year, your accountant (that's us!) checks whether any benefits have been provided. If so:

- A **P11D form** is filed for each employee/director who received a benefit
- A **P11D(b)** form is submitted by the company to report the total Class 1A National Insurance due

These forms are normally submitted by 6 July following the end of the tax year. So, for example, if you purchased a company car on 1st June 2025, this would be in the 2025/26 personal tax year so the P11D forms would be required to be filed by 6th July 2026. See our guide [here](#) on how to file your P11D and P11D(b) with Mighty.

What about payrolling benefits?

HMRC is encouraging companies to move towards payrolling benefits which means reporting them in real time through payroll instead of filing a P11D later.

Although this was expected to become mandatory in April 2027, HMRC have previously delayed this roll out and may push back this mandatory change further. We'll keep you posted when HMRC confirms a new timeline.

What do I need to do?

If you think you've received any of the benefits listed above (or anything else that might count), we will ask you to complete a P11D questionnaire after the tax year passes on 5 April. We'll confirm if any benefits

need reporting and advise you on all the necessary filings if relevant.

If you have any questions with benefits in kind, please reach out to your dedicated accountant or support@mightyaccounting.com.

Related guides

- [Director's Loans Explained](#)
- [How To File Your P11D & P11D\(b\)](#)
- [Purchasing a Company Car](#)

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