

PAYROLL AND EMPLOYER LAW CHANGES - APRIL 2026

March 2026

Introduction

In line with previous years, there are various payroll related changes coming into effect at the start of the new tax year, together with a number of employment law changes.

Payrolling of Benefits in Kind

The mandatory payrolling of benefits has been delayed and is now due to come into effect from 1 April 2027. At this point, all benefits will need to be payrolled, with the temporary exception of loans and employer provided accommodation.

Currently, employers can voluntarily payroll benefits but must register with HMRC before 6 April 2026 for this to be permitted for the forthcoming tax year. Thereafter, registration will not be required due to the mandatory requirement to payroll benefits. The link to voluntary register is:

<https://www.gov.uk/guidance/paying-your-employees-expenses-and-benefits-through-your-payroll>

Voluntary registration is encouraged and allows employers to ensure their systems, both in terms of capturing the data and their payroll software, are in place before the mandatory reporting comes into effect. In addition, it reduces the paperwork required at the end of the year, as P11Ds will not be required except for the currently excluded benefits. However, until the mandatory reporting is in place, a P11D(b) will be required to capture the employer's Class 1A National Insurance Contributions ("NIC"). Once the new regime is in place, Class 1A NIC will become payable monthly with the standard PAYE/NIC payments.

Where voluntary registration has taken place, employers must let their employees know, in writing, of the change as soon as possible in order that employees can plan for any potential changes in their net pay, due to the real time tax on benefits.

HMRC is yet to confirm whether internationally mobile employees that are part of modified payroll arrangements will be part of the new arrangement or whether P11Ds will still be retained.

Eighth Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ

And at

Q3, The Square
Randalls Way
Leatherhead
Surrey KT22 7TW

T +44 (0)20 7842 2000
F +44 (0)20 7842 2080

hello@rawlinson-hunter.com
www.rawlinson-hunter.com

New Minimum Wage Rates and Statutory Rates of Pay

The new minimum hourly wage rates, effective from 1 April 2026 are as follows:

	1 April 2026	1 April 2025
Age 21 and over	£12.71	£12.21
Age 18 to 20	£10.85	£10.00
Age 16 to 17	£8.00	£7.55
Apprentices agreed under 19*	£8.00	£7.55

*apprentices aged 19 and over, but in their first year of apprenticeship, also receive this amount

Furthermore, the Real Living Wage, a voluntary hourly wage rate is also rising, on 1 May, as follows:

	1 April 2026	1 April 2025
London	£14.80	£13.85
Rest of the UK	£13.45	£12.60
Statutory Maternity Pay, Paternity etc**	£194.32	£187.18

**or 90% of the employee's average weekly earnings, whichever is lower.

Employment Law Changes

As widely reported in the press, there are a number of employment law changes coming into effect over the next couple of years. The Employment Rights Bill is now the Employment Rights Act 2025, which introduces both additions and amendments to existing legislation, including the Employment Rights Act 1996. This payroll briefing only details the changes coming into effect on 6 April 2026 – a further briefing will set out all the current known changes and their date of implementation.

Sick pay

The 3 day waiting period is removed and there is no requirement to earn the lower earnings level (“LEL”). Hence all workers will be paid Statutory Sick Pay (“SSP”) from Day One at a rate of the lower of 80% of their weekly earnings or the flat rate of £123.25. Whilst this is likely to be an additional cost to employers, it also means that a few employees will earn less than under the old rules.

There is a transitional rule for employees on sick leave that SSP will automatically start on 6 April, irrespective of whether they are in their 3 day waiting period. In addition, for those employees earning between the LEL (£123) and £154.05 per week, and already on SSP before 6 April 2026, that they will continue to receive the flat rate, although this will be increased from £118.75 to £123.25.

Paternity leave and ordinary parental leave

Paternity leave and ordinary parental leave will both become a Day One right, rather than the current 26 weeks or one year respectively, service requirement. In addition, the restriction on taking paternity leave after shared parental leave is removed. It should be noted that this relates to leave only; the service requirement of 26 weeks for statutory paternity pay remain the same.

In addition, eligible fathers and partners can take up to 52 weeks of unpaid bereavement partner's paternity leave if the mother or primary adopter dies, again as a Day One right.

Collective Redundancy Protective Award

The maximum protective award for employees where employers failure to consult in collective redundancy doubles from 90 days' pay to 180 days' pay.

There are a number of other changes that came into effect on 18 February 2026 concerning Trade Unions, mainly relating to industrial action and the easing of rules.

Fair Work Agency (“FWA”)

This Government body (which will actually be established on 7 April 2026) aims to create a single unified enforcement body to protect workers, support compliant employers and prevent bad practices. The FWA will have powers to investigate employers and potentially bring proceedings on behalf of workers, including the provision of legal support.

Sexual Harassment Disclosures

Sexual harassment disclosures will become a qualifying disclosure under the whistleblowing law, meaning it ensures protection from detriment and unfair dismissal for whistleblowers making a disclosure. Employers should ensure their policies are up to date regarding this matter and note that with effect from October 2026 the legislation requires employers to ensure “all reasonable steps” have been taken to prevent sexual harassment, not only from fellow workers but also third parties.

Conclusions

As outlined above, there are a number of payroll and employment law changes that employers need to be aware of and in some cases ensure their policies are updated. Further briefings will be published in respect of upcoming employment law changes.

Please contact your usual Rawlinson & Hunter contact or any of those listed below if you have any queries in relation to the matters raised in this briefing:

Lynne Hunt
Director
Direct Dial: (+44) 20 7842 2025
Email: lynne.hunt@rawlinson-hunter.com

Salma Khan
Director
Direct Dial: (+44) 20 7842 2070
Email: salma.khan@rawlinson-hunter.com

Yueling Wei
Partner
Direct Dial: (+44) 20 7842 2098
Email: yueling.wei@rawlinson-hunter.com

Craig Davies
Partner
Direct Dial: (+44) 20 7842 2136
Email: craig.davies@rawlinson-hunter.com

James Randall
Partner
Direct Dial: (+44) 20 7842 2131
Email: james.randall@rawlinson-hunter.com

William Watson
Partner
Direct Dial: (+44) 20 7842 2111
Email: william.watson@rawlinson-hunter.com

Kulwarn Nagra
Partner
Direct Dial: (+44) 20 7842 2130
Email: kulwarn.nagra@rawlinson-hunter.com

Catherine Thompson
Partner
Direct Dial: (+44) 20 7842 2028
Email: catherine.thompson@rawlinson-hunter.com

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