EXPLANATORY MEMORANDUM TO

THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT) REGULATIONS

2026 No. 191

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Dan Tomlinson MP, Exchequer Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Edmund Hair, Deputy Director for National Insurance Policy, International and Student Finance at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Elizabeth Reffell at HMRC can be contacted by email at the following address with any queries regarding the instrument: nics.policy@hmrc.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument puts into statute a filing concession for employers who cease to trade during the tax year, or Insolvency Practitioners acting on their behalf (hereafter described as "ceased employers").

4.2 Employers are required to submit P11D(b) returns to report to HMRC Class 1A National Insurance contributions (NICs) payable on taxable expenses and benefits provided to their employees. Since 2023, it has been mandatory for employers who are not digitally exempt under current legislation to submit P11D(b)s electronically.

4.3 The concession allows affected employers to file paper P11D(b)s with HMRC if they choose to submit these forms before the end of the tax year. Without the concession, ceased employers would have to wait until the tax year ends, and the online filing window opens, to be able to file P11D(b) returns electronically.

4.4 This instrument amends Regulation 80 of The Social Security (Contributions) Regulations 2001 (2001/1004) ("The NICs Regulations"). A similar amendment is being made to Regulation 207 of The Income Tax (Pay As You Earn) Regulations 2003 (2003/2682) ("The PAYE Regulations") for the P11D return, maintaining consistency for both NICs and Income Tax.

Where does the legislation extend to, and apply?

4.5 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.6 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 Legislation mandates all employers who are not exempt to submit P11D(b) returns electronically.

5.2 Currently, ceased employers are permitted to submit paper P11D(b)s to HMRC in their final year of trading, by concession.

5.3 If a ceased employer wishes to file P11D(b)s before the tax year ends, a change in legislation is required to give them the statutory right to submit paper P11D(b)s.

5.4 Due to the small number of employers affected, on average less than 100 per year over the last three years, the IT costs involved to allow earlier electronic filing would be disproportionate.

5.5 This instrument amends the NICs Regulations to provide for ceased employers to submit paper P11D(b)s to HMRC in their final tax year of trading.

5.6 A legislative change is required because the issue is expected to continue for a small number of ceased employers each year and amending legislation provides transparency and certainty.

What was the previous policy, how is this different?

5.7 Under a filing concession, ceased employers have been able to submit paper P11D(b)s to HMRC.

5.8 This instrument codifies this concession and puts on a statutory footing an exemption for ceased employers from having to file P11D(b) return forms electronically from 6 April 2026.

6. Legislative and Legal Context

How has the law changed?

6.1 The legislation has changed through an amendment to Regulation 80 of the NICs Regulations, to allow ceased employers to file paper P11D(b) returns if they submit them during their final tax year of trading.

6.2 Similar legislation is being laid in respect of Regulation 207 of the PAYE Regulations, maintaining consistency for NICs and Income Tax.

Why was this approach taken to change the law?

6.3 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 For ceased employers a consultation was not undertaken as this legislation puts into statute an easement that is already in place by concession. There will be no change in the operational processes undertaken by ceased employers.

8. Applicable Guidance

8.1 Guidance for ceased employers on the submission of P11D(b)s will be available on the GOV.UK website.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note covering these changes will be published on the GOV.UK website.[1]

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies. The operational process in place for ceased employers is unchanged.

9.3 Although these changes impact small and micro businesses, for ceased employers, their obligations will be unchanged.

9.4 There is no, or no significant, impact on the public sector. There are no new obligations being imposed on public bodies.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 This instrument will be monitored and reviewed through normal compliance activity and regular communications with representative bodies.

10.2 This instrument does not include a statutory review clause because in accordance with the requirements of the Small Business, Enterprise and Employment Act 2015, it is made in relation to the imposition of a tax, duty, levy or other charge.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

[1] Tax Information and Impact Note for P11D(b): https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins