
giving you more time

REAL TIME INFORMATION

You may or may not have heard about this yet, but along with pensions reform, is one of the hot topics at the moment that will effect how you (*or us on your behalf*) process your company payrolls.

What is Real Time Information?

RTI is a priority government programme aimed at improving the operation of PAYE. According to HMRC, it will help to close the “tax gap”, improve customer service, and achieve cost reductions for HMRC. The “tax gap” is the amount of tax that is currently due but is not collected and paid over to HMRC. This was estimated at £35 billion for tax year 2009-10. RTI will also support the introduction of Universal Credits by the DWP.

What does this really mean?

PAYE was introduced in 1944, when the workforce was more static. However, over the course of a tax year, people are moving around more and can change jobs more frequently. Furthermore, if a payroll error occurs in the month of April, it could be up to 18 months before the HMRC spots it, when that year's P35 End of Year Return is finally processed. HMRC are constantly playing catch up which makes it more difficult to collect the right, and full, amount of tax and national insurance due. The DWP will then also have access to current pay information when assessing claims for benefits, and this will cut down on having to write to employers for pay information, and speed up the processing of claims.

What are the main changes for Employers and their payroll departments/bureau?

Under RTI, information will be sent to HMRC every time a payroll is run – by way of a Full Payment Submission (FPS). So, if you operate a weekly payroll you will need to submit 52 returns each year, instead of the one at the tax year end. Forms P35 and P14's will no longer be required at the end of the year, although P60's will still be issued. The current processes of dealing with Starters and Leavers ie P45's and P46's will be simplified. (This has yet to be confirmed exactly how they will do this).

What does this really mean?

RTI will mean HMRC will receive your pay information weekly, fortnightly, 4 weekly or monthly, depending on your pay frequency, as and when you push the buttons to process your employees' payroll, and will possess current data on how individuals are currently being paid and taxed. HMRC will also therefore know exactly what PAYE and NIC's are due from that Employer for that month or quarter. It is possible another return such as an EPS (Employer Payment Summary) will need to be submitted, breaking down what should be paid over to HMRC. This is to combat employers not paying over the full amount of PAYE and NIC liability each month/quarter, and flag up those employers, at an earlier stage, who are falling behind with their payments.

What won't change?

The dates you need to pay across PAYE and NIC remain the same.

The data exchanged between Employers and HMRC will continue to be electronic (no paper), although the exact method is currently under review. Initially, employers are permitted to use the same method as they do currently to file P45's and P46's etc, via the Government Gateway/EDI (Electronic Data Interchange), but HMRC wish to change this to use the same channels as used for BACS payments. This does not mean you will have to pay everyone via BACS, into their bank accounts, but merely, it is to use the same type of technology. But let's leave that to the techy geeks, and us, and you need not need to worry about that.

In a nutshell, why RTI?

- Make PAYE more accurate for individuals
- Make PAYE simpler for Employers (this is arguable)
- Reduce HMRC costs and enable it to deal more effectively with non-compliance
- Reduce Tax Credits error and fraud
- Enable HMRC to provide DWP with up to date information.

What do you need to do now?

Look at data quality held on your employee payrolls. Ensure that you have full names, national insurance numbers, dates of birth, gender for all staff. If you would like us to provide you with a current extract of employee data, please contact us.

Our software provider is working with HMRC, and is involved with the pilot schemes, to ensure we will be able to undertake these tasks for you. You do not need to do anything else if we currently run your payroll for you.

When will this come in?

April 2012 – RTI pilot begins

October 2012 – Large employers encouraged to migrate early

April 2013 – everyone else will be phased in between now and October 2013.