

# **REAL-TIME INFORMATION FOR PAYE**

Real Time Information (RTI) will start to be introduced from April 2013 and by October 2013 it will be mandatory for all employers.

RTI is a new system for reporting pay, tax, National Insurance and other details to HMRC. Rather than submit these details at the end of the tax year through a P35/P14 return, HMRC will collect this data every time a payment is made to the employee. Additional information may also be required when the employer pays the tax and NIC to HMRC.

Although RTI will be a highly-automated process, with reporting to HMRC embedded into an employer or pension provider's payroll software, you need to think about what RTI means for your organisation, and how you run your payroll and your business processes.

## **How will it affect your business?**

Instead of sending information once a year at payroll year end, you'll need to submit information electronically to HMRC for PAYE, NIC and student loans etc. every time you pay your employees.

You no longer submit an end of year return (forms P35 and P14) and the starter and leaver process is simplified. You continue to give your employee a P45 when they leave but you no longer send forms P45 or P46 to HMRC - instead you must submit all starter and leaver information as part of the Full Payment Submission (FPS).

## **The advantages of the new PAYE process**

Over time you'll find the new PAYE process leads to:

- more frequent updating of tax codes
- less underpayments and overpayments

It also supports the introduction of Universal Credit, an integrated working-age credit, which will replace income-related benefits and credits. It gives the Department for Work and Pensions (DWP) access to up-to-date information on a claimant's income from employment.

## **Getting your employee details ready**

You must ensure employee details, such as full name, home address, date of birth, National Insurance number and gender are correct before the new PAYE process is introduced. By doing this you will:

- ensure employees pay the correct Income Tax and NICs
- make it easier to match the information you send with HMRC's record of your employee
- reduce the number of employee queries you receive from HMRC

The best way to check these details are correct is to verify them against a birth certificate, passport, driving licence or official document from HMRC or DWP.

## **What if I run a manual payroll system?**

If you are a small employer (ie with nine or fewer employees) you can use either the free HMRC Basic PAYE Tools package or commercial payroll software which will allow you to submit the data to HMRC when you complete the payroll.

It is recommended that employers with more than nine employees use more appropriate software available from commercial software providers.

## **What is changing?**

Employers and pension providers will no longer have to:

- send an end of year return (P35, P14s and P38As) to HMRC
- send a form P45 to HMRC when an employee leaves; or a pensioner dies/ leaves the pension scheme
- send a form P46 to HMRC when an employee/pensioner joins.

## **What is staying the same?**

- the way tax and NICs are calculated
- the need to give employees/pensioners P60s
- the dates of payments to HMRC of PAYE income tax and NICs
- if required, the need to report expenses and benefits on a form P11D and pay class 1A NICs using form P11D(b)
- the need to provide leavers with a P45
- the need to obtain starter information.

### **How will RTI benefit employers and pension providers?**

RTI will remove admin burdens of £300m a year from employers/pension providers, mainly by removing the end of year return process. Embedded processes will also mean better data quality resulting in more accurate tax and NICs payments and fewer queries from employees or pensioners.

### **How will RTI be introduced?**

RTI will be introduced progressively to allow time for testing the new processes. HMRC began piloting RTI in earlier in the year.

### **Improving data quality: what needs to be done and when?**

Data quality is key to the successful introduction of RTI. Employers and pension providers should check the accuracy of their employee/pensioner data. This involves making sure that surname, forename, gender, address, date of birth and National Insurance number (NINO) are correct and in the right format for RTI purposes. Employers should also make sure that they add staff to their payrolls that will now need to be included with their RTI submissions, for example, those under the lower earnings limit (LEL).