



An Employers Introduction to Real Time Information (RTI)

“Real Time Information (RTI) is being introduced to improve the operation of PAYE. It will make the PAYE system easier for employers and HM Revenue & Customs (HMRC) to operate, and employees will receive information more quickly. It will also help support the introduction of Universal Credit.”

HM Revenue & Customs

From April 2013 employers and pension providers will begin to use the RTI service and all employers must be signed up by October 2013.

So What Does the Introduction of RTI Actually Mean?

The implementation of RTI means that employers and pension providers inform HMRC about tax, NIC and all other deductions such as student loan payments when or before the payments are made to the employee rather than waiting until the year end. This is to be done online by sending a 'Full Payment Submission' (FPS) through either an 'Electronic Data Interchange' (EDI) or through the Government Gateway.

After the initial set up time RTI will:

- Simplify the PAYE process by changing the reporting of starters and leavers and removing the need to prepare and submit year end forms P35 and P14.
- Make PAYE deductions more accurate for individuals.

- Enable HMRC to pursue late payments more effectively.
- Support the payment of Universal Credits.
- Reduce Tax Credits error and fraud.

The Initial Set Up

Before you can start using the RTI system every employer must undergo 'employer alignment' which is the confirmation of the employees details. This is done either on the first FPS or by an 'Employer Alignment Summary' (EAS). Most employers will be able to use the first FPS method but an EAS must be used if:

- You have over 250 employees, or
- Your PAYE system is 'split' i.e. if you have different payroll providers or if you can't make a single FPS submission due to bandwidth restrictions.

On your first FPS HMRC require that you include details of all employees in the current tax year (including starters that have not yet been paid and those that have already left), together with the hours each person normally works. A separate FPS may be submitted if you run monthly and weekly payrolls.

Once the first FPS or the EAS have been submitted, the subsequent FPS's will only include pay and deduction details for employees paid on that particular day.



From April 2013 employers and pension providers will begin to use the RTI service.



“HMRC is currently working with payroll software developers to ensure their products support RTI.”



Processing

HMRC is currently working with payroll software developers to ensure their products support RTI. The payroll will be run as normal but when finalising, the payment information must be sent to HMRC by way of EDI (to be integrated into the payroll software) or through the Government Gateway. Longer term HMRC is looking into sending the information at the same time as submitting BACS payment requests.

If you currently run a manual payroll or use the HMRC Basic Tool package for less than 9 employees you can download the updated version of Basic PAYE Tool to report PAYE electronically in real time. HMRC is recommending that if you have more than 9 employees you purchase a commercial payroll package (a full list of recommended packages is on the HMRC website).

If a new employee does not have a P45, HMRC no longer require form P46. All the relevant details will be included as part of the RTI submission on the new employees first payment date by way of a series of questions to be answered, similar to those currently found on a P46.

Employers no longer need to send forms P45 or P46 to HMRC when employees start and leave as this will be reported as part of their normal RTI submission.

If no employees are to be paid within a tax month, an 'Employer Payment Summary' (EPS) must still be submitted.

Processing the payroll year end

The good news with RTI is that year end forms P35, P14 and P38A will cease to exist. There will be a check box to indicate that this is your 'Final Submission' for the tax year which will lead onto the end of year questions and declaration.

What will not change between the current system and RTI?

- PAYE/NIC deductions – it is only the way they are reported that changes.
- Coding notice notifications – the employer can still choose how they wish to receive them.
- Reporting employee changes of circumstances (e.g. address) to HMRC – this is still the employee's responsibility.
- HMRC messages to employers – HMRC will continue to use their current service.
- Payment deadlines.
- Forms P60 and P11 remain unchanged.

Please contact us if you have any queries on this article or indeed, on any general accountancy or tax matters:

Neil Morrison - Perth

01738 441 888

neil.morrison@campbelldallas.co.uk

Roy Hogg - Stirling

01786 460 030

roy.hogg@campbelldallas.co.uk

Glossary Of Terms Used By HMRC

RTI	Real Time Information
PAYE	Pay As You Earn
NIC	National Insurance Contributions
NPS	National Insurance & PAYE Service
EDI	Electronic Data Interchange
FPS	Full Payment Submission
EAS	Employer Alignment Submission
EPS	Employer Payment Summary

Campbell Dallas is a leading independent firm of Chartered Accountants in Scotland. It is also the Scottish associate of UHY International. This summary has been prepared to provide information for general guidance only and is not intended to replace professional advice. No responsibility for loss occasioned to any person acting or refraining from acting as a result of the contents of this summary can be accepted by Campbell Dallas.

UHY A member of the UHY Hacker Young Group of independent UK partnerships. A member of Urbach Hacker Young, an international association of independent accounting and consulting firms.

www.campbelldallas.co.uk