PAYE Real Time Information

Are you ready for the biggest change to the PAYE system since 1944?

"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 Credits".

HM Revenue & Customs

Sage is....and we want to help you to be
Free Sage Whitepaper for RTI

March 2012

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Introduction to RTI

Background

The PAYE system has remained pretty much unchanged since it was introduced in 1944 and this year it celebrates its 68th birthday. PAYE is the method used by employees to pay Income Tax and National Insurance Contributions (NIC). Employers deduct payments from employees' pay each week or month.

The reason it has remained unchanged during the last 68 years is that for the majority of employers and employees it works. However, it is prone to fraud and this makes it difficult for HMRC to identify errors and help customers (employers and employees) resolve problems quickly and efficiently.

What is PAYE Real Time Information?

Real Time Information, or RTI, is a new system that's being introduced by HMRC to improve the operation of Pay as You Earn (PAYE). PAYE information will be collected more regularly and more efficiently when employers submit their regular payroll submissions.

Under the HMRC RTI system, employers will be required to send data about PAYE, NIC and student loans every time they pay their employees, rather than with their end-of-year tax return. HMRC hopes that RTI will help them to operate more efficiently and accurately.

Why are HMRC introducing RTI?

One the key drivers of RTI is to support the introduction of Universal Credits, which will overhaul the state benefits system by simplifying and streamlining benefits into one payment whilst reducing fraud and ensuring people receive the benefit payments they are entitled to. RTI will provide the Department of Work and Pensions with up to date information about a claimants' employment income enabling them to calculate Universal Credits payments without the need for claimants to supply employment or pension income information.

Under the current PAYE system, employers are only required to send information about their employees PAYE and NIC deductions at the end of the tax year. It is only then is HMRC able to review and check whether the information submitted is accurate and respond accordingly for under or overpayment.

RTI has been introduced to make the PAYE process simpler and less burdensome by removing the need to submit P35 and P14s as well as simplifying the employee new starter and leaver processes.

HMRC will be able to respond more efficiently to errors, improving the accuracy of employees PAYE and reduce the possibility of fraud, whilst also enabling more efficient collection of outstanding PAYE and NIC liabilities from employers.

What are the timescales for the introduction of RTI?

RTI will be introduced for some employers from April 2013 and will become mandatory for all employers by October 2013. HMRC will notify employers 4 to 6 weeks prior to when they must begin RTI submissions.

What does this mean for Employers?

Instead of sending information once a year at Payroll Year End, employers will need to submit information electronically to HMRC for PAYE, NIC and student loans every time they pay their employees.

Preparing for RTI

How are HMRC preparing for RTI?

In preparation for the mandatory migration of all employers in the UK to Real Time Information, HMRC are planning to run number of different phases:

- April 2012 to June 2012 - Pilot - HMRC will start running a small controlled pilot to circa 320 employers in the UK.
- July 2012 to October 2012 – Extended Pilot - HMRC are extending the pilot to another circa 1300 employers in the UK.
- November 2012 to March 2013 - Soft Launch - HMRC will migrate circa 250,000 employers into RTI
- April 2013 to October 2013 - Mandatory Migration – HMRC will start to mandate the migration of employers. It is still unknown how HMRC plan to migrate employers.

What should you do to prepare for RTI?

Instead of sending information once a year at Payroll Year End, employers will need to submit information electronically to HMRC for PAYE, NIC and student loans every time they pay their employees.

Tip 1 Familiarise yourself with RTI and understand how it will impact the processes you use to undertake your payroll whilst ensuring your employees continue to be paid on time.

Tip 2 Make sure the data that you store about your employees is accurate and up-to-date.

Tip 3 Educate your employees about how important it is that the information they provide you is accurate as this ensures that the payroll is calculated accurately.

Why it's important to make sure your data is accurate

With the introduction of Real Time Information (RTI) fast approaching, now is the time to make sure the information you hold about your employees is correct.

Under PAYE Real Time Information, the information that you submit to HMRC every time you pay your employees is matched against records HMRC store on their National Insurance and PAYE Service (NPS). If the records you submit don't match, you may trigger creating duplicate or inaccurate records which may result in incorrect tax calculations or HMRC compliance checks.

Do you know what over 80% of data problems are caused by?

HMRC state that over 80% of data quality problems are caused by holding incorrect information about an employees' name, date of birth or National Insurance number.

- 824 employees with the surname 'Unknown', 7 'Known' and 15 'Not Known'
- 572 people who surnames only included X, ranging from 'Mr X' to 'Mrs XXXXXXXXX'
- 507 employees called A.N. Other
- 160 surnames of 'Test' and 100 with 'do not use'
- 128 staff entered Mr, Ms or Mrs 'Dummy'
- 75 staff with the surname 'Casual', 11 'Cleaners', 9 'Workers' and 6 ' Students'
- Over 2,000 with an NI number of AB123456 and 1000 with a NI number of AA111111
- Forty employees were apparently over 200 hundred years old

What can I do to prepare for my data for Real Time Information?

To make sure you have the correct details for your employees, wherever possible check the information you need against an official document such as:

- HMRC and /or Department for Work and Pensions documentation
- Passport documentation
- Birth Certificate

If the employee cannot locate their NI Number, they can download Form CA5403 from the HMRC website, or they can phone the Registration Helpline on 0845 915 7006.

If the employee has never been issued with a National Insurance number, they should phone Jobcentre Plus on 0845 600 0643.

For more information about getting your employees information correct in preparation for RTI please visit **www.hmrc.gov.uk/rti/dip/get-payroll-right.htm**

Simple Do's and Don'ts of recording employee information for RTI

Company Information	Employee Name
• DO – enter your clients Accounts Office Reference • DO – enter your clients full Company Name and Address • DO – enter your clients correct Tax District and Reference Number	• DO – enter the employees full forename and surname • DO – enter a double barrelled forename or surname in full • DON'T – use 'known as' names e.g. if they are known as 'Bob' ensure you use 'Robert' • DON'T – enter an initial in either the Forename or Surname boxes
Date of Birth	**NI Number**
• DO – enter the correct date of birth and ensure it's in the format DD/MM/YYYY e.g. 05/05/1985 • DON'T – enter a default date of birth such as 01/01/1901 or make one up	• DO – only enter an employees' correct National Insurance Number • DON'T – make up an employees' National Insurance Number

Important: For further advice on data quality please visit
http://www.hmrc.gov.uk/rti/dip/data-quality.htm

Introduction to the 4 main RTI submission types

1. Employers Alignment Submission (EAS)

What is it?

EAS is a one off submission that will be used by HMRC to match and align your company and employee records against the data HMRC hold.

When do I submit it?

When you are invited join RTI by HMRC, this will be your first submission. Only large employers who employ more than 250 employees will need to submit an EAS, but small and medium employers can volunteer to submit if they wish to.

What type of information is submitted?*

- Company PAYE Reference
- Accounts Office Reference
- Tax Office Number
- Employee name and address
- Employee NI number and tax code
- Employee payroll ID
- Employment start and leave date

What should I do to prepare?

Ensure that you have checked the accuracy of your employee data before submitting for every employee (including those who have left or haven't been paid yet) from the start of the tax year.

Introduction to the 4 main RTI submission types (Cont.)

2. Full Payment Submission (FPS)

What is it?

FPS is the main and most common submission type consisting of the employee payments and deductions that will be required each time an employer makes a payment to an employee.

HMRC will use this submission to calculate how much PAYE and NIC liability is due from you each tax month.

When do I submit it?

Every time you make a payment to an employee, the submission must be made on or before the date the employee is paid.

Therefore if you process a mixture of weekly and monthly payrolls for your business, you will need to submit an FPS each time you pay your weekly and monthly employees.

What type of information is submitted?*

- Starter and leaver information
- Employee initial, forename and surname
- Employee NI number, tax code and gender
- Employee address
- Employee payment information
- PAYE and NIC contributions

What should I do to prepare?

1 If you are a large employer employing more than 250 employees, you must make sure you have already submitted an Employer Alignment Submission.

2 If you are a small employer and this is your first FPS submission, you must ensure that you have checked the accuracy of all your employee data before submitting.

* It is important to note that the information listed is not comprehensive and may be subject to change throughout HMRC pilot year. More up-to-date information can be found at **www.hmrc.gov.uk/rti**

Introduction to the 4 main RTI submission types (Cont.)

3. Employer Payment Summary

What is it?

HMRC will know from your regular FPS submissions how much your PAYE and NIC liability is. The EPS is only submitted where you need to advise HMRC of any alteration to this liability (such as where reclaiming statutory payments) or where you are informing them of a nil payment.

When do I submit it?

You should make this submission when or before the relevant monthly or quarterly liability payment is made to HMRC.

What type of information is submitted?*

- Whether no payment due
- Statutory Payments Recovered
- NIC Compensation on Statutory Payments
- Advance funding obtained from HMRC for tax refunds and statutory payments
- CIS Deductions Suffered
- NIC Holiday

What should I do to prepare?

1. Identify whether you need to make this submission i.e. if you need to inform HMRC of any adjustments to your monthly or quarterly PAYE and NIC liability.

2. Ensure you make the submission on or before the relevant monthly or quarterly liability payment is due.

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Introduction to the 4 main RTI submission types (Cont.)

4. National Insurance Verification Request (NVR)

What is it?

An employee's National Insurance is a vital piece of information under RTI which uniquely identifies and employee. An NRV submission allows employers to validate an employee's National Insurance Number (NINO) or request one where a new or existing employee does not have one.

When do I submit it?

You can make an NVR submission at any time should you require to validate, confirm or request an employee's NI number. HMRC will either confirm the National Insurance Number is correct, or advise that the number should not be used

What type of information is submitted? *

- Employees name
- Employees date of birth and gender
- Employees address

What should I do to prepare?

1 Ensure the information the employee has provided to you for their name, date of birth, gender and address is accurate.

2 Don't make up or enter an invalid National Insurance Number

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What does Payroll Year End look like under RTI?

What is no longer required?

- You will no longer be required to make P14 and P35 submissions
- You will no longer be required to submit P38A returns for casual employees

What will you continue to do?

- You will continue to provide your employees with P60's
- You will continue to complete any P11D and P11D(b) for taxable benefits and expenses

What advice can we give to Accountants?

Accountants are integral in ensuring your clients' employee information is accurate and failure to ensure this may impact on getting their payroll paid on time.

Tip 1 Familiarise yourself with RTI and take a look at the processes you use with your client, for example taking on new employees or updating existing employee information. Ensure that your clients provide you with accurate data.

Tip 2 Communicate and educate your clients about RTI and how it's important that their data is accurate and delivered on time.

How will Sage ensure compliance with Real Time Information?

We have been working very closely with HMRC on RTI since the beginning, investing significant resource in ensuring our Sage Payroll solutions are "RTI Ready" for the HMRC pilot starting April 2012 and will be "RTI Compliant" well in advance of April 2013.

At Sage, we have been providing simple and easy to use payroll software for 30 years and have continued to achieve the HMRC stringent Payroll standard. We will be ensuring all customers with a valid SageCover support contract will receive the software updates that will make the transition to RTI simple and pain free.

Over 485,000 employers in the UK choose Sage Payroll solutions to pay over 7.5 million employees, that's 1 in every 4 employees.