

Real Time Information (RTI)

RTI is the new way that HMRC will collect payroll information from employers. From April 2013 HMRC must be told about every payment to an employee *before the payment is made* or at the very latest *when the payment is made* (though in November 2012 some exceptions were made to this rule). So, for example, if you pay your employees every Friday, then every week, by Friday at the latest, HMRC must be told about the payment.

Why Now?

The government have introduced RTI for several reasons. One of the most obvious is that it means HMRC will have up to date information, so will be able to settle tax queries much more quickly and supply employees with a correct tax code within the tax year, rather than waiting to receive all the necessary information at the end of the year. Another reason for implementing RTI now, is to support Universal Tax Credits, which are due in October 2013.

What happens now?

HMRC will write to all employers telling them their start date, which for almost all employers with fewer than 5,000 employees will be 6th April 2013. As an employer, the first thing you should do is to check that the software you (or your payroll provider) use is RTI ready. There are some well established payroll software products which will not be updated for RTI, so don't just assume that yours will be. The Sage Payroll software that the Riverview Portfolio payroll team use is fully compliant with RTI and all payroll staff have been fully trained in its use, so our clients have nothing to worry about.

What difference will it make to my payroll?

This is not merely a change in the timing of reporting, there will also be additional information collected about each employee, and **all employees**, including casual and part-time or low paid workers must be included, which means that if you take on anyone, for however brief a time, you **MUST** collect their personal information before they start work.



Before April 6th 2013

Once you have checked that you have appropriate software or payroll provision, your next step is to check that the information you currently hold for your employees is correct, and to collect any further information such as contracted hours, that may not currently be stored within your payroll system. Also, adding any workers who are not usually processed in the payroll system. You should also look at what payments are made through your payroll and ensure that loans, advances, dividends and expense payments, etc. will be correctly reported.

New Information

RTI will be used to support Universal Tax Credits and for this reason employees must be put into one of the following bands for their **expected weekly working hours**;

- A. Up to 15.99 hours
- B. 16 to 29.99 hours
- C. 30 hours or more
- D. Other

Passport Number – Only if you currently collect it. As you should be checking the passports of all new employees, it would be sensible to collect the passport number of new employees, even if you don't have it for your current employees.

If an employee is making a claim for additional statutory paternity pay (ASPP) you will need their **partner's full name**. You do not need to collect this information for all employees.

RTI Reports

The first submission under RTI will be the **Employer Alignment Submission (EPS)** which will include the company details including name, address, PAYE reference and Accounts Office reference plus all employee details.

The **Full Payment Submission (FPS)** must be sent on or before each pay date, so weekly, fortnightly or monthly or whenever you run your payroll, and will include all payments and tax and NI information for each employee, including new starters and leavers. Once submitted this report cannot be re-submitted, so any changes or corrections to employees pay have to be processed in the next pay period.

The **Employer Payment Submission (EPS)** will be made in any period when there are statutory payments such as SMP or SSP which will reduce your P32 payment, where there is a CIS deduction or where there is no PAYE or NI due for the tax month.

If you have good systems in place you may never need the **Earlier Year Update (EYU)**, which is available for adjusting a prior year's submission, but only for years in which you made RTI submissions.

Penalties

It is unlikely that HMRC will apply penalties for the first 6 months or so while everyone gets used to the new system (but this is not guaranteed) and after this period automatic penalties will apply for late or incorrect submissions.

RTI will allow HMRC to keep up to date with employee tax affairs and this may lead to more frequent changes in tax codes, which must be applied from the effective date.

RTI will also allow HMRC to see exactly what P32 payment is due each month and they will expect all of it on time or penalties will be sent out.

Conclusion

The whole system for collecting tax and National Insurance details for workers in the UK is changing. Every single employer will be affected by the change. This document is a very brief look at how RTI will work for most employers. There will be issues that affect particular employers which we have not covered here.

The Riverview Portfolio payroll team is very experienced in a wide variety of payroll settings and have been updated by the Chartered Institute of Payroll & Pensions and by our software suppliers on the subject of RTI for many months. If you would like to discuss how RTI affects your payroll, or if you would like a quote for outsourcing your payroll, please contact Riverview Portfolio Ltd.