

Are you ready for Real Time Information (RTI)?

1. The 2013/14 tax year – effective from **6 April 2013** – will see the biggest change in the PAYE system since it was introduced in 1944.
2. Under RTI, information about income tax, national insurance contributions (NICs) and other deductions under PAYE will be sent to HMRC **ONLINE each time the payroll is processed**, whether this is weekly or monthly. Every time the payroll is processed, the PAYE software will collect the relevant information and send it to HMRC online, on or before the pay date. So, if payroll is processed weekly, there will be a minimum of 52 online submissions per year and a minimum of 12 for monthly payroll. Currently, information is sent annually on P35 Annual Returns.
3. There are a number of different types of RTI submissions. The main ones are:
 - **The Full Payment Submission (FPS)** is the main submission type and is sent each time an employer pays their employees.
 - **The Employers Payment Summary (EPS)** will be ALSO be sent to HMRC if in any PAYE month an employer has made any statutory payments such as sick pay or maternity pay, etc. or has suffered any CIS deductions, or has not deducted any PAYE/NIC from any employee because it has not paid them.
4. The information that will be sent to HMRC under the **FPS** will be all the elements included within employee's payslips and also details of employees who have joined or left since the previous period.
5. As all payroll information will be sent to HMRC in real time, there will also be no need to complete and file end of year Employer Annual Return Forms P35 and P14. Also, submission of forms P46 and P45 will not be required.
6. The changes are necessary to provide the PAYE system with an overhaul, but more importantly to support the operation of the **universal credit system** which is being introduced from October 2013 as the replacement for a variety of benefits that include working tax credits, jobseekers allowance and housing benefit.
7. It is anticipated that the new system will reduce the capacity for fraud and error (estimated at £1bn a year) by HMRC's systems linking directly to those of Department of Work & Pensions (DWP), and also

support a less bureaucratic tax credits and benefits system. HMRC will pass to DWP some of the real time information provided by employers and DWP will use the information in the Universal Credit award calculation. Information reported in real time will mean Universal Credit payments can be adjusted according to a claimant's earnings.

8. As an employer you should ensure that your payroll software is updated for RTI and be ready for its implementation in April 2013. In the intervening period, you should carry out a review of existing data in advance of RTI going live to ensure that you are fully compliant.
9. The first payroll processed after 6 April 2013 will require submission of information about each one of your employees that have been with you since the start of the tax year, regardless of whether or not they have been paid, or have since ceased their employment. The first submission must be accurate and this will be called the '**alignment process**' which will enable HMRC to verify that they have the correct employee information. If the data submitted to HMRC is faulty, this could lead to the creation of duplicate or inaccurate records. The following data must be accurate:
 - full forenames and surnames
 - correct addresses
 - correct gender
 - dates of birth
 - NI number
10. There will be a new requirement to state the number of hours worked by an employee per week/month – this is **mandatory**, and is sent with all FPS submissions. HMRC ask for you to choose from one of the following bands when reporting how many hours an employee, including DIRECTORS, would normally work in a week:
 - '**Up to 15.99 hrs**'
 - '**16 to 29.99 hours**'
 - '**30 hrs or more**', or
 - '**Other**'

Frequently Asked Questions

What will RTI do?

Using RTI, employers and pension providers will tell HM Revenue & Customs (HMRC) about tax, National Insurance contributions (NICs) and other deductions when or before the payments are made, instead of waiting until after the end of the tax year. RTI will:

- make the PAYE process simpler and less burdensome for employers and HMRC for example by removing the need for the end of year return (forms P35 and P14) and simplifying the employee starting and leaving processes
- make PAYE more accurate for individuals, over time reducing the number of bills and repayments sent after the end of the tax year
- enable HMRC to pursue late payments more effectively
- support the payment of Universal Credit
- reduce Tax Credits error and fraud

Employers and pension providers will send this information to HMRC online for payments made to all their employees including those paid below the National Insurance Lower Earnings Limit (LEL).

Why does an FPS include the hours worked?

The hours worked is required for the purposes of calculating Tax Credit payments.

How does RTI support the payment of Universal Credit?

RTI will support Universal Credit by providing the Department for Work and Pensions (DWP) with up to date information about claimants' employment income, enabling them to calculate Universal Credit payments without the need for claimants to supply employment or pension income information.

Once I have joined RTI will I still need to file P35s and P14s?

The majority of employers will join RTI in April 2013, and so will need to file their P35/P14s as normal for the year 2012-13 before moving onto RTI. Employers that join RTI early (before April 2013) as part of the HMRC pilot scheme will **not** be required to file a P35/P14 for 2012-13.

What about the P45 and P46 for joiners and leavers?

Once an employer has joined RTI they will no longer submit P45 or P46 forms for starters and leavers, as this information is automatically sent as part of the **FPS** submission. Employers will still need to issue paper copy of the P45 (a 'leaver statement') when an employee leaves.

I pay my employees monthly, which is when they receive their payslips. However, I also make 'interim' payments mid-month, when I pay my employees a proportion of the net pay they would otherwise receive at the end of the month. Do I need to send an FPS for these interim payments?

Under the regulations, whenever a payment of PAYE employment income is made, PAYE should be operated and an FPS submitted on or before the time the payment is made. A loan from the employer to the employee is not subject to PAYE and not does need to be reported to HMRC. A loan is an amount of money given by an

employer to an employee with the expectation that this amount is repaid to the employer.

If I pay an advance to an employee, do I need to do an FPS?

An 'advance' can be a loan or a payment on account of earnings. It is the nature of the payment that determines whether it is subject to PAYE. Payments on account of earnings are subject to PAYE and need to be reported in an FPS. Loans are not subject to PAYE and do not need to be reported.

Do I still need to give my employees a P60 at the end of the year?

Yes. Although RTI replaces the need for end of year filing to HMRC of P35 and P14 reports, it will still be necessary to issue each employee with a P60 at year-end.

What happens if I make a mistake in the payroll details?

If you make a change to a pay period after you have submitted the RTI return for that period (e.g. because you needed to correct a mistake in the payroll), then you do **not** need to re-submit the return. Because the RTI return contains year-to-date totals, the error will be corrected when you submit the return for the next pay period in the normal way.

What about expenses and benefits - P11d?

Nothing is changing with regards to expenses and benefits so you will still be required to file expenses and benefit returns (P11d's and P9D) as before.

What about PAYE/NIC payments?

Nothing is changing with regard to this – the dates by which you need to make payment to HMRC remain the same.

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