



S E A M A N , H E R B E R T *&* C O

Making your business our business

Real Time Information



RTI will affect all employers from the 5th April 2013. This guide aims to get you prepared for the changes ahead, exploring the requirements of RTI and your options with regard to your own payroll process.

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What Is Real Time Information (RTI) & Why?

Current PAYE Operation

At present, an employer calculates their payroll on, for example, a weekly basis, and pays the Pay As You Earn (PAYE) deductions to H M Revenue & Customs (HMRC) on a monthly basis. At no point during the year do HMRC know how much the liability of the employer is, and can only reconcile payments to liabilities when the Employer Annual Return is submitted.

Employers are required to maintain a P11 or equivalent payroll deductions record for their employees during the tax year, and submit the information via the Employer Annual Return, which comprises of a form P14 for each employee for whom they have maintained a P11, and a form P35 which summarises the end of year payroll totals for all of their employees.

The 2012/13 tax year will be the final tax year that an Employer Annual Return is due from most employers. The Returns must reach HMRC no later than 19th May following the end of the tax year, and if the return is late, HMRC may charge a penalty dependant on the amount of time the return is outstanding.

How RTI Affects Employees

The introduction of RTI will impact on employees in a number of ways. Firstly, National Insurance Number verification and correction for an employee will be requested by employers and sent by HMRC in real time.

Once RTI is up and running, the information will be used by HMRC to more quickly correct tax codes, and details of the income of each employee will be sent to HMRC each and every time they are paid.

Universal Credits will use the submitted information as part of its benefits process, and so employees are more likely to receive the correct amount of benefits, where applicable.

Overall, RTI is intended to ensure that employees pay the right amount of tax, and that they receive the correct amount of benefits to which they are entitled, if any.

How RTI Affects Employers

Most employers will enrol onto RTI in April 2013, and it will be compulsory for all employers from October 2013. This will mean there will be a single process tying together information and payment – the PAYE payment made to HMRC will tie up to the information employers provide to HMRC each month. This means that HMRC will receive the right money at the right time.

Employers will see their payroll process change upon the introduction of RTI. Employers will still calculate the tax, National Insurance Contributions (NIC) and Student Loan repayments in the same way. However, instead of submitting the figures at the end of the tax year, the payroll figures will be submitted to HMRC each time an employer runs their payroll.

As the year end process will no longer be required, this means that forms P14 and P35 will no longer be due. There will also be a new process for starters and leavers, but P45s and P60s will remain.

Each employer will need to ensure that employee and employer details are correct before their first RTI submission. Only an individual can update their personal details with HMRC, but employers must ensure their employees contact HMRC to update their data so the information held by both HMRC and the employer is the same.

Finally, staff who were only previously included on a P38A will now need to be included on the payroll if there is one or more employees receiving greater than the lower earnings limit (LEL, £109 per week for the tax year 2013/14) for NI. If there are no employee's earning above the LEL, then submissions will be unnecessary providing a P46 stating that this is the employee's only job has been signed & retained by the employer.

Why The Changes Were Necessary & HMRC Objectives

RTI is to be introduced to improve the operation of PAYE for employers, HMRC and employees, and also provide accurate records on wages and tax for the forthcoming Universal Credit, so eligible employees will receive the right amount of benefits.

It is viewed as a single integrated real-time process, replacing the separate end of year process, with the hope of reducing the burden on employers, and giving better tax and benefit administration to the Government.

HMRC's main aims are:

- To simplify the PAYE process
- Improve taxpayer and employer experience
- To enable a more efficient response to PAYE errors
- To simplify the employee starter/leaver process
- To support the introduction of Universal Credits
- To reduce fraud and ensure individuals receive their correct entitlement to benefits
- To provide HMRC and the Department for Work & Pensions with up-to-date information about each individual's employment income more efficiently.

What Do Employers Need To Do?

1. Register for PAYE online services if not already done so
2. Collate all required information from employees (see next chapter)
3. Inform all employees of the need for them to be responsible for updating their information with HMRC and the employer immediately
4. Review procedures when processing payments
 - Payrolls can no longer be processed in arrears
 - Advance payments must be recorded at the time of payment
 - Annual payrolls will be required to be set up as annual pay frequency rather than at the end of the year
5. Consult with employees, review and perhaps vary employment contracts
 - May wish to introduce a contractual obligation that employees provide accurate information to employers throughout their employment
 - Include breach of obligation in disciplinary policy, as incorrect data can lead to rejection of RTI submissions.

- If changes to processes, for example if pay is no longer in arrears, it may lead to a variation in employment terms
- 6. Ensure your payroll process & software is RTI compliant – contact your current software provider or payroll service provider to guarantee they will be compliant.
- 7. Consult with Bacs provider to check they are RTI compliant.
- 8. You will still need to send your end-of-year return for 2012/13 by 19th May 2013.

All of the above needs to be completed before the commencement of the employers RTI obligations. HMRC will inform all employers in February of their 'boarding date', likely to be from 6th April 2013, so it would be advisable for employers to prepare as soon as possible.

Pilot Feedback

HMRC has been running RTI for more than a year through a pilot scheme, to which companies could volunteer to be a part of. Up to January 2013, HMRC has received feedback from employers enrolled on the pilot scheme who have given advice to employers about to join RTI, which is summarised below:

- Ensure good quality software is in place & staff are trained to use it
- Ensure data is correct
- Become familiar with reconciliations
- Ensure staff hours are known
- Set an approach:
 - Cleanse data
 - Align records with HMRC
 - Implement submission & reconciliation routines
- Put processes in place to capture right data for employees
- Allow additional time for the first submission to account for rejection
- Confirm with BACS supplier that their software is RTI compliant to generate the hash
- Emphasise to staff the need to collect correct information & keep up to date.

HMRC have stated that throughout most of the pilot scheme, the feedback has been good, and the majority of participants have stated that RTI is not as difficult as it may seem. Initially, RTI added an extra five or ten minutes to the usual payroll run for most employers, but this reduced as it became part of the normal routine.

HMRC have highlighted the following findings from the pilot scheme:

- Alignment submissions take seconds for small employers, but take longer for larger employers.
- Data cleansing is the most important step prior to going 'live' as this lowers the risk of submission rejections
- Irregular payment indicators need to be highlighted, or HMRC may deem the employee to have left your employment
- NINo Verification Requests cannot be performed immediately after submission of an Employer Alignment Summary – you must wait a couple of days.

Required Information For RTI

RTI requires two regular submissions – an Employer Payment Summary (EPS) and a Full Payment Submission (FPS). An initial Employer Alignment Summary (EAS) is also required upon joining the RTI scheme. The following list of information is required on the submissions:

Compulsory Employer Information

The following information must be included on every FPS and EPS:

Name	Details	Where To Find
HMRC Office Number	3 digits, this is the first part of the employer PAYE reference.	P6/P9 notice of coding or Annual/Budget letter
Employer PAYE Reference	This is the second part following the Office Number, after the slash.	
Accounts Office Reference	E.G. 123PA00012345. This is used to identify your payments of PAYE.	P30BC Payment booklet or P30B 'Paying electronically'
Related Tax Year	The income tax year to which the submissions relate.	Begins every 6 th April

Additional Employer Information

The following information must be included on every FPS if it applies to your business:

Name	Details	Where To Find
Employers Contracted Out Number (ECON)	Applies if you operate an occupational contracted-out scheme. Must show if any employee has been in a contracted out scheme at any time during the tax year.	Contracted Out Certificate
Self Assessment UTR	If you are an employer who is a sole proprietor or partnership	HMRC Correspondence
Corporation Tax Reference	If you operate as a limited company.	HMRC Correspondence

Employee Information

Name	Details
National Insurance Number	Only if you know it. DO NOT enter a fake number – leave it blank & complete address field & submit a NINo Verification Request.
Title	Mr, Mrs, Miss etc.
Surname/Family Name	Must include a surname.
Forename/Given Name	Must include a full forename – no nicknames.
Initials	If you don't know the full forename, enter the initials of the forename.
Second Forename	May include the employee's second (middle) forename if they have one.
Date Of Birth	Must include the employee's correct date of birth.
Gender	Must include the employee's current gender.
Address	Must include address for every new starter or where NINo is not known, Must provide address on each FPS until NINo is known.
Post Code	Must include if the employee lives in the UK.
Foreign Country	If employee lives abroad, must include this and the full address.
Payroll ID	Makes it easier to identify employee – use a different one for each employee, do not re-use numbers.
Payroll ID Changed	Only check if you change the payroll ID.

Indicator	
Old Payroll ID For This Employment	Include if the payroll ID has been changed.
Irregular Employment Pattern Indicator	For casual employees, those on long term sick, maternity pay etc. If they are not paid for a certain period, HMRC will deem them to have left, this shows that they have not.

Starter Details

Name	Details
Start Date	Date the employee commenced employment.
Starter Declaration	Employee Declares: A. First Job Since 6 th April B. Currently only job but had one since 6 th April C. Have another job
Address	Must include if this is the first FPS they are on.
Post Code	If they live in the UK.
Foreign Country	Must state country & include address.
Student Loan Indicator	If a new employee gives you a P45 with a Y in box 5 or states that they have an income contingent Student Loan to repay.
Passport Number	If their passport has been checked to ensure they have right to work in the UK, must include the passport number.

Leaver Details

Name	Details
Date Of Leaving	Date at which employment ceased. If the scheme is closed, must include a leave date for all employees.
Payment After Leaving	Indicator to state if there has been a payment to an employee who has been flagged as leaving in a previous FPS. Revised year to date (YTD) figures should include payment after leaving.

Year To Date (YTD) Information – On every FPS

- Taxable pay to date in this employment
- Total tax to date in this employment
- Total Student Loan Repayments Recovered to date in this employment
- Pay frequency – W1 (weekly), W2 (bi-weekly), W4 (four weekly), M1 (monthly), M3 (quarterly), M6 (bi-annual), MA (annual), IO (one off), IR (irregular)
- Payment date
- Tax week/Month number
- Number of earnings period covered by payment
- Aggregated earnings indicator
- Normal hours worked (this is the average hours an employee normally works, not the hours to which they are contracted to) – up to 15.99, 16-29.99, 30+, other (pensioners, directors)
- Tax code
- W1/M1 indicator
- BACS hash code

Pay & Deductions – Every FPS

- Taxable pay in period

- Benefits taxed via payroll (still have to complete P11d)
- Tax deducted/refunded
- Student Loan Deductions Recovered in period
- Pay after statutory deductions
- Employee pension contributions
- Deductions from net pay
- Non tax/NIC payments
- Items subject to class 1 NIC
- Employee Pension contributions not paid under net pay agreement
- Statutory Sick Pay YTD
- Statutory Maternity Pay YTD
- Ordinary Statutory Paternity Pay YTD
- Statutory Adoption Pay YTD
- Additional Statutory Paternity Pay YTD
 - Partner Surname
 - Partner forename
 - Partner 2nd forename
 - Partner NINo
- Benefits taxed via payroll YTD
- Employee Pension Contributions under net pay arrangements YTD
- Employee Pension Contributions not under net pay arrangements YTD
- On strike indicator
- Unpaid absence indicator

National Insurance Contributions

For payments on which NIC are due:

- National Insurance Category letter
- Gross earnings for NICs in this period
- Gross earnings for NICs YTD
- Earnings at the Lower Earnings Limit (LEL) YTD (do not include earnings less than LEL)
- Earnings above LEL up to & including the Primary Threshold (PT) YTD
- Earnings above the PT, up to & including the Upper Accrual Point (UAP) YTD
- Earnings above the UAP, up to and including the Upper Earnings Limit (UEL) YTD
- Scheme Contracted Out Number

Record for every payment:

- Total Employer's Contributions payable in this pay period
- Total Employer's Contributions payable YTD
- Employee Contributions payable this period
- Employee Contributions payable YTD

When a director is paid:

- Director's NIC calculation method (AN if annual method, AL if alternative)
- Week of Director's appointment (if after week 1)

Information to be Included on an Employer Payment Summary (EPS)

If no payments are made or there is a deduction to the tax, NIC and student loans due, for example SMP, then an EPS must be submitted by the 19th of the month. The following information is due on an EPS:

- No Payment for Period indicator
- No payment dates from (if no payment indicated)
- No payment dates to (if no payment indicated)
- Period of inactivity from (can set if you know there'll be no payments in future periods)
- Period of inactivity to
- SSP Recovered YTD
- SMP Recovered YTD
- OSPP Recovered YTD
- SAP Recovered YTD
- ASPP Recovered YTD
- NIC Compensation on SMP YTD
- NIC Compensation on OSPP YTD
- NIC Compensation on SAP YTD
- NIC Compensation on ASPP YTD
- CIS Deductions Suffered YTD
- NICs Holiday YTD

End Of Tax Year And End Of Scheme Information

When an employer makes their final submission for the year, whether that is an FPS or EPS, they must include the following information, which is much the same as the current P35:

- Ceased indicator (if scheme has closed)
- Date scheme has closed
- Final Submission for year indicator
- Free of tax payments indicator
- Expenses and benefit indicator
- Employees out of UK indicator
- Employees pay to third party indicator
- Forms P11D & P11D(b) due indicator
- Service company indicator

The RTI Process

Once all the relevant data has been collected, employers must report it to HMRC. This section is a guide to the processes that RTI requires, and how best to go about doing them.

Data Quality & Validation

Providing accurate data to HMRC has always been important, and it is to be even more so in future, to ensure the correct amount of Tax and National Insurance is paid by each employee, and to protect their entitlement to benefits and pensions.

The first step in the RTI process is to ensure that the data you hold for all current employees is complete and up to date, as this will be submitted to HMRC for validation against their own database.

In particular, you need to ensure that the following employee details are accurate:-

- Full employee name
- Date of birth
- National Insurance number
- Full postal address

The information HMRC holds on your employees must match your payroll records, so in order to ensure accuracy you may find the following tips helpful:

- Never make up personal information for employees
- Ensure you send full names, not initials or 'known' names (e.g. William, not Bill)
- Ensure date of birth is in the correct format (i.e. DD/MM/YYYY)
- Ensure the National Insurance number is in the correct format (2 letters, followed by 6 numbers, then the letter A, B, C or D).

The implications of poor quality data can be as follows:

- Duplicate employment records
- Inaccurate tax codes
- Higher volume of tax code update rejection
- Impact on readiness for RTI
- Taxed incorrect amounts during year
- Over/underpayments generated
- Accuracy of Universal Credit calculations & entitlement to state pensions.

When making the move onto RTI, employers will have to supply HMRC with an extract of records showing all employees employed by the company since the start of the tax year. HMRC will inform employers if any of their information does not match that held on HMRC's database.

Employer Alignment Summary (EAS)

All employees who will be working for an employer going forward must be included on this submission, including those who may be paid less frequently, with the irregular payment pattern indicator set. All employees who have been employed since 6th April of the tax year must be included.

In most cases, the employee details for payroll alignment will be submitted when the first FPS is submitted. In some instances, where employers are considered large or to have complicated PAYE systems, HMRC may require a separate EAS submission prior to submission of the first FPS. It is important that the details on these submissions are right – if they are, it significantly reduces the chances of any future reporting problems.

All employer information, starter details, payment details and pay frequency information should be reported on the FPS to ensure they are included (see Required Information for RTI section), even if an employee has not been paid in the period to which the first FPS relates.

To submit an EAS, payroll software will connect to HMRC to send the report, so employers should check with their payroll providers for how to do this.

Calculating Payroll

There will be no change to the way in which payroll is calculated. RTI will only affect the way in which payroll is reported, including the reporting of starters, leavers, and pay for the year to date.

Full Payment Submission (FPS)

Each time a payment is made to an employee, an employer should submit an FPS to HMRC on or before the date of that payment (subject to certain exceptions).

Submission of FPS's will become ingrained in the payroll process, as one must be submitted containing pay period figures, YTD figures, employee details, hours worked, new starters, leavers, irregular payment indicators and payment after leaving indicators each time the payroll is run.

The FPS gives accurate payroll information to HMRC and can be submitted in advance, for example when employees go on holiday. If no one has been paid at all during the month, an EPS must be submitted instead of an FPS.

Employer Payment Summary (EPS)

An employer payment summary contains details of an employer's PAYE liability. Details of reclaimed values deducted from the payment of PAYE due will be included, and an EPS is only required if adjustments have been made to the PAYE liability or if there has been no payments to employees in the month. If there are no adjustments to tax, NI or student loan deductions, then it is not necessary to submit an EPS.

If an EPS is required, it must be submitted by the 19th of each month, with the figures used being up to the 5th of the month. YTD figures will be used on an EPS.

New Starters/Leavers

Under RTI, employers will not be required to submit forms P45 or P46, as this will be reported in real time when the payroll information is submitted to HMRC on an FPS. A form P46 may still be used to collect employee information and determine the correct tax code, but it will no longer be submitted to HMRC.

This means that employers must acquire all the required information on new starters as soon as possible, before their first pay date. If the information provided fails HMRC validation checks, employers will not be able to process pay for new employees. Therefore, please ensure that correct information for all new and existing employees is obtained and retained. HMRC have a starter checklist that you can find a link to in the Useful Links section.

Under the current system, you are required to submit form P45 for any employee leaving your employment to HMRC. RTI will remove this requirement, as reporting leavers will form part of the routine payroll information submitted to HMRC on an FPS. You will still be required to give a form P45 to departing employees.

BACS Payments

If employees are paid by direct BACS, employers must ensure their BACS software has been updated, as they will be required to submit a cross reference, known as a hash, on FPS submissions. This is only required where employers make BACS payments using their own Service User Number. If an employer is unsure as to whether they have a SUN, they must contact their BACS provider.

More information regarding RTI and BACS can be found in the useful links section.

Year End Process

HMRC currently requires each employer to submit a P35 and P14s at the year end, but RTI will remove this requirement, as information will be submitted each time the payroll is run.

Employers will still be required to give P60s to employees, but will now only have to indicate on their last submission on or before the end of the tax year (5th April) that it is the final submission for the tax year, and complete the declarations as are currently required, on either the final FPS or EPS, whichever is submitted later.

Summary

RTI reporting must become part of an employer's regular payroll process. Once an employer has aligned their payroll with HMRC, they will be required to submit an FPS each time they run a payroll, and an EPS each month where there are adjustments to the employer's PAYE liability or where no payment have been made to employees during the month.

All staff, even those under the LEL for NI (provided one or more staff are above the LEL), will have their information reported on an RTI basis. Employee information must be acquired from day one of employment, as information is submitted the first time the employee is paid. If all staff are below the LEL, then a payroll scheme is not required, and so RTI does not apply, as long as all employees have signed a P46 stating that this is their only job.

It is important for employers to become accustomed to the reports required for submission, and to ensure the overall RTI process, from initial EAS submission to the final FPS & EPS of the year, can be performed easily and to find adequate software with which to do this.

Finally, each time a submission is made to HMRC, they will send out a confirmation email to the employer so that the employer can ensure the submission was made successfully.

Payroll Amendments

Employers should make every effort to ensure initial submissions of FPS's are accurate, but HMRC acknowledge that mistakes can happen from time to time. If they do, it is imperative that they are corrected as soon as they come to light.

Employee's Personal Information

If an employer makes an error regarding the employee's personal details on an FPS, they must contact the employer helpline to report the error (see useful links).

Personal Details Have Changed

An employer must advise their employee to report changes in their personal details, such as address or surname, to HMRC. They can do this online or in writing – see the useful links section for details of where/how to do this.

The new details should be entered on payroll records so that they are reported on the next FPS. This will not update the employees record held by HMRC – they must still contact HMRC to do this themselves.

Wrong Start/Leave Date

If the wrong date is recorded for an employee, their payroll record must be updated to correct this error. This must not, however, be reported on the next FPS to HMRC, as this will lead to a duplication of the employee's record on HMRC's system and possibly result in the issuance of an incorrect code number.

Employee Comes Off The Payroll

If an employee has been removed from the payroll in error, for example if they change their mind and decide to stay instead of leaving, and HMRC have already been notified of a leave date on an FPS, employers should write to the Employer Office or contact HMRC's employer helpline to inform them of the required amendment.

Current Year Payroll Errors

If a mistake has been made in the current tax year, or it is discovered that information that has already been reported is incorrect, the action needed depends on when the error is discovered.

Discovered Before Submission Of The Next FPS

The error can be corrected by either using revised YTD figures on the next regular FPS (often the easiest method), or to show the adjustment by submitting an additional FPS for the pay period to which the error relates.

If the correction leads to an extra payment to the employee, then an additional FPS should be submitted on or before the date of the additional payment.

If an employer is to show the adjustment on an additional FPS for the pay period to which the error relates, the following procedures must be applied:

- 'In This Pay Period' fields must only contain the difference between what had been originally reported and what the figure should be on that payment date;
- The YTD figures must be updated to reflect the correct position for that and previous pay periods
- Correct changes should be made to the employee's NICs
- The additional FPS must be clearly marked with the payment date to which it relates.

If a report shows an employees pay to be overstated, then an additional FPS for the period in question may be submitted but the 'In This Pay Period' fields will show zero and amendments will only be made to the YTD figures, or the YTD figures can be adjusted on the next FPS, adjusting the net pay, PAYE tax and NICs data for each NI category letter.

Discovered After Submission Of The Next FPS

If the error results in an additional payment to the employee outside of the regular payroll cycle, then an additional FPS must be submitted on or before the date of the payment. If the error does not necessitate an additional payment, the error will be amended by adjusting the YTD figures on the next payroll run.

Discovered After The Employee Has Left Employment

The correction must be included on the next available FPS, showing the updated YTD figures reflecting the correct YTD position at their date of leaving. The original leave date must be shown again on the FPS and the payment date must be the same as or later than the original payment date shown on the employee's last FPS.

National Insurance Category Letters – Correcting Errors

If an incorrect NI category letter was used for an employee on a submitted FPS, on the next FPS, an employer must make an entry in all the NI data fields even if it is zero, for the incorrect category letter and enter the correct category letter and show, for that letter, the correct YTD NI data.

Reporting Errors On An EPS – Current Tax Year

If there has been a mistake on an EPS in the current tax year, another EPS showing the correct total YTD figures should be sent. An EPS should always show the correct total YTD figures, so the difference between the original figures and the accurate figures should not be shown.

End Of Tax Year – Final Payment Indicator Omitted

If the final payment indicator has been omitted from the final FPS, an EPS must be submitted indicating that it is the final submission for the tax year, including the end of year declarations and questions.

Earlier Year Update (EYU)

If an error only comes to light on or after 20th April following the end of the tax year, an EYU must be submitted. An EYU can only be submitted for years where an employer operated PAYE in real time.

An EYU should only record the difference between what was actually submitted, and what should have been submitted at the end of the tax year. See the EYU checklist in the Useful Links section for what to submit on an EYU.

Correcting NI Category Errors Using An EYU

If an incorrect NI category was used throughout the year, an EYU should contain both the incorrect category letter and negative amounts in all the NI YTD fields to reduce the YTD figures in that category to nil, and the correct category letter should contain the correct YTD NI data for that category letter.

Previous Tax Year Errors On An EPS

If there has been an error on the final EPS of the previous tax year, an EPS must be submitted to show the correct total YTD figures for the tax year in question.

Penalties

Late Returns

For the tax years 2012/13 and 2013/14, the current penalty regime will continue to apply at the tax year end, but there will be no penalties if in-year FPSs are submitted late.

For an FPS to be considered on time, it must be submitted 'on or before' an employer pays an employee, subject to certain exceptions. If an employer needs to amend an FPS relating to a payment period prior to 5th April, they can do this up to 19th April, but must complete an Earlier Year Update after that.

To avoid a penalty for the 2012/13 and 2013/14 tax years, an employer must report the final payment made to an employee by 19th May following the end of the relevant tax year.

Penalties are calculated as £100 per 50 employees and accrue for each month that a return remains outstanding after 19th May.

Inaccurate Returns

2012/13

There will be no penalties for inaccuracies identified on in-year FPSs, but penalties may be charged after the end of the tax year based on the final FPS for the year to ensure that employers who are part of the RTI pilot are treated in line with those who are not yet submitting real time information.

If HMRC discover any inaccuracies in a return submitted during the tax year, they will write to the employer to inform them the correct pay and deductions in all subsequent returns, including the final return for the tax year.

2013/14

Penalties for inaccuracies may apply to in year returns, but HMRC will use a risk-based approach to identifying employers they think are making incorrect submissions, and where they do decide to review a PAYE scheme and discover incorrect returns, they will apply penalties as they do now based on the behaviour that led to the error, the potential lost revenue and the timing of the disclosure.

The overall amount of error penalties assessed in-year for any tax year should be no more than an error penalty applied to an Employer Annual Return that contained the same errors under traditional PAYE.

Late Payments

RTI does not change an employer's legal obligation to pay HMRC their PAYE liability in full and at the right time. If an employer is having difficulties paying their liability, they should contact HMRC to see if they can take advantage of any Time To Pay agreement or get any other help from HMRC.

Underpayments

2012/13

Those who are taking part in the RTI pilot will receive calls from HMRC operatives who have had RTI training to confirm whether the apparent debt is correct and work with the employers to correct it if there appears to be an error. If the debt is agreed, they will ask for payment or discuss a Time To Pay.

HMRC's aim is to help all employers get up-to-date ahead of the introduction of automatic late payment penalties.

2013/14

HMRC will continue to use a risk based approach to identify employers not complying with their payment obligations and therefore may be liable to late payment penalties. HMRC will notify employers who they believe may have defaulted on either a filing or payment obligation as soon as possible so that they can quickly comply to avoid further penalties on future errors.

Payroll Software

Payroll is made up of the payments an employer makes to their employees and the deductions from such payments, so a payroll system must be able to calculate these values correctly, and ensure that these can be reported to HMRC on an RTI basis.

At Seaman, Herbert & Co, we have ensured our systems will comply with RTI requirements, but if you would rather process your own payroll function, HMRC recognises certain software providers, some of which provide free payroll software for employers with less than 10 employees, a list of which can be found on HMRC's website (see useful links). The software providers that HMRC has recognised have been tested by HMRC to confirm that they comply with their requirements to give reassurance to employers.

Both HMRC and Seaman, Herbert & Co do not recommend one payroll software provider above any other; it is up to the employer to ensure that the software meets their own and HMRC's payroll requirements.

Our Service

Initially, RTI can seem very overwhelming, but our payroll team can help to guide you through the process, from answering some of your queries, to performing a full payroll service.

Administering your own payroll, particularly when beginning to report in real time, can be time consuming and divert energy and resources from the core activities of your business. We offer a full payroll service and ensure:

- Valuable internal resources are freed to perform other functions
- Payroll function performed by qualified, experienced staff
- No need to buy and learn how to use expensive specialised software
- Reduces risk of exposing confidential payroll information to unauthorised personnel
- Provides disaster recovery, as a back up of payroll information is kept off the premises
- No more worry each week/month that the payroll will be run on time
- Accurate payroll information produced for periodic and annual accounts

We can provide a tailor made service for your business including:

- Wage slips, summaries and reports for periods as required
- Dealing with HMRC queries
- Dealing with new starters and leavers
- Provision of analysis of staff costs
- Can work from gross pay figures or net to gross pay basis
- Regular back ups of your data
- Calculating and administering statutory sick pay, maternity pay etc
- RTI compliance

Our prices for payroll start from £10 per week for a weekly service and £20 per month for a monthly service, and we offer several different payment plans to best suit your needs.

As an alternative to fully outsourcing your payroll, we can install payroll software at your premises and train your staff to operate it effectively.

Finally, if you wish to fully process your business payroll yourself, then we are available to simply provide support and advice, as and when required by your business, and offer a PAYE health check for your business, as and when needed, starting from £100.

Final Notes

Summary

RTI is set to be the biggest change to PAYE since its inception. As more and more employers have joined the RTI scheme during pilot testing, HMRC have refined their own processes, and have been able to ensure all employers can easily manage the transition to RTI processing.

All employers (subject to very few exceptions) will eventually begin to process payroll on an RTI basis, and they must ensure that this is managed effectively, and that their payroll department is adequately staffed and resourced in order to comply with the changing payroll environment.

Seaman Herbert & Co Final Note

We envisage a slight increase in the workload for employers when RTI is initially implemented, caused by ensuring data is aligned with HMRC and becoming accustomed to the new processes. We will be offering advice as and when needed to all employers in order to ensure they are up to date with their obligations and are comfortable with their workload.

We have put this pack together in order for employers to learn the requirements of the new system, and to put the main points of RTI in one place. If there is anything you require further clarification on that you cannot find in the Useful Links section below, or would like to be talked through how RTI will impact your business, contact our office to speak to one of our payroll team on 01226 299962.

Useful Links

Seaman, Herbert & Co website: www.seamanherbert.com

RTI homepage: www.hmrc.gov.uk/rti/index.htm

Guidance on operating PAYE in real time: www.hmrc.gov.uk/payerti/index.htm

FAQs for employers: www.hmrc.gov.uk/rti/employerfaqs.htm

Data Quality homepage: www.hmrc.gov.uk/rti/dip/index.htm

List of data items: www.hmrc.gov.uk/payerti/reporting/what-to-report.htm

Payroll Alignment: www.hmrc.gov.uk/softwaredevelopers/rti/payroll-alignment.pdf

Register for email alerts: www.hmrc.gov.uk/payee/forms-publications/register.htm

Payroll software that has PAYE recognition: www.hmrc.gov.uk/softwaredevelopers/payee/rti-software-forms.htm

Welfare Reform & Universal Credit: www.dwp.gov.uk/policy/welfare-reform

Generating the BACS cross reference: www.hmrc.gov.uk/rti/cross-reference.pdf

EYU Checklist – <http://www.hmrc.gov.uk/payerti/getting-started/payroll-summaries/eyu.htm>

Change name or address – <http://www.hmrc.gov.uk/report-changes/individual/name-address.htm>

Recognised payroll providers – http://www.hmrc.gov.uk/efiling/paye/pay_e_software_forms.htm

HMRC New Starter Checklist - www.hmrc.gov.uk/forms/starterchecklist.pdf

Employer Helpline – 08457 143 143

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