



PAYROLL REPORTING IS CHANGING...

Real Time Information (RTI)

New HMRC measures come into force April 2013

THERE IS A BIG SHAKE UP IN THE WAY PAYROLLS WILL BE ADMINISTERED ON THE HORIZON. REAL TIME INFORMATION (RTI) WILL BE BROUGHT INTO PRACTICE BETWEEN APRIL 2013 AND OCTOBER 2013 - ALL EMPLOYERS WILL BE REQUIRED BY LAW TO SUBMIT A FULL PAYMENT SUBMISSION (FPS) RETURN TO HM REVENUE & CUSTOMS EVERY TIME THEY PAY THEIR EMPLOYEES.

WHAT IS RTI?

RTI will be HMRC'S prescribed way for employers to submit data in real time i.e. at the time the employee is paid their earnings instead of making an annual return after the tax year has ended, about their employees PAYE Income Tax, National Insurance contributions and other deductions either at or before payment of earnings is made.

ARE YOU READY FOR RTI?

BE AWARE - HMRC will write to you and advise of your migration date (the date you will be required to start RTI).

- If we already carry out your payroll function for you, when you receive your letter from HMRC forward this straight on to us.
- If you currently run your own payroll and receive your migration date but would rather we assist you in this area - drop us an email to rtiinfo@watsons.co.uk

You will need to ensure that all your information is compliant with HMRC criteria.

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WHAT CAN YOU DO NOW?

Check with your payroll software supplier to confirm that the payroll software you use will be ready in time and will be able to cope with the new legislation.

Check your payroll records to ensure you have all the information required ready for the EAS (Employer Alignment Submission). This is the submission of all your Employer details and Employee details, so HMRC can capture your payroll information. You will not be able to amend the EAS after it has been sent. If you are a small Employer (less than 250 employees) this EAS may be part of the first FPS (Full Payment Submission), if your software allows, you may be able to do a test EAS before your FPS is due. HMRC should be advising you if EAS is required if you are migrating before 6th April 2013.

HMRC will contact you if they find any data inaccuracies. HMRC records are updated to reflect the information you provide therefore it is vital that your payroll information is accurate and complete.

WHAT INFORMATION WILL I NEED ON MY EMPLOYEES?

The following information must be held and must be accurate:

1. Full formal name as shown on their birth certificate, driving licence or passport and must include any middle names. These names must also have the correct spelling
2. Date of birth. This must be verified by an official source i.e. birth certificate, passport or driving licence.
3. Current gender (in the case of a transsexual, the gender to be shown will be as it appears on any full gender certificate, if no certificate the gender as shown on the birth certificate)
4. Address including UK postcode.
5. National Insurance number (if known)

It is your responsibility to verify the above employee information before submitting it to HMRC.

STARTERS AND LEAVERS

You may need to change your procedures for starters and leavers.

STARTERS

What information will HMRC require for new employees?

The first time a new employee is paid (on or before the payment date) an employer must provide HMRC with the following new starter information to accompany their pay and tax/NIC details:

1. Employee ID Number
2. Full formal name
3. Date of birth (actual not default)
4. National Insurance number (if known)
5. Current gender
6. *Passport number (if known)
7. Address (including UK postcode)
8. Liability to pay student loan
9. Starting date and starter declaration
10. NI category letter
11. Contractual weekly hours
12. The employee's pay frequency
13. Whether the individual is a company director and the basis of calculation the employer chooses to account for Class 1 NICs
14. The tax code to be assigned to the first payment of wages, and the basis on which that code is used.

*If you already take copies of original passports as part of your identification checks against employees rights to work in the UK then HMRC are requesting this information. New employee details can only be sent at the time of the employee's first payment.

There will be no facility under RTI to send new starter details to HMRC without any payment details. The new employee details can only be sent at the time of the employee's first payment.

What happens if I receive the P45 late?

Late presentation of the P45 or leavers statement

SCENARIO 1

If a P45 is given to the employer **before** the employer is to make its first FPS to HMRC in respect of the new employee, then the P45 information can be used to modify and adjust the data submitted.

SCENARIO 2

Where a P45 is given to the employer **after** the employer is to make its first FPS (Full Payment Submission) to HMRC in respect of the new employee, but **before** HMRC have issued a tax code in respect of the new employee, the P45 can be used to modify and adjust the data submitted in a subsequent FPS submission.

SCENARIO 3

Where a P45 is given to the employer **after** the employer is to make its first FPS to HMRC in respect of the new employee, and **after** HMRC have issued a tax code in respect of the new employee, the P45 information must be disregarded.

The P45 information must also be disregarded where:

- The P45 shows that the previous employment ended in the previous tax year and the P45 is given to the new employer on or after 24th May in the new tax year.
- Or, the P45 shows the employment ended in a tax year before the previous one.

What happens if the tax code on the P45 is different to what has been filed on the FPS?

If a P45 is received by the new employer that shows a PAYE code that is different to the one the employer has submitted on the FPS, it might show that the employee may end up overpaying or underpaying in tax. There is nothing the employer can do but recommend the employee takes up the matter directly with their tax office.

LEAVERS

Leavers will be dealt with in much the same way as before and the leaving details will be submitted to HMRC with the FPS. It is imperative that the leave date is entered in the pay run that the leave date refers to and P45 issued even if there will be some final pay (the pay will be dealt with as a payment after leaving). If this is not done it will have an impact on the employee's tax in their new employment.

HOW WILL RTI AFFECT STUDENTS?

Students will no longer complete a form P38(s) and will be treated in the same way as other employees.

YOUR VERY FIRST PAY AFTER THE EAS

When you are due to process your first pay run after receiving your notification date you will need to ensure that all new starters have been set up with accurate data and process your payroll as normal on your software and produce your payslips etc. You do not have to send your FPS straight away but it must be sent by midnight on the pay day.

WHAT IF I SUBMIT THE FPS LATE?

HMRC will issue a penalty of a similar value as the penalties already in place for late filing of the P35 and P14 end of year returns.

WHAT HAPPENS IF I NEED TO AMEND MY PAYROLL AFTER SENDING MY FPS?

If you find you need to make an amendment to your payroll **before** the pay day then amend your payroll and re-submit the FPS. If you find an amendment is required **after** the pay day then the amendment will need to be corrected in the next FPS.

CAN I STILL GIVE MY STAFF ADVANCE PAYMENTS/SUBS IN BETWEEN PAYDAYS?

Under strict interpretation RTI rules state that any payments made to employees whether on pay day or in between pay days is processed for tax and NIC purposes and reportable to HMRC on the day the payment is made.

Any employer considering advance payments, subs or loans should seek independent advice before doing so.

WHY DO YOU NEED TO KNOW THE NUMBER OF HOURS MY EMPLOYEES NORMALLY WORK?

This is required to link in with benefits and the new Universal Credits. This information is mandatory based on a normal week.

WHAT DO I DO IF I NO LONGER HAVE EMPLOYEES?

If you no longer have any employees you will still need to submit the Employer Payment Summary and use the no employee indicator each time a payment would have been due. If the PAYE scheme has ceased the cessation indicator must be used in the final submission.

WILL I STILL NEED TO SUBMIT A P35 END OF YEAR SUBMISSION AND P14'S?

No you will not need to submit a P35 and P14's, but when you make your last FPS or Employer Payment Summary for the year in question you will indicate on the return that this is the final submission for the tax year. The return will also include the year end information that was previously shown on form P35.

P38A will also no longer be required as casual workers will now be on the payroll for RTI reporting. All employees even those below the Lower Earnings Level (LEL) will now be reportable on RTI if a PAYE scheme is already in place.

If you do not have a PAYE scheme but employ staff below the LEL and hold a P46 (for the current tax year) with statement 'A' ticked, then RTI reporting is not required.

P60's will still be issued to employees.

If you would like assistance or advice in relation to RTI please email us at rtiinfo@watsons.co.uk

