

Real Time Information for PAYE



Real Time Information (RTI) will improve the operation of the PAYE system by creating more up-to-date taxpayer records and making it easier for employers and HMRC to administer. The fundamentals of PAYE will stay the same, but employers and pension providers will send PAYE information to us each time they pay their employees, rather than after the end of the tax year. Over time, RTI will mean more people paying the right amount of tax and National Insurance.

Why we are changing PAYE

When PAYE was introduced almost 70 years ago, most people held just one job for most of their life and employers sent us pay and tax information annually. Today, employers still send us information annually, but many people change jobs more frequently, or have multiple employments or pensions, making it more difficult for us to keep our data up-to-date. Under RTI, employers and pension providers will send us information each time they pay their employees; we will be able to keep more accurate records and, over time, more people will pay the correct tax. We also need up-to-date information about employment and pension income so the Department for Work and Pensions can adjust claimants' Universal Credits awards, which will start from 2013.

How it will affect business

RTI will reduce administrative burdens on business by about £300 million a year from 2014-15. Employers will no longer need to send a separate end-of-year return. Integrating the payroll and reporting process will reduce administration for business. We have consulted extensively among our customers to ensure that as far as possible, RTI is designed around how they operate. We are also working in partnership with employers and pension providers in the early stages of the pilot to get the best learning and ensure the process is as user friendly as possible.

RTI Timetable

We are on track for most employers and pension providers to join RTI from April 2013 and for all employers to be routinely reporting in real time by October 2013, as planned. Following consultation, the timetable incorporates a lengthy pilot and is designed to allow a significant period of time to test RTI processes and to optimise support products for businesses.

The pilot started on time on 11 April 2012 with ten volunteer employers and will run until 5 April 2013. Employers will join RTI progressively, subject to successful reviews at each stage. A further 310 volunteer employers and pension providers will join in May/June. By the end of September around 1,300 employers will be using the RTI service; and we aim to have around 250,000 pilot employers reporting in real time by March 2013.

How it will work

The system will be easy to operate and embedded within the payroll process. There will be a wide range of commercial software available from April 2013 to suit employers' and pension providers' individual requirements, including some free products. We are also offering free PAYE Basic Tools for employers with nine or fewer employees. This range means there will be software and support available for employers of all sizes. Most employers already send PAYE information online, and RTI data will be sent to us in the same way. A small number of employers, such as care and support employers, and those with religious objections, will be able to send RTI on paper.

What will change

Employers operating PAYE will need to include information about all employees, including those earning less than the lower earnings limit. We will no longer require the end-of-year return forms P35 and P14, and forms P45 and P46 will no longer need to be sent to us; instead this information will be sent on the RTI return. Employers making payments by Bacs, using their own service user number, will need to include a cross-reference in the RTI data submission and their Bacs payment instruction.

What will not change

The way tax and National Insurance are calculated will not change. End-of-year certificates (P60) will remain and employers will still need to send expenses and benefits returns annually. Employers will still give P45s to employees and we will consult on the future of the P45 once all employers are using the RTI service. The dates by which employers must pay us also stay the same.

Preparing for RTI

Data quality is very important to ensuring a smooth transition to RTI. We have made substantial progress in improving our records, with the last coding exercise being the most accurate for many years. To get their business ready for RTI, employers and pension providers must ensure that the data they have on their employees is fully up-to-date – making sure their surname, forename, gender, address, date of birth and, where known, National Insurance number are correct and in the right format. Employers should also:

- make sure that they add staff to their payrolls who need to be included with their submissions. For example, those under the lower earnings limit for tax or National Insurance
- review HR, finance, reward and payroll processes, including information-flow and business resources, to ensure that they will be able to make their full payment submissions on time
- ensure that they talk to their payroll software provider where appropriate and, if they pay by Bacs, contact either their Bacs-approved solutions supplier or their Bacs-approved bureau.

Joining RTI

We will confirm the date from which employers should start to make RTI submissions. The first submission must include all employees or pensioners in the PAYE scheme since the start of the tax year, even if they have left or are not being paid that week/month. This is so we can align the records held by the National Insurance and PAYE Service (NPS) with the records held by employers and pension providers.

To find out more

Visit our RTI web page at: <http://www.hmrc.gov.uk/rti/>