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Corporate report

One year on: modernising PAYE with real time information

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All employers now need to send payroll information in real time. This is known as Real Time Information, or RTI, and has been fully operational for a year. Virtually all individual PAYE

records are now routinely reported in real time, with the majority of employers finding RTI easy and reporting on time without any problems. This briefing explains the benefits that employers, HMRC and the Exchequer will experience as a result of RTI and how we are supporting employers as they get used to the new way of reporting.

1. **Why we changed reporting of PAYE information**

The PAYE system had remained largely the same for the past 70 years, though employment patterns had changed markedly, with millions more people changing jobs every year, or having more than one employer. This made it more difficult for us to keep an individual's employment record up to date.

Reporting PAYE information in real time means employers send us PAYE information every time they pay their employees, rather than at the end of the tax year. This makes PAYE quicker, easier and more accurate. The new system benefits employers, employees and the Exchequer.

Employers have seen an immediate benefit from simplified reporting requirements for employees who join or leave during the year. RTI will also help us to improve the accuracy of tax codes during the year; employees will also benefit, as fewer will need to pay additional tax at the end of the year, and any overpayments or underpayments will be smaller in value. The most significant saving for employers is expected to come at the end of the tax year, since they will not need to complete an annual PAYE return.

RTI also benefits the Exchequer, speeding up the collection of the billions of pounds that we estimate are owed by employers at any one time. We also use RTI to help reduce losses from tax credits overpayments error and fraud, and from April 2014 RTI data will be used to speed up the renewals process for around 1.7 million tax credit claims. This will save the customer having to report this data to us and ensure the award is calculated using accurate information helping to reduce over and under payments.

2.

Support for employers

The move to reporting PAYE information in real time is a huge change and we know that some employers need more time to adapt. We have worked with a number of groups and organisations that support or represent employers to help them make this change.

As part of this, we introduced a temporary relaxation in April 2013 to give small employers more time to adapt to reporting RTI 'on or before' the date of payment. This relaxation came to an end on 5 April 2014. We are also:

- enhancing our IT and improving our guidance as we continue to fine tune our systems
- reminding those employers who should have been reporting PAYE in real time, but who have not yet started, highlighting the range of support available on our web pages, including guidance, YouTube videos and live and pre-recorded webinars (on-line seminars)
- introducing a support package for micro-employers with nine or fewer employees to give them more time to adapt to the new way of reporting. This package also includes improved guidance, including best practice scenarios and ongoing work with the software industry to develop new ways to report PAYE information, for example by using mobile apps.

We have also helped employers through our approach to compliance. During 2013-14 there have been no in-year late filing penalties for RTI while employers and HMRC get used to the new way of reporting. Our original intention, following a full consultation, was to introduce the new automated penalties for late payment and late filing from April 2014.

Having listened to customer feedback about giving employers, our staff and systems more time to adapt, we are staggering the start of employers being charged a new penalty if they pay or make a submission late. The late filing penalties start from 6 October 2014, and the late payment penalties start from April 2015. Until the new penalties are introduced, we will continue to charge penalties as we do now.

The majority of employers pay on time and, to support the collection of money that is genuinely owed by employers, we began introducing in-year interest on late-paid payroll taxes from 6 April 2014.

This will give those employers who need it, including those employers reporting in real time from April 2014 for the first time, more time to adapt. It will also enable us to make sure that the improvements are working properly and provide better customer support to employers who need more time to adapt. These improvements include:

- the introduction of the new 'late reporting reason' – so an employer can tell us if they have a good reason to report late
- new internal safeguards, such as enhancements to automatically correct some types of common employer errors.

3.

Employer final submissions of the year

Now employers are reporting in real time, they don't need to send us a P35 or P14 at the end of the tax year. Instead they just send their final real-time PAYE submission as normal and answer a few extra questions. The same time limits apply, so most employers should send their final submission on or before the date of their last employee payment in the tax year (or by 19 April if they are sending an Employer Payment Summary). Employers' payroll software will tell them whether their submission was successful, so there's no need for employers to contact us to ask whether we have received their submissions.

4.

RTI and Universal Credit

RTI supports Universal Credit by providing the Department for Work and Pensions (DWP) with up-to-date information about claimants' earnings from employers and pensions that are subject to PAYE, enabling DWP to calculate Universal Credit payments monthly, without the

need for claimants to supply this information.

5.

Employment Allowance

From 6 April 2014 employers have been able to claim Employment Allowance through their normal RTI submission using payroll software or our Basic PAYE Tools. Eligible employers may receive up to £2,000 off their Employer Class 1 national insurance bill each year by claiming the Employment Allowance.

6.

To find out more

Visit our website at <http://www.hmrc.gov.uk/payerti> 

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