

5. Real Time Information (RTI)



Low Incomes
Tax Reform
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A voice for the unrepresented

RTI is a system of payroll reporting which sees employers having to report payroll data to HM Revenue & Customs (HMRC) on or before their employees pay day. The data, including pay and tax details, National Insurance contributions (NIC) and student loans is sent to HMRC electronically, which means that you need to have a computer, access to the internet and some special payroll software (a computer program) to do this – one version of which, Basic Payroll Tools, you can obtain from HMRC for free.

What is RTI?

RTI is a system of payroll reporting that was introduced for most employers from April 2013. It requires employers to send payroll information to HMRC on or before the date they make payment to their employees.

Before RTI was introduced, HMRC received payroll information from employers once a year – at the end of the tax year. This meant that if there was a mistake, for example, the wrong amount of tax had been deducted from the employee, they were often only able to do something about it a long time after it had happened. Therefore RTI, in theory, means that HMRC can deal with any tax under or over payments much more quickly.

Secondly, RTI is considered crucial for the introduction of the new welfare benefit called Universal Credit. The amount of benefit paid to people with low incomes who are in work is often dependent on income levels and hours worked. At the moment these details are often estimated which can result in the wrong amount of benefit being paid. Using accurate employee information from the RTI system, means that the Government will be able to ensure that workers receive the benefits they are entitled to.



Do I have to operate RTI?

If you have to register as an employer (see box below), then you have to operate RTI. For some employers who are not able to deal with RTI electronically, there is a paper process that runs alongside the RTI electronic process. Under paper RTI, information is submitted to HMRC every quarter.

See our factsheet [‘Paper filer employers’](#) for more details about paper RTI.

All or nothing

In some very limited circumstances (e.g. where you have only *one* employee who earns less than £112 per week with you and meets some other conditions) there is no need to register as an employer. Here, it follows that there is nothing for you to do in relation to RTI.

If you have a mixture of employees, some who earn more and some who earn less than £112 per week, then you would have to register as an employer with HMRC in respect of those who earn more. You will then have to report information about all the employees – not just those whose circumstances led to you having to register.

You can find out more here: www.disabilitytaxguide.org.uk/paying-wages/registering-as-an-employer/

If you already have a PAYE scheme set up, for example to pay a previous PA and now take on a replacement PA who earns less than £112 per week and meets the other conditions, you could cancel your registration. If it remains open, then HMRC will expect you to send information in about the new PA.

www.disabilitytaxguide.org.uk



RTI terminology

There are two main RTI acronyms to get accustomed to:

FPS: The Full Payment Submission includes information about pay and tax and personal circumstances of employees. It also reports changes in employment. Most employers have to submit an FPS on or before their employees are paid. This means that if you pay your employee weekly, you will have to send in an FPS weekly, pay them daily, send an FPS daily, etc.

EPS: The Employer Payment Summary is sent once a month to inform HMRC if there is a 'nil' return (i.e. no payments have been made to employees) or there are changes to the liabilities as calculated from the FPS – perhaps due to the recovery of statutory maternity pay for example.

You can get a penalty for not sending the correct FPS/EPS submissions at the correct time – although not if you have a 'reasonable excuse'.

We explain more about penalties here: <http://disabilitytaxguide.org.uk/paying-wages/getting-things-wrong/>



The main changes under RTI

If you ever experienced the old system of reporting, you may be interested to note these main changes: As the employer provides information to HMRC in real time throughout the tax year, there is no need for the payroll information to be sent in separately at the end of the year. The same goes for starter/leaver information which is sent in by the employer at the time the relevant payroll is run. It is now enshrined in law that employee identity data is verified by the employer – against a passport for example. Information will also be needed about approximately how many hours your employees normally work in a week. There is no need to answer any year end questions, such as those that previously appeared on form P35 – Employer Annual Return.

For more information about RTI go to: www.gov.uk/rti/index.htm

What has not changed

- An employee should still be given a End of Year certificate (P60) and/or a P45 Details of employee leaving work, for his or her own records.
- The benefits and expenses forms (P11D, P11D(b) and P9D) will continue as normal.
- Payment obligations (e.g. 19th or 22nd of July, October, January, April for quarterly payers).

For more information about the forms and deadlines mentioned here, go to our website.

Basic PAYE Tools

HMRC's Basic PAYE Tools is free RTI software that you download onto your computer. It will help you run your payroll throughout the year and make your RTI submissions. It is designed for employers who have nine or fewer employees. It has very limited functionality – for example it does not produce payslips. However, we have designed a payslip tool that works in conjunction with it and you can find it on our website.

You can find the tool at: www.disabilitytaxguide.org.uk/

Other software options

There are many HMRC 'accredited' commercial providers of payroll software – costs vary depending on the sophistication of the product, however some do have their own free, 'starter' offering.

We tell you where to find out more in the RTI section of our website.

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