

## 5. Real Time Information (RTI)



Low Incomes  
Tax Reform  
Group  
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 employee's pay day. The data, including pay and tax details, National Insurance contributions (NIC) and student loans (if any) is sent to HMRC electronically, which means that you need to have access to the internet and some special payroll software (a computer program) to do this – one version of which, Basic PAYE 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 usually requires employers to send payroll information, electronically, to HMRC on or before the date they pay their employees. In other words the information must be reported in 'real time'. 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 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. In the past these details were often estimated which meant the wrong amount of benefit was 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 on forms, 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 £116 per week with you and meets some other conditions) there is no need to register as an employer with HMRC. 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 £116 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:** <https://disabilitytaxguide.org.uk/Setting-things-up/registering-as-an-employer/#need-to-register> If you already have a 'live' registration with HMRC, for example to pay a previous PA, and now take on a replacement PA who earns less than £116 per week and meets the other conditions, you may wish to cancel your registration. If it remains open, then HMRC will expect you to send information in about the new PA. (Alternatively it may suit you to keep it open in case of a change in circumstances.)

[www.disabilitytaxguide.org.uk](http://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:** You may need to send an Employer Payment Summary, instead of, or in addition to, an FPS, 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', such as illness, fire, flood or systems failure. **We explain more about this here:** <https://disabilitytaxguide.org.uk/paying-wages/getting-things-wrong/>

## Starters and leavers

New starters are reported to HMRC via the FPS—you do not need to tell HMRC separately about them. When an employee leaves you must include the date of leaving on the FPS submitted when the final payment is made to the employee. In addition, you must give the employee a form P45.

**For more on the leaver process go to:** <https://disabilitytaxguide.org.uk/paying-wages/reporting-payee-in-real-time/employee-leaving3/>

## End of year

When submitting your FPS and/or EPS for the final pay period you should indicate that this is your 'final submission for the tax year'. Additional information must be included in the final report, including whether forms P11D (expenses and benefits) and P11D(b) (Return of Class 1A National Insurance Contributions) are due. Certain forms need to be completed by employers after the end of the tax year. A form P60 should be given to the employees who were in employment at the end of the tax year by 31 May after the tax year. A copy of form P11D must be given to employees, as appropriate, by 6 July.

**For more information about the forms and deadlines mentioned here, go to the 'End of year tasks' section of our website:** <https://disabilitytaxguide.org.uk/End-of-year-processes>

## Basic PAYE Tools

HMRC's Basic PAYE Tools is free RTI software that you download onto your computer or laptop. 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 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:

<https://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.

**GOV.UK has more on this here:**

<https://www.gov.uk/payroll-software>

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