

Payroll Real Time Information

We set out below details of how payroll information has to be submitted to HMRC under Real Time Information (RTI). RTI was introduced for the majority of employers from April 2013.

RTI – an introduction

Under RTI, employers or their agents, are required to make regular payroll submissions for each pay period during the year detailing payments and deductions made from employees each time they are paid. There are two main returns which an employer needs to make which are detailed below.

Full Payment Submission

The Full Payment Submission (FPS) must be sent to HMRC on or before the date employees are paid. This submission details pay and deductions made from an employee. The FPS must reach HMRC on or before the date of payment of the wages to employees.

Employer Payment Summary

Employers may also have to make a further return to HMRC each month (EPS) to cover the following situations:

- where no employees were paid in the tax month
- where the employer has received advance funding to cover statutory payments
- where statutory payments are recoverable (such as SSP, SMP, OSPP and ASPP) together with the SMP NIC compensation payment or
- where CIS deductions are suffered which could be offset (companies only).

HMRC will offset the amounts recoverable against the amount due from the FPS to calculate what should be payable. The EPS needs to be with HMRC by the 19th of the month to be offset against the payment due for the previous tax month.

Payments to HMRC

Please bear in mind that under RTI HMRC will be aware of the amount due on a monthly/quarterly basis. This will be part of the information reported to HMRC through the FPS and EPS.

HMRC will expect to receive the PAYE and NIC deductions less the payments each month or quarter (small employers only).

Year end procedures

At the end of the tax year a final FPS or EPS return must be made to advise HMRC that all payments and deductions have been reported to HMRC. This final return details whether for example, forms P11D reporting employment benefits or expenses are due.

Some further complications

Wages

Under RTI it is not possible to put through wages at the year end of the business and assume this has been paid throughout the year, for example to utilise a family member's national insurance lower earnings limit which gives them a credit for state pension and statutory payment purposes.

Wages should be paid regularly and details provided to HMRC through the RTI system on a timely basis.

Payments which are impractical to report on or before

HMRC have issued guidance covering issues such as payments made on the day of work (which vary depending on the work done) where it is impractical to report in real time. The regulations allow up to an additional seven days for reporting the payment in specified circumstances.

HMRC have also made available some guidance on exceptions to reporting PAYE information 'on or before' paying an employee which can be found at <http://www.hmrc.gov.uk/payerti/on-or-before.pdf>

A relaxation of the rules for micro employers

HMRC have announced that, for some micro employers, they will relax the reporting requirement for RTI that payments to employees should be reported on or before the amount is paid to the employee.

The relaxation applies to micro employers (those with fewer than 10 employees) who pay employees weekly, or more frequently, but only process their payroll monthly and who made use of the small employer relaxation in 2013/14.

The relaxation means that micro employers, who find it difficult to report every payment to employees at the time of payment, may send information to HMRC by the date of their regular payroll run but no later than the end of the tax month.

Please do contact us if you would like any further help or advice on payroll procedures

Penalties

HMRC are introducing automatic in-year penalties for RTI to encourage compliance with the information and payment obligations.

In essence late filing penalties will apply to each PAYE scheme, with the size of the penalty based on the number of employees in the scheme. It is proposed that monthly penalties of between £100 and £400 will apply to micro, small, medium and large employers.

Each scheme will be subject to only one late filing penalty each month regardless of the number of returns submitted late in the month. There will be one unpenalised default each year with all subsequent defaults attracting a penalty. This regime will start in October 2014.

Another change is more imminent. For tax years 2014/15 onwards, HMRC will charge daily interest on all unpaid amounts from the due and payable date to the date of payment, and will raise the charge when payment in full has been made.

How we can help

The operation of PAYE under RTI can be a difficult and time consuming procedure for those in business. We will be happy to show you how to operate PAYE correctly, offer ongoing advice on particular issues, or to carry out your payroll for you so please do contact us.

For information of users: This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.