Real Time Information (RTI) in Arts Organisations

Arts organisations, like all employers will be fully exposed to a dramatic change in the operation of PAYE and NIC, known as Real Time Information (RTI). RTI is not optional and will eventually apply to all employers; its introduction is being phased in, it will be live for medium and large employers (50+employees) from April 2013, smaller employers will be bought into the scheme from October 2013.

The fundamentals of PAYE will be unchanged, for example, use of tax codes, status tests, deduction of tax and NI, if anything the HMRC spotlight will be shone on payroll operations. One of the key drivers behind introducing RTI is that it will support the introduction of Universal Credit, available nationally from October 2013.

The main advice at the outset is to plan for the change, review (and modify?) your current data & HR procedures, inform your staff and don't panic. Payroll information will now need to be reported electronically, on or before any day when you pay someone.

The vast majority of employers must report their payroll information online using a Full Payment Submission (FPS) for each pay period, with effect from 6th April 2013; **all** employers are expected to be operating RTI from 6th April 2014.

Each time a payroll is run details will need to be submitted of:

- deductions, such as Income Tax and NICs
- starter and leaver dates if applicable
- all employees paid, including those below the NICs Lower Earnings Limit (LEL)
- all starter and leaver information (P45/P46)

In some limited instances, existing employers may be asked to submit a separate submission called an Employer Alignment Submission (EAS) before the first FPS is submitted. This is to ensure that payroll records match with HMRC's (payroll alignment). A separate EAS needs to be submitted prior to the first FPS for large employers or, those with complex payroll systems.

Additional submissions include:

- National Insurance number Verification Request to verify or obtain a National Insurance number for new employees.

- Employer Payment Summary (EPS) to report a reduction in the amount you pay to HMRC or if you haven't paid any employees in a pay period.

- Earlier Year Update (EYU) to correct, after 19 April, any of the year to date totals submitted in your final FPS for the previous tax year. This only applies to years after you started to send information in real time. The first year an employer can use an EYU is 2012-2013.

PAYE Online

Employers will still need to be registered for PAYE Online, irrespective of RTI. PAYE Online will still be needed because:

- PAYE Online will still be used for sending in certain forms to HMRC such as returns of expenses and benefits, including P46 (Car), P9D, P11D and P11D (b). This can be done directly from your payroll software if it supports this feature.
- PAYE online will be used to issue tax codes and notices. This can be done directly from your payroll software if it supports this feature.

HMRC have identified that over 80 per cent of data quality problems are caused by holding the incorrect information about an individual's name, date of birth or National Insurance number.

Examples quoted by HMRC as to the types of things that can go wrong are where:

- An employee only works for you for a very short time
- An employee gives two slightly different numbers
- An employee doesn't have documentation demonstrating their correct number

Data accuracy is critical to the operation of RTI (and to avoid penalties), the information needs to be verified from an official source such as HMRC and/or Department for Work and Pensions (DWP) documentation; passport documentation; birth certificate; full driving licence (photo version)

On-or-before Payments (OOB)

The vast majority of employers and pension providers will be subject to OOB reporting requirements. , i.e. reporting PAYE information before payment is made. There are some limited relaxations to this rule, where the OOB requirements are relaxed, this does not excuse the employer from having to report the payments, merely slightly delays the time.

RTI Penalties

There is still some ambiguity over the penalty regime, and we may expect some flexibility in the first year of operation, however HMRC has not stated its exact position over this.