

REC Factsheet on Real Time Information

April 2015

This is a brief explanation of Real Time Information (RTI) – REC members should contact HMRC and/or their software or payroll provider for further, more detailed information.

1. What is RTI?

RTI stands for Real Time Information. This was introduced by HMRC in 2013 to improve how the Pay as You Earn (PAYE) system works. Under RTI, an employer* must submit the required report to HMRC on the day or before it pays its workers. So employers who pay weekly have to submit RTI weekly and employers who pay monthly submit RTI monthly.

*Importantly, for PAYE purposes, “employer” includes an employment business which pays its temporary workers under sections 44-47 Income Tax (Pensions and Earnings) Act 2003 (ITEPA).

Employment businesses which engage with intermediaries such as an individual’s personal service company or an umbrella company do not make deductions on behalf of workers supplied by those limited companies. Instead, those intermediaries make the relevant deductions and if deducting PAYE and NICs, make their own RTI reports¹. Therefore employment businesses will not have to report RTI when paying a limited company. However under the ITEPA reporting requirements, they will have to report on payments made to all intermediaries. For further information on ITEPA reporting please see [here](#). Importantly, some umbrella companies call themselves “payroll providers”. However, in order to understand who must make tax and National Insurance contributions (NICs) deductions, and who has what reporting obligations, it is essential that an employment business understands the difference between engaging with an umbrella company versus outsourcing its own payroll (see section 4).

2. What does RTI require?

RTI changed the types of reports businesses must submit to HMRC.

New submissions/ documents:

- **Employer Alignment Submission** (EAS): This is a one-off submission that helps HMRC align its data with the employer’s. An employer must send an EAS if it has 250 or more

¹ A separate deductions scheme, the Construction Industry Scheme (CIS), applies where the temporary worker is involved in construction operations and is genuinely self-employed. There are separate CIS reporting requirements outside the scope of this factsheet. Please see <https://www.gov.uk/what-is-the-construction-industry-scheme>.

employees, or if its PAYE scheme is administered on two or more payroll systems and/or operated by different payroll providers.

- **Full Payment Submission (FPS):** An employer must submit a Full Payment Submission to HMRC each time it pays its employees.
- **Employer Payment Summary (EPS):** An employer must submit an EPS when it needs to reduce the amount of PAYE or NICs it pays to HMRC in order to recover statutory payments, CIS deductions suffered and NIC holiday, or where it doesn't have any employees to pay during a pay period. However not all software products allow users to send an EPS, so you should check with your provider whether this is the case.
- **Earlier Year Update (EYU):** An employer should submit an EYU when it needs to correct data submitted in an earlier year. Again, not all software products allow users to send an EYU, so check with your provider.

Documents no longer required:

Employers no longer submit end-of-year forms P35 and P14 and the starter and leaver process is simplified. Employers still give a P45 to a departing employee (or temporary worker) but they do not send the P45 (part 1) or P46 to HMRC. All starter and leaver information must be given via the payroll each time the employer pays someone.

No change:

Employers still need to submit P11Ds and P11D(b) if they provide Benefits in Kind and Expenses.

Checking National Insurance numbers:

Employers can no longer use CA6855 to trace or check a national insurance number after 6 April 2013. Instead, they must use the payroll software to issue a national insurance verification request (NVR) to trace or check a national insurance number.

3. What does RTI mean for employers?

Data:

RTI requires employers to provide full and accurate data about their employees (and as above, this includes temporary workers paid directly by employment businesses). The data must be accurate because any errors will cause the full submission to fail. Delayed or late RTI submissions will incur penalty charges (see section 6). In addition, once universal credit is fully rolled out this will affect the payment of benefit and welfare payments to all workers, not just

the one with the incorrect or inaccurate information. Finally, employers and pensions providers may not be able to comply accurately with their obligations under pensions auto-enrolment if data is incorrect or inaccurate (breach of these obligations would incur their own separate penalties). Therefore it is essential that an employment business obtains full and correct details for a temporary worker at the time of registration or before supplying that person on assignment and before the obligation to pay arises. It is also important to do regular payroll cleanses. HMRC report that 80% of FPS failures during the pilot were due to inaccurate or incomplete data. Again, [the ITEPA reporting requirements](#) reiterate the need for full and accurate data.

Types of data required:

- Employee name i.e. the full official forename(s) and surname, spelled correctly, and in the correct order. There should be no initials, nick-names or familiar names e.g. Sue instead of Susan.
- Date of birth – this must be the correct date, no dummy dates.
- Gender – this must be correct. This must be the original gender for any transgender employees until the employer sees the certificate stating that gender can be changed.
- National Insurance number (NI or NINO) – this should not be a dummy or made up number. Employees and temporary workers must obtain a NINO from JobCentre Plus. The NINO must be in the correct format i.e. two letters followed by 6 digits, followed by A, B, C or D.
- Correct address, in particular the first two lines and the correct and complete postcode.

Software:

This will depend on whether the employer processes its payroll in-house or outsources it. Commercial payroll packages should be RTI-compliant. Only the smallest employers (9 employees or less) can use HMRC's own Basic PAYE tool. Clearly this will not be an option for employment businesses supplying temporary workers.

4. Using payroll providers

Some businesses outsource some or all of their payroll function. However, even where the payroll function has been outsourced, employers remain responsible for the complete and accurate submission of RTI to HMRC. Therefore employers who outsource their payroll should ensure that they have the appropriate contractual provisions to protect them where their payroll provider submits incorrect or incomplete data on their behalf (where this is the payroll provider's fault).

As mentioned above, umbrella companies sometimes call themselves payroll providers. However employment businesses are reminded that umbrellas employ the temporary worker



and so they are the employer for RTI purposes, not the employment business. However the employment business will have separate [reporting requirements for ITEPA purposes](#).

5. Expatriate or internationally mobile employees

The RTI implications for expatriate and internationally mobile employees are complex so employers with these categories of employee must speak with HMRC or their software/ payroll provider.

6. Penalties

The implementation of RTI has not been without its problems. Whilst there are penalties for failure to submit full and accurate RTI report, HMRC delayed the introduction of those penalties for the early years; we understand that the penalties regime is now operational. Penalties may apply when a FPS is late or HRMC do receive the expected no. of FPS reports or you did not submit an EPS if required. The penalties differ according to business size. If you submit your reports more than 3 months late, there is an additional penalty of 5% of the tax and National Insurance that you should have reported.

Further information on penalties is [available here](#).

7. Additional support/ external links

The information contained in this factsheet is generic and brief. Members must contact HMRC and/ or their software providers for more detailed advice.

REC Legal Team
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Edition History		
Edition 2	April 2015	<ul style="list-style-type: none"> • We updated the March 2013 edition to reflect that RTI is now operational and to add current links to HMRC guidance. • New references to ITEPA reporting which is effective from April 2015.

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