

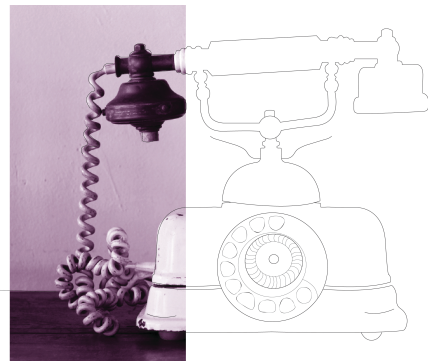
IMPLICATIONS OF REAL TIME INFORMATION

Employers of all sizes will need to submit electronic returns of payroll data to HMRC under Real Time Information (RTI) from October 2013, some employers and pension providers may have to join even earlier.

HMRC's initial pilot has gone well and they are aiming to gradually extend the pilot. They have an anticipated 250,000 employers submitting under RTI by March 2013, with smaller employers being expected to migrate to RTI from April 2013.

Under Real Time Information, employers will be required to report HMRC electronically with details of employees' pay, tax and NIC and any other deductions on employees' earnings. An Employer Annual Return (P35 and P14) will no longer be required at the year end however the P45, P46 and P60 will remain for now.

After an employees first RTI submission they will be notified of any necessary changes to data such as corrected NI numbers. HMRC are currently discussing the penalties for late filing and payment under RTI, but the new regime is likely to lead to greater automation and more timely notification of penalties.



The RTI requirement to report on or before every payment of earnings means that owner-managed business employers will need to be clear about the nature of payments, i.e. is the payment a dividend, salary or drawings from a loan account.

Capturing data for immediate reporting to HMRC will be particularly difficult for workers within the hospitality and agricultural sectors as many employees may be paid in cash and not through a payroll system. These types of workers tend to be paid at irregular times and often outside of an office, so RTI reporting may be difficult here, HMRC are considering whether the rules here can be relaxed.