

MORE THAN 5 MILLION CAUGHT BY TAX MISCALCULATIONS DESPITE INTRODUCTION OF RTI

Around 5.5 million people have paid the wrong amount of tax to HM Revenue and Customs, with an estimated 3.5 million facing further payments to HMRC, as a result of insufficient tax being collected through PAYE in 2013/14.

Those who are facing further payments to HMRC will now have to pay back the underpayment in future years, despite the introduction of Real Time Information ("RTI").

The aim for RTI is to reduce the reconciliation at the end of the year, but because RTI had a staggered introduction the impact has, so far, been limited. HMRC does, however, report that although the figures for incorrect tax being paid has increased, the average underpayment and overpayment has fallen by £50 compared with the previous year.

A spokesman from HMRC said: "There will always be end-of-year reconciliation due to the way PAYE works. Most people pay the right tax throughout the year, but there will always be a small percentage of the 41 million people in PAYE who have underpayments or overpayments at year end. This could be because they have moved jobs, received a number of different sources of income or received benefits-in-kind that were only reported at the end of the year."



"The effect of RTI is not reflected yet as it has not bedded in but, over time, RTI will help to reduce the number of cases that have to be reconciled. The estimates quoted for reconciliations in 2013/14 are based upon actual reconciliation numbers in 2012/13. We do not yet know what effect RTI will have had on reconciliations for 2013/14. As we adopted a staged process for employers using RTI, some will not have used RTI for the full tax year. We will not be able to measure any effect on reconciliations for 2013/14 until the end of this tax year (2014/15). That said, early indications show that processing is in line with our expectations."