

Real Time Information & Auto-Enrolment: Are you ready?

16th January 2013

About Hart Shaw

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...and of course

accounts preparation and tax returns

Real Time Information

16th January 2013

Adrian Dunkley
Tax Manager

Introduction

1. What is R.T.I.?
2. Why is the system being introduced?
3. Changes to procedures
4. The Implications for the Employer
5. Administration and penalties
6. The current position and future proposals

What is R.T.I.?

- Submission of payment and deduction details throughout the tax year rather than at end of tax year.
- “Real time” – online submission at the time of payment!
- The structure and operation of PAYE is unchanged
- Change in procedures
 - No year end forms P35 and P14
 - Issue of payslips and P60’s still required
 - P45’s replaced by a “leaver statement”

Why the change?

- Improve the operation of PAYE
 - Individuals with more than one job / pension
 - Pay the right amount of tax at the right time
- Improve the “customer experience” for both employers and employees
- Achieve sustainable cost reductions for HMRC and employers
- Close the “tax gap”
 - £900m to tackle tax avoidance and evasion
 - £100m to improve operation of PAYE
- Support DWP with the introduction of the Universal Credit from October 2013

Key changes

- **PAYE forms**
 - P45's and P46's still in use but not submitted to HMRC
 - No P35's and P14's
- **Full Payment Submission (FPS)**
 - At time of payment to employees
 - Details of pay, tax and other deductions
 - Details of new and leaving employees
 - Earnings below LEL
 - "Final" FPS at year end – tick boxes re P60's / P11ds
- **Employment Payment Summary (EPS)**
 - Reconciliation of FPS to payments made
 - CIS, SSP and SMP deductions
 - Only required where payment cannot be calculated from FPS
 - Submit only an EPS when no payments made

What will not change

- PAYE / NIC calculations
- PAYE payment dates
 - 19th or 22nd of the month
- Forms P60 to employees at year end
- Expenses and benefits – forms P11d / P9d

Employer Implications

- Payroll software
 - Reporting RTI through Government Gateway, Electronic Data Interchange (EDI), HMRC free software.
- Payments by BACS
 - “Hash code” should be attached to ensure that payment details are cross referenced to HMRC records
- Accurate employee information
 - 80% of HMRC data quality issues caused by;
 - NINO, full name, date of birth
 - Gender and address also now required
 - Correct gaps and inaccuracies a.s.a.p.
- Consider timing of wages / salary payments
- Remittance of deductions to HMRC by 19th or 22nd of the month
 - Interest and penalties

- Late Filing Penalties
 - No change for 2012/13 or 2013/14
 - Penalties for inaccurate returns
- Late payment of PAYE
 - 1 default – no penalty
 - 2 or 3 defaults – 1% of total amount of default tax
 - 4 to 6 defaults – 2%
 - 7 to 9 defaults – 3%
 - 10 or more defaults – 4%
- Further penalties
 - Tax unpaid 6 months after penalty date – 5% penalty
 - Further 5% after 12 months

Where are we now?

- HMRC Pilot
 - Commenced 6 April 2012
 - “on track and in budget”
 - Target of 1200 employers, actual 1,300
 - 250,000 by April 2013
 - Positive feedback – successful resolution of issues
- Awareness letters issued
 - HMRC will advise of date employer is required to join
- Employer Alignment
 - Employer Alignment Statement (EAS)
 - Only required for large (250 employees) or complex
 - Most cases at time of submission of first FPS
 - Mandatory details;
 - surname - forename (or initials if unknown)
 - date of birth
 - current gender
 - address

The Future...

- Changes from now to 5 April resulting from Pilot?
- Targeted support visits
- Communications and guidance
- Forms P11d and P9d – 2017?
- “consideration will only be given to further developments of PAYE once RTI has bedded in and been evaluated. This is unlikely to be before 2015.”

Help and Support

- HMRC
 - RTI homepage
 - www.hmrc.gov.uk/rti.index.htm
 - Guidance on operating PAYE in real time
 - www.hmrc.gov.uk/payerti.index.htm
 - FAQs for employers
 - www.hmrc.gov.uk/rti/employerfaqs.htm

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Auto-Enrolment

Auto-Enrolment

Introduced in stages Oct 2012 to Oct 2018

Start date phased depending on:

- employer's PAYE reference; and
- number of employees

Contribution levels also phased in over 6 years

Auto-Enrolment

Employers must Auto-Enrol all **'eligible jobholders'** into a qualifying workplace pension scheme within one month of becoming eligible.

- Between 22 and state pension age
- with annual earnings of £8,105+

All eligible jobholders must be auto-enrolled.

Including:

- Temporary
- fixed – term
- part – time
- Foreign
- agency workers

Individuals may opt – out but must be re-enrolled every 3 years.

Auto-Enrolment

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Phasing dates	XYZ Co Ltd	Employee pays	Tax relief
Before October 2017	1%	0.8%	0.2%
October 2017 – October 2018	2%	2.4%	0.6%
From October 2018	3%	4%	1%

Existing Schemes

Employers will need to decide whether and how they want to use this pension scheme to meet their duties for existing members, as well as how they will fulfil their automatic enrolment responsibilities

Definition of “pensionable pay” differs

NEST (National Employment Savings Trust)

New national workplace pension scheme offered by the Government.

Simple, low-cost

Limited investment fund choices

Default fund for those who do not make a choice

Annual contribution limit of £4,400 (to be removed in 2017?)

Companies' legal responsibility to

- Select an automatic enrolment scheme
- Provide specified information to employees when they become eligible
- Provide information to the scheme
- Collect employee contributions as soon as they are eligible
- Automatically enrol employees into the qualifying pension
- Process opt-outs
- Refund contributions of those who opt out
- Repeat the process every three years for those who opt out
- Regulatory requirements

Auto-Enrolment

Summary

- Research indicates this will trigger higher membership and contribution
- Serious cost implications for employers - high if don't currently contribute:
 - At least 3% of earnings between £5564 and £42475
- Additional administration costs
- Examine administrative effect before it comes in

Action

Step 1: Look at potential financial impact on your business

What about a Salary Exchange?

Step 2: Consider your options

- **How important is it to your business to offer a high quality pension scheme for staff recruitment and retention?**
- **Do you need a Qualifying Workplace Pension Scheme or NEST (or both)?**
- **Do you need to provide your employees with access to advice?**

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Thank You

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