



## Has the largest compulsory change to payroll in 60 years gone across your radar screen?

Many SME's have no idea about the payroll changes coming into force this April 2013. So we thought we'd bring you up to speed.

Did you just file the HMRC letter sent out to you in October explaining the introduction of Real Time Information (RTI)? It seems many of you did - as an FSB poll on the subject that month revealed that 25% of their members had never even heard of the new RTI payroll system.

The reason this is being introduced is part of government moves to tackle fraud and error. The intention is provide HMRC and the DWP with up to date information on worker incomes in order to minimise fraud and errors which – according to the HMRC – cost £5.2bn a year

Essentially, the payroll system is becoming much more rigid with employers needing to tell HMRC about tax payments, national insurance contributions and other deductions **when or before they are made rather than at the end of the tax year.**



This is **every time you pay an employee - including cash advances**

So, if you administer PAYE: Tax and NIC will still be required quarterly but the FPS (Full Payment Submissions) will be required whenever an employee payment is made - be it monthly, weekly or daily.

The Institute of Chartered Accountants in England and Wales have previously criticised the system saying it is “at best unrealistic and at worse impossible” they’re particularly concerned for smaller businesses that will struggle with the change. And they cite the example of a pub landlord needing to call in and pay staff for shifts at short notice...



There are certainly going to be some challenges around the subject:

- **Like the extra administrative time in obtaining the correct employee data** (A DTE Advisors Survey showed that 54% of those surveyed believe this will mean up to 25% more work for their business)
- **The actual identification of “earnings”**
- **Leavers and joiners’ processes**
- **International aspects**
- **How very small companies who don’t use payroll software are going to cope**
- **Payroll/software upgrades**
- **Process mapping and additional training for payroll staff**

*Perhaps it’s not surprising that RTI has been dubbed “real time irritation”. If you’ve been thinking about outsourcing your payroll NOW might be a good time to do it!*

*If you’re already outsourcing your software it’s vital to check that your provider is fully RTI compliant and to find out what data they will require from you.*

*Please get in touch if we can help.*

023 8000 1352  
wendy@verveaccounting.co.uk

***This is handout no 5 in our Verve Insight Series.***

For full information about RTI please see [www.hmrc.gov.uk/rti/index.htm](http://www.hmrc.gov.uk/rti/index.htm)

To check whether your business is ready here's the HMRC check list

<http://www.hmrc.gov.uk/payerti/getting-started/business-readiness-checklist.pdf>