



PAYROLL BULLETIN

October 2012



This newsletter has been prepared by:

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Real Time Information

As I am sure you are aware through our payroll newsletters and/or communications you have received from HMRC, (we are attaching the latest HMRC notice), there are major changes afoot in the processing of payroll starting April 2013. The submission of the end of year forms P35 & P14 are to be replaced with Real Time Information (RTI). This will mean payments will have to be reported to HMRC as and when they are made to the employee.

The first process you will have to go through is ensuring that the data held in respect of your existing employees complies with HMRC's set standard, therefore it will need to be verified. This involves sending an Employer Alignment Submission (EAS) to HMRC.

The data included in the EAS, for each employee, that must be approved by HMRC is:-

Employee Name – The full official forename(s) and surname, ensuring they are spelt correctly. Ensure double barrelled names are entered in full with a hyphen in between e.g. John-Marc. Initials are no longer allowed.

National Insurance Number – Ensure this is the correct number. If the NI number is or does not look valid Form CA6855 will need to be completed to enable the correct number to be traced.

Date of Birth – Ensure this is the correct date of birth for the employee.

Gender – Ensure the correct gender is selected for the employee.

If, when the data is sent to HMRC for verification, it fails on any of the above then HMRC have recommended that employees' information is subsequently checked using an official source. This would be done using a copy of the employees passport/photo driving licence or a copy of their birth certificate. It will be essential to ensure that you hold up-to-date addresses for your employees as this could also be required.

One of the major reasons for the introduction of RTI is the change to

the benefits system. The Universal Credit is a new single payment for people who are looking for work or on a low income. It will be necessary to report the number of hours each employee works. This will be done in ranges so it is not a specific number of hours.

Another main change with RTI is that every employer with a PAYE scheme will have to report all employees. These will include anybody paid under the tax and NIC limits for whom you held a signed P46 and are currently covered under the P38(a) which is a year-end return. The student form (Form P38(s)) will also be scrapped from April 2013. Any student working for you during the school holidays who does not produce a P45, will now have to complete a P46 or similar.

Forms P45 (starters and leavers) & P46 will not have to be submitted separately to HMRC as all the required information will be included in your Full Payment Submission (FPS). The FPS, which includes gross pay, tax, NI, net pay, will have to be submitted to HMRC on or before payments are made to the employees, even if this means making multiple submissions for various pay dates. This will mean 52 submissions per annum for weekly paid employees!

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Issues Arising

As Edmund Carr has an experienced team running its payroll bureau, we have already become aware of some potential complications as follows:-

If you pay your staff a regular advance of their salary – You will have to report these payments as and when they happen. For example if the payroll is calculated monthly but you make regular weekly payments on account then weekly reporting will be required.

New Employees – When taking on a new employee the importance of getting full details has increased significantly. If you fail to get full information your electronic submission could be rejected by HMRC.

No regular payroll – If you do not pay staff on a regular basis but have a PAYE scheme, then for each period where no payments are made you will need to submit an Employer Payment Summary (EPS) stating “No payment due as no employees or subcontractors paid in this pay period”. This must be done within 14 days following the

end of the month.

Pressure on payroll staff – With information having to be reported to HMRC on a more frequent basis the pressure on payroll staff will increase. At present it can be quite easy for payroll to be run early during holiday periods or Christmas closure but this will not be so straight forward under RTI.

Communication – It is going to be even more important for your employees to communicate changes of name, address etc. to HMRC. If the information held on your payroll software is out of date then this may result in the incorrect tax code being operated for the employee. As under the current PAYE regime, it is the employees’ responsibility to contact HMRC to have their records updated with any amendments.

Reclaiming SMP/SSP/SPP etc. – Another benefit to RTI, from HMRC’s point of view, is that they will know, to the penny, how much tax and NIC liability is due for payment to them each month. If you are in a position where the company can reclaim monies from HMRC in respect of absence payments or an overpayment from a previous tax year then you will need to submit an EPS in order to make HMRC aware of the reasons for

the lower liability.

Small Employers – The only people who are able to use HMRC’s online PAYE software for submitting their FPS are those who have an average of nine or less employees per submission. All others will need to use either their own payroll software or outsource to an accountant or bureau.

If you require any further advice on the implementation of RTI please do not hesitate to contact either Julie Perrin or Hazel Ray in our payroll department. If Edmund Carr currently processes your payroll we will be in touch shortly to start the verification of the data we hold.

Disclaimer

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

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If you think this information might be useful to a friend or colleague, please pass it on.

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