RTI – the recent relaxation, annual payments and the revised starter process guidance

Technical

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RTI is now in full swing. If you deal with payrolls for clients or for your own firm, I hope that the first month went well.

Relaxation

You will probably have seen details of the ‘on or before’ relaxation for small businesses. Under the relaxation, HMRC have agreed that, until 5 October 2013, employers with fewer than 50 employees, who find it difficult to report every payment to employees at the time of payment, may send information to HMRC by the date of their regular payroll run but no later than the end of the tax month (5th).

How to report payments where the relaxation is used

HMRC have published details of how to report payments where the relaxation is used. Basically, the amounts paid are summed and reported on the next FPS return. Details of what should be reported are explained on the CIOT website at: **www.tax.org.uk/RTI-FPS**.

Annual payment option for employers

HMRC have confirmed that the ‘annual payer’ system will continue under Real Time Information. Where salary and wages payments are made to all employees (including directors) in a single tax month each tax year, the employer can inform HMRC’s employer helpline on 08457 143 143 that it is an ‘annual payer’ and hence

minimise the reporting under RTI.

HMRC have confirmed in the last RTI update that: ‘If all payments are paid to your employee(s) in a single tax month during the year, you can choose to become an annual payer. This means that you pay HMRC once a year on the due date and you don’t have to complete a monthly nil payment notification. However, you must tell HMRC so that your records can be updated and to avoid them contacting you about unpaid amounts.’

Details are on the HMRC website at: **www.tinyurl.com/HMRC-PAYEpay**.

RTI – Starter process guidance amended

Following representations made by the RTI Customer User Group, HMRC have amended the guidance on the starter process.

We and quite a few other representatives have pointed out over a period of time that, where a new employee had more than one job, the new guidance meant that they could end up with a BR code being applied at both jobs, instead of using codes which were more likely to produce the correct amount of tax payable over the year (eg one code which reflected their personal allowance at one job and a BR code at the other).

As a result of this, HMRC have agreed to make some changes that should help to increase accuracy for individuals with a P45 and more than one job.

In such cases, instead of selecting statement C and operating code BR, the employer should select statement B and operate the tax code on the P45 – unless the tax code on the P45 is BR, 0T or D prefix – in which case statement C would still apply.

Individuals without a P45, or with an old P45, will continue to complete the starter declaration to confirm their employment situation.

The full guidance on the starter process will be updated and available from 6 April 2013 in HMRC’s guide ‘Notifying and getting new employee information right’ at **www.tinyurl.com/PAYEnew**.

HMRC acknowledge that the starter process guidance had gone through several iterations and, for 2013/14, they have said that they will accept if your payroll software reflects an earlier iteration that does not follow this new process.