

PREPARING FOR PAYE “REAL TIME INFORMATION”

Who is affected?

The introduction of PAYE Real Time Information (RTI for short) will affect all employers who operate or intend to operate Pay As You Earn.

80% of PAYE return errors relate to name, DOB or NICs

HM Revenue & Customs (HMRC) have told businesses to get their PAYE paperwork in better order, after more than 500 returns incorrectly claimed to employ ‘A N Other’ in 2009/10.

Every year, employers submit PAYE data that give details of employees’ tax and National Insurance contributions. Lack of accuracy can cause problems for the worker. For example, incorrect amounts are deducted from pay.

Around 80% of errors in employee details for 2009/10 related to name, date of birth or National Insurance number. As well as 507 A N Other’s, returns revealed the following incorrect information:

- 128 staff entered as Mr, Ms or Mrs Dummy;
- 572 people whose surnames included only the letter X, ranging from Mr X to Mrs XXXXXX;
- 75 staff with the surname ‘casual’, 11 ‘cleaners’, nine ‘workers’, and six ‘students’;
- 824 employees with the surname ‘Unknown’; and
- 40 people were apparently 200 years old or more.

Why is it important to check the details you hold about employees are accurate?

It has always been important to make sure the information that you send HMRC about your employees is accurate to help ensure that your employees pay the correct Income Tax and NICs. Improving the accuracy of the information you hold will help match the information to the correct HMRC record. This could save you money by helping to reduce the number of employee enquiries you receive.

This is not just important for tax and NICs. From October 2013, Real Time Information (RTI) will support Universal Credit by providing the DWP with up to date information about claimants’ employment income. Ensuring your employee information is correct will help to ensure they receive the right amount of Credit.

As part of the process for an employer joining RTI, HMRC will align the records of employees held on the NPS system and the records held by employers. HMRC recommends that you start to prepare for RTI by checking the information you hold.

What sort of employee information should I be checking?

Over 80 per cent of matching problems experienced by HMRC are caused by incorrect information about an individual’s name, date of birth or National Insurance number. Please follow the guidance below to avoid some common errors.

Name - Always provide each employee's full forenames and not just their initials. Some employers get forenames and surname in the wrong order, they spell them incorrectly, or they use initials instead of the full name. It's always best to verify this information from an official source, such as a birth certificate or passport. Include a full middle name if the employee has one and watch out in particular for names that can be spelled in different ways such as Smith and Smyth.

Date of birth - Always provide the employee's actual date of birth. Bear in mind that details taken from a P45 from a previous employer could be wrong, so it's always best to verify this information from an official source as above.

National Insurance number - Always enter the employee's correct National Insurance number. Using a default or dummy number is not good enough. It's always best to verify the National Insurance number from an official source such as the employee's National Insurance card or a letter issued by the Department for Work & Pensions. The number must begin with two letters, followed by six numbers and end with letter A, B, C or D.

HMRC can help you to trace a National Insurance number for your employee - simply complete form CA6855, available by searching on Google 'HMRC CA6855' and clicking on the top link.

If you have any questions about the issues covered in this update or if you would like to discuss anything in more detail, we are here to help. Contact us on 01856 872983 or by e:mail at enquiries@ajbscholes.co.uk.