

4

CORPORATE SYSTEMS

Additional Resources

Additional references, news snippets and mini articles to add to and update the material in Chapter 4: Corporate Systems.

Increased electronic reporting of Payroll details to Government

As discussed in the chapter, many payroll systems use electronic links to make payments into their employee's bank accounts and to make tax returns to government. From 6 April 2013 all employers will be required to send details electronically to HMRC every time they pay an employee, at the time they pay them – a system known as Real Time Information (RTI). The payroll information can be submitted online or by EDI from payroll software that includes that capability (all large employers and large outsourced payroll service providers can be expected to use the EDI approach).

The intention of RTI is to improve the accuracy of PAYE, reducing the need for HMRC to send out corrections for overpayment, underpayment or the possibility of fraud. RTI will also stop the practice of some employers underpaying the HMRC throughout the year and (hopefully) making up the shortfall at the yearend (thus helping the company's cash flow, at least in the short term) (McDonough, 2013).

The introduction of RTI is also linked with the proposed Universal Credit scheme that will replace and unify many separate social security benefits (one scheme that will be replaced is Tax Credits – this scheme *topped up* the wages of people working in low paid jobs but it always worked on out-of-date information creating problems of underpayment and overpayment (Universal Credits also requires large IS/IT changes and it appears that this government project may be in trouble – but that is another story).

The new scheme should be simple enough for large organisations or those using outsourced payroll providers – the payroll software should cover the requirement (or be updated to meet the requirement). The change is however a worry for many small employers who see it as an extra cost and an extra bureaucratic burden (HMRC say their concerns are exaggerated). An example on the HMRC website is that of individuals employing carers in their own homes – currently they can use a simplified deduction scheme but this will be phased out and pay details will have to be reported online (using payroll software or use the HMRC free online services).

McDonough, T. (2013) Taxman's Real Time Information could be a big shock for small firms', Liverpool Daily Post, 28feb13.

Sources also included HMRC website – reference not given as it will presumably be removed once the system is fully operational.



Learning resources – *An Introduction to Information Systems* by David Whiteley