



Summary Research report

HMRC Real Time Information: Employer Research

A research project to support intelligent decisions
on the implementation of RTI

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About Personal Tax Customer & Strategy (PT C&S)

Personal Tax Customer & Strategy works to develop HMRC's approach to implementing the customer centric business strategy and -

- improve customer experience
- maximise tax yield
- serve willing and able customer at the lowest possible cost to them and us
- ensure that those who need help get the support they need, when they need it.

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Research requirement (background to the project)

The PAYE system requires modernisation to allow it to keep pace with the changing employment landscape where employees tend to change jobs more frequently than ever before and are more likely to have concurrent employments.

The concept for improving the operation of PAYE was laid out in the document 'Improving the operation of Pay As You Earn (PAYE)' which was published in July 2010. This proposed the introduction of Real Time Information (RTI).

RTI is a key government priority aimed at improving the operation of PAYE by making the system better for taxpayers and easier for employers and HMRC to administer. It is also integral to the delivery of Universal Credit - the Government's flagship welfare programme.

To ensure that RTI is developed in-line with business practices and that migration is as simple as possible, research was commissioned to:

- explore and quantify customer (employer) reaction to RTI
- identify the implications of RTI on:
 - paying tax & NI due to HMRC - how do employers currently pay and how might this change?
 - employees – can employers foresee any issues from the point of view of employees? Is RTI likely to lead to increased queries?
 - frequency of running payroll
- explore the decision making process around early adoption and/or mandation and identify the barriers and levers so that we can explore ways to influence behaviour
- estimate likely take up volumes of RTI in the period from October 2012 to October 2013 and how behaviour prompts might influence take up
- explore employer reactions to various options of how to work with HMRC to align their data (we have suggestions for options to include here)
- identify issues for customers updating their payroll and HR systems with amended National Insurance numbers (NINOs)
- estimate potential transitional costs and ongoing day to day costs of administering RTI and/or benefits for customers at each stage of RTI – from data alignment, preparation, going live and ongoing business as usual
- explore and quantify likely problems small and/or niche employers providers may encounter

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Who did the work (research agency)

HoldenPearmain, a market research company based in Weybridge Surrey managed the collection and analysis of information.

When the research took place

The qualitative research took place in July 2011 and the quantitative in September 2011

Method, Data and Tools used, Sample

Qualitative – 6 group discussions and 15 in-depth interviews with a variety of different employer types and split between 3 locations.

Quantitative - A total of 711 telephone interviews were conducted with UK employers.

To qualify for the survey all respondents had to be:

- from companies with at least one PAYE employee
- with working knowledge of their payroll systems and the relevant work conducted internally
- and actively involved in decision making in terms of managing the company PAYE payroll.

All but 50 of the sample were freefound, with HMRC sample provided to help cover the large company 250+ employee sector.

Minimum quota controls were set by size of company, by number of employees, use of third parties for payroll (for all tasks, some tasks) and SIC (Standard Industry Code) code. These provided robust bases for analysis of all key sub-cells and a broad spread of business types by SIC code.

Weighting was subsequently applied to ensure that the sample was fully representative of businesses with PAYE payrolls across the UK by size of company.

SPSS (a type of statistical software) was used to analyse the results.

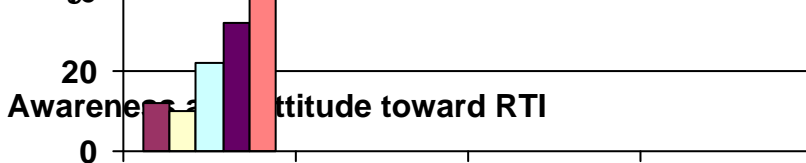
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Main Findings

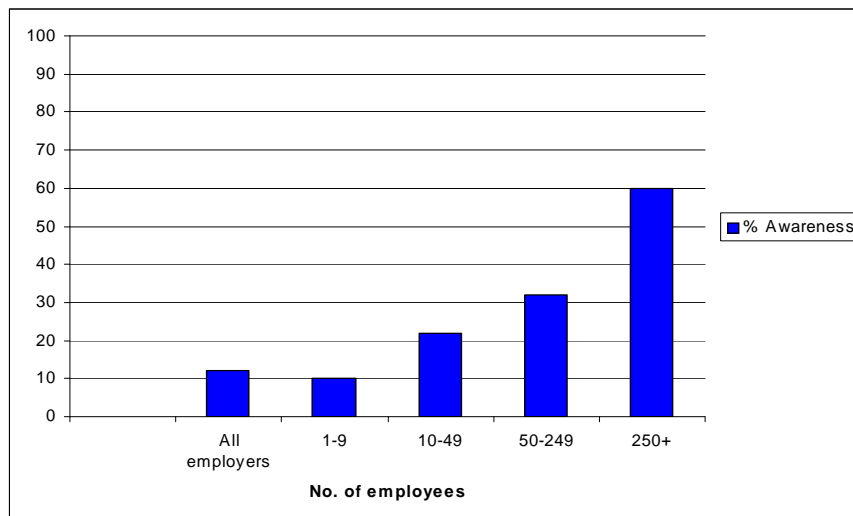
Current payroll arrangements

As expected the number of schemes and the proportion run monthly increases with employer size. Half of all the employers surveyed do not use agents to assist with payroll tasks and - despite having complex payroll arrangements - larger businesses are more likely to manage them in house. The vast majority of employers do not expect RTI to change their use/ non-use of an agent.

Use of HMRC software is widespread (24%) but, overall, almost 1 in 5 employers claim not to use any software. 95% of those using software do so on an ongoing basis; the remaining 5% use it only for end-of-year calculation. When asked, 62% of the end-of-year users expect to increase the frequency of their usage once RTI is introduced and 37% of the non-users are likely to start using some form of software.



Even when prompted, awareness of RTI is low, but it increases with employer size:



Awareness is particularly low (10%) among very small employers (1-9 employees), who represent 85% of HMRC's business PAYE customers.

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Universal Credit has wider salience than RTI among smaller employers and the RTI link to Universal Credit does have a positive impact on some employers' attitudes to RTI.

The majority of employers are initially fairly positive towards RTI (39% net overall positive).

Around half of respondents saw no downside to RTI. Those who did stated that the main negatives were the anticipated increases in workload and cost (especially software upgrades and additional agent fees).

Employers believe that the introduction of RTI will cause them some short-term pain – the cost of introduction; learning a new system; changes in process and cash flow.

Although they can see long-term gain for both themselves – no more 'end-of-year' pressure; fewer errors; less time to complete paperwork; the main benefits are perceived to be for HMRC – more efficient and cheaper - and for the economy – more money collected; less fraud.

Commonly held perceptions of RTI include:

- employers will receive real-time information from HMRC
- It will just take the press of a button to submit RTI data
- The software update will be free.

7 out of 10 employers believe RTI should be easy to implement – this decreases by employer size – and only 20% expect to receive additional queries from their staff.

From a financial point of view, 55% of employers do not expect RTI to have any implications for their business; 24% think it will have a negative effect and 21% a positive effect. Broadly speaking, employers have very similar views on the resource impact that RTI will have – 57% expect no change, 21% expect to use more resource and 23% less.

Migrating to RTI

Given the choice, employers would choose 3 points at which to adopt: October '12, April '13 and October '13.

73% of employers believe that they could prepare for RTI within 6 months and a further 21% said that they would be ready within a year. HMRC support, availability of software and encouragement from software providers and accountants/payroll bureaux will be key to encouraging earlier adoption.

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Data Improvement

9 out of 10 employers are very confident that data they hold on employees' names, NINOs and dates of birth is correct.

$\frac{3}{4}$ of all employers think that the data cleansing process will be easy and over $\frac{1}{2}$ of them think that it will involve no extra work.

RTI and Business Costs

97% of employers do not expect RTI to change the amount of money they pay HMRC each month for PAYE deductions.

Small and micro-businesses have most worries about RTI. Their main concerns include:

- Adverse effects on cash-flow
- Inflexible timings for submission of information.