

Pay As You Earn
Real Time Information
Main Migration: End of Year
Customer Experience
Research

Research Report no.349



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1. Glossary

For the purpose of this research report the definitions below have been used.

Terminology	Definition
End of Year (EOY) return	An annual summary of employer payments to all its employees under the previous PAYE system.
Pay As You Earn (PAYE)	PAYE is the system used by HMRC to collect Income Tax and National Insurance contributions (NICs) from employees (including directors of limited companies). Income Tax and National Insurance Contributions are deducted throughout the tax year based on the employees' earnings and then paid to HMRC.
National Insurance Contributions (NICs)	NICs a system of contributions paid by workers and employers towards the cost of certain state benefits.
Basic PAYE tools (BPT)	Basic PAYE Tools is a free computer software package provided by HMRC to help employers run payroll throughout the year. The software allows employers to keep their employees' payroll records in an electronic format and it works out the Income Tax and National Insurance Contributions for employees in each pay period. The software is designed for employers with nine or fewer employees.
Electronic Data Interchange (EDI)	EDI is a document standard which acts as a common interface between two or more computer applications in terms of understanding the document transmitted. In the case of HMRC, these documents are PAYE forms and returns. The EDI allows the sender's software to exchange information with HMRC.
Government Gateway	The Government Gateway is the website you use to register for online government services. It is an important part of the Government's strategy of delivering 'joined up' government, enabling people to communicate and make transactions with government from a single point of entry.
BACS	BACS is an electronic system to make payments directly from one bank account to another.
Micro employers	Employers with nine employees or fewer.
Small employers	Employers with more than nine but fewer than 49 employees.
Medium employers	Employers with more than 50 but fewer than 249 employees.
Large employers	Employers with more than 250 employees.

2. Key findings

End of year experience under Real Time Information

- The majority of employers found it easy to deal with the PAYE End of Year (EOY) processes under RTI, with 20% rating it 'very easy' to deal with and a further 42% 'fairly easy'. The EOY experience was generally considered to be easier or in line with expectations (80% of employers).
- HMRC's EOY communications helped to maintain high confidence levels (76% were confident they *understood* what was required at EOY and 92% were confident they *did* everything required).
- Employers that were less confident that they understood what was required at EOY found the process more difficult (23% found it difficult to deal with EOY under RTI compared to 10% of employers overall), but in general the perception was that next year's EOY would be easier.
- For most employers, the perceived burden at EOY was the same or a little more than at any other RTI payroll (85%), and was lower than under the previous PAYE system (54% rated EOY burden under the previous system minimal, that is 1 or 2 out of 5, compared to 75% under RTI).
- Where EOY burden was perceived to be higher than a regular RTI pay run, it was most often due to lack of understanding what to do and the need for a lot of support. A small proportion of employers replicated their RTI calculations under the old PAYE system to check what they had done was correct.
- For the majority of employers the time and cost burdens of EOY payroll tasks were reduced or unchanged from the previous regime (80% reported a reduction or no change in the amount of time taken and 71% reported a reduction or no change in cost).

Overall views of Real Time Information

- Two thirds of employers found it easy to deal with PAYE in real time, with 29% rating it 'very easy' to deal with and a further 38% 'fairly easy'. More commercial software users found it easier compared to BPT users.
- Four in ten (42%) employers could see at least one benefit of RTI, with less time spent at EOY and the ease and simplicity of the processes mentioned most frequently.
- Few employers (13%) had made an explicit improvement to the way they operated payroll, but improvements were more often made by employers that felt the burden of payroll to be higher.
- A third of employers (34%) mentioned at least one downside of RTI, with inflexible timings and additional costs mentioned most often, albeit at low levels.
- Agent use was broadly unchanged following the implementation of RTI. Almost all (97%) employers that operated payroll entirely in house continued to do so, whereas 75% of employers that did use an agent reported no change to the amount of external help they received. However, 28% of agent users experienced an increase in costs because of RTI.
- Most employers (78%) found it easy to comply with the requirement to make an RTI submission 'on or before' paying employees. Difficulty with the 'on or before' requirement was most often attributed to the inflexibility of the submission dates and technical difficulties associated with using a new system.

3. Executive summary

3.1. Introduction

Real Time Information (RTI) is a key government programme which aims to improve the way in which employers submit PAYE information about their employees to HM Revenue & Customs (HMRC). The RTI system is designed to deliver benefits to HMRC, employers and employees. These benefits include greater stability and reduced risk of over or underpayment of tax for employees, simplification for employers at the end of year (no more need for an End of Year return) and for dealing with leavers and joiners, and reduced scope for error and fraud. In addition, RTI provides the essential platform for Universal Credit, a major government welfare reform programme.

The RTI pilot, run in the 2012/13 tax year, tested the new IT systems in live mode with volunteer employers. To evaluate the pilot, HMRC commissioned research amongst the pilot employers at each of **three pilot stages, to measure employers' experience of taking part** in the RTI pilot. However, the employers involved in the RTI pilot were not representative of the employer population as a whole. In order to understand the experience of all employers, HMRC commissioned further research after migration to RTI became mandatory (the "Main Migration") with a **representative sample of employers in the population**. The first tranche of main migration research was conducted in autumn 2013, approximately six months after RTI became mandatory. A further tranche was commissioned in summer **2014 to measure the experience of employers at their first 'End of Year' (EOY)**. It is this latter research project which is the main focus of this report. The aims of this research were to assess the RTI EOY experience and the overall RTI experience. This research also covered a small sample of pilot employers that had gone through their second EOY. Changes or differences in their experiences are also noted in this report.

The study involved quantitative and qualitative research among employers. The qualitative research was designed to explore issues arising in the quantitative research and to look in more depth at issues of particular interest to HMRC, especially around any problems that employers had experienced.

3.2. End of year experience under RTI

Employers' experience of EOY under RTI was, for the majority, positive:

- The majority of employers (62%) felt that, overall, it was easy to deal with EOY under RTI.
- **Employers' confidence was initially high with three quarters (76%) confident that they** understood what was required of them. Furthermore, confidence increased once employers had been through EOY, with 92% confident that they had done all that was required at EOY under RTI.
- 80% of employers found EOY under RTI easier than or in line with what they had expected, and nine in ten (91%) expected the next EOY to be either easier than or the same as this year, suggesting a move towards business as usual.
- Most employers found there to be little or no additional burden at EOY compared to a regular payroll (60% reporting that EOY under RTI required the same amount of work as any other payroll, and 23% that it required a little more).

Under RTI, the perceived burden of EOY has decreased or stayed the same for most employers:

- 75% of employers rated the burden at EOY as minimal (1 or 2 out of 5), compared to 54% under the previous system.
- 80% of employers perceived the burden to have decreased or remained the same under RTI as the previous system.
- 80% employers felt that EOY under RTI took the same amount or less time to complete, compared with the previous system.
- Half (49%) of employers reported that EOY under RTI had taken them 1 or 2 hours to complete, compared with 29% under the previous system.

There has not been a large increase in financial cost to businesses at EOY under RTI:

- Two thirds (64%) felt that there had been no change in the costs of running payroll at EOY under RTI.
- Three quarters (73%) expect the costs of running payroll at the next EOY to be about the same as this year.

For a minority, EOY under RTI was more burdensome than under the previous system. Micro employers, those with between 1 and 9 employees were more likely to report a negative experience; 12% found EOY under RTI more difficult than expected, compared with small (4%), medium (6%), and large employers (4%), and one in ten 11% rated the burden of EOY as great (4 or 5), again compared with four per cent of small employers, three per cent of medium employers and five per cent of large employers.

A minority of large employers also reported an increased burden, likely to be due to the higher complexity of their payrolls. Whilst half (52%) of large employers perceived EOY to take less time under RTI than it did under the previous system, one in five thought that it took more time.

Aside from the size of the business, there was a group of employers who experienced a greater burden than most during the preparation and submission of the EOY return. These tended to be those who were lower in confidence before EOY under RTI. However, looking forward, many expect the next year to be easier: over half (55%) of those who found this year more difficult than they had expected think that next year will be easier.

3.3. Overall views of RTI

As with EOY, the majority of employers had a positive view of the RTI overall. Seven in ten (67%) perceived RTI to be easy to deal with overall, in line with late 2013. 8% said it had been difficult. Small and mid-sized employers (10-249 employees), those handling payroll entirely in-house, commercial software users and those who were more confident about RTI, were more likely than others to say that they found RTI easy.

Employers were asked about the benefits and downsides of the RTI system:

- Two in five (40%) said that there was no benefit to RTI, whilst a further one in five (18%) did not know or could not think of any benefits.
- Half (49%) said that there were no downsides, a significant increase from 34% since late 2013, and a further 17% that they did not know or could not think of any downsides.
- 42% did mention at least one benefit, in line with late 2013. Most commonly, employers said that less time was needed for EOY processes (19%), followed by it being simpler and/or easier than the previous system (18%), and the quicker return of information from HMRC (9%). All three of these were mentioned more frequently during this research than they were in late 2013.

- 34% of employers felt there was at least one downside of RTI, a similar proportion to late 2013. All downsides were mentioned at relatively low levels, but the most commonly mentioned was that the timings were too rigid and not flexible (7%).

Most employers (82%) said that they had not made any improvements to the way they dealt with payroll, employees or how they ran their business as a result of RTI. However, of employers that felt the burden of EOY under the previous system was high, a quarter (27%) said they had improved the way they dealt with payroll, compared with 9% who perceived the burden to have been minimal.

Levels of use of external help have remained broadly unchanged:

- 40% of employers did not use an agent a year before this research, and almost all (97%) continued to deal with payroll in house up to and after their first EOY under RTI.
- Of employers who did use external help previously, three quarters (75%) used the same amount of help one year on. 95% continued to use the same supplier.

For some employers there has been some increase in costs under RTI:

- Three in ten employers who used an agent to help with payroll (28%) said that they had experienced increased costs, a greater number than in late 2013 (23%).
- In 2012/13 12% of employers spent at least £1000 on their payroll software, which increased to 17% in 2014/15. Moreover, those that paid nothing on their payroll software decreased from 25% to 14%.

RTI also appeared to have a positive impact on employer behaviour:

- Three quarters (78%) of employers found it easy to comply with the requirement to run their payroll before or at the same time as paying employees.
- 27% of employers reported that they were more likely to report a change in employee circumstances.
- **15% said that they would be more likely to notify HMRC if an employee's earnings fell under the NI lower earnings limit.**
- A similar proportion (13%) said that they are more likely to pay HMRC in full as a result of RTI.

3.4. Pilot employers after their second 'end of year'

Pilot employers were both more positive than main migration employers, and than they themselves had been at the previous EOY under RTI. These employers tended to have increased in confidence: 95% were confident that they understood what was required at their second EOY, compared with 91% at the first. Moreover, 98% were confident that they had done everything required, compared with 95% at the previous EOY. Overall, nine in ten pilot employers (90%) found dealing with EOY under RTI for the second time easy, compared to 77% who found their first EOY under RTI easy. This improvement and **increase in confidence suggests a move towards 'business as usual'** as pilot employers become more familiar with the system and processes involved.

Following their second complete year dealing with PAYE in real time, pilot employers were very positive, with 90% saying it was very or fairly easy to deal with. Among pilot employers, 83% mentioned at least one benefit of dealing with PAYE in real time (compared to 75% at the first EOY research) and fewer pilot employers mentioned a downside after the second EOY than did after the first: 38%, compared to 49%.

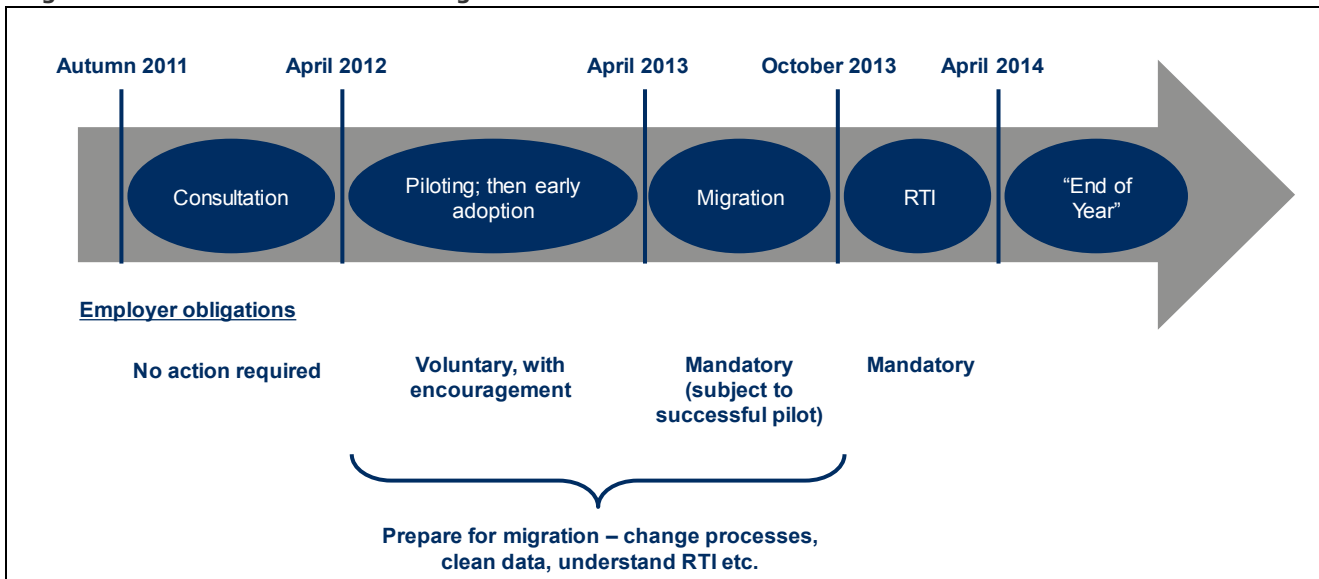
4. Introduction

4.1. Background

Real Time Information (RTI) is a key government programme which aims to improve the way in which employers submit PAYE information about their employees to HM Revenue & Customs (HMRC). RTI is designed to bring significant benefits to businesses, taxpayers and HMRC, but migration to the new system requires employers to prepare and make changes to existing processes. Most significantly it **requires employers to send HMRC details of employees' payments and deductions in 'real time' (at or before each payment)**. In addition, RTI provides the essential platform for Universal Credit, a major government welfare reform programme.

Following the completion of considerable research, consultation and development work, HMRC piloted the approach among volunteer employers. The pilot was rolled out in three sequential stages, with the number of PAYE schemes increasing at each stage. Following a successful piloting phase, the operation of PAYE in real time became mandatory for all employers in April 2013. The timeline for RTI migration is shown in Figure 4.1 below.

Figure 4.1 Real Time Information migration timeline



As mentioned, the move to RTI has required employers to make some changes to their existing payroll processes. In summary, these changes included the following.

- Reports to HMRC are made as part of the regular pay run; employers are able to submit information via the Government Gateway. Large employers and large payroll bureaux are more likely to use Electronic Data Interchange (EDI) for their PAYE submissions.
- Where the employer pays via the BACS system they are required to include a cross reference in the payment instruction and in the PAYE return so that HMRC can validate the amount paid with the amount reported.

- RTI data has to conform to a common quality standard, and employee information (National Insurance Number, Date of Birth, etc.) needs to be cleaned and aligned with the records held by HMRC before migration to RTI.
- The use of updated payroll software (in-house, third-party or HMRC tool) to allow for the submission of RTI data.

The RTI system is designed to deliver benefits to HMRC, employers and employees. These benefits include greater stability and reduced risk of over or underpayment of tax for employees, simplification for employers at the end of year (no more need for an End of Year return) and for dealing with leavers and joiners, and reduced scope for error and fraud.

The RTI pilot tested the new IT systems in live mode with volunteer employers; it contributed to the review of the costs and benefits of RTI to employers, and of how well the pilot employers dealt with the need for data quality. It also provided a broader view of the experiences of pilot employers.

To evaluate the pilot, HMRC commissioned research amongst the pilot employers at each of three pilot stages, to **measure employers' experience of taking part in the RTI pilot. In particular, the research examined how well employers' experience matched their expectations and provided indicative measures** of the impact of RTI, including burden. This research built up a picture of how employers found preparing for RTI, the initial implementation, and their experience after their first few RTI submissions when the system was more embedded¹.

However, the employers involved in the RTI pilot were volunteers and, as such, were not representative of the employer population as a whole. In order to understand the experience of all employers, HMRC **commissioned further research after migration to RTI became mandatory (the "Main Migration") with a representative sample of employers in the population.** The first tranche of main migration research was conducted in autumn 2013² approximately six months after RTI became mandatory. A further tranche **was commissioned in summer 2014 to measure the experience of employers at their first 'End of Year'.** It is this latter research project which is the main focus of this report.

In addition to main migration employers, the summer 2014 research also covered a small sample of pilot employers that had gone through their second End of Year. The same research tools were used for main migration and pilot employers. Changes or differences in experiences are also noted in this report.

4.2. Research aim and objectives

The aims of this research were twofold.

1. To assess the RTI End of Year (EOY) experience in the following ways:
 - Confidence and ease of dealing with the RTI EOY processes
 - Perception of burden and work involved in the RTI EOY processes and whether these have changed compared to the previous system
 - Change in payroll, agent and banking costs due to the RTI EOY processes
 - Estimate of hours involved in dealing with the RTI EOY and payroll processes

2. To assess the overall RTI experience in the following ways:
 - Benefits, downsides and improvements made to the operation of payroll due to RTI
 - Estimate of extra (£) spend on agent help due to RTI
 - Estimate of extra (£) spend on software due to RTI

¹ <http://www.hmrc.gov.uk/research/report264.pdf>

² <http://www.hmrc.gov.uk/research/report304.pdf>

- Ease of reporting on or before paying employees
- Impact on reporting behaviour

4.3. Methodology

The research involved quantitative and qualitative research among employers. The qualitative research was designed to explore issues arising in the quantitative research and to look in more depth at issues of particular interest to the RTI programme team, especially around any problems that employers had experienced.

Quantitative research generally asks a standardised questionnaire of a relatively high number of individuals. The individuals are usually a sample of the population in question. The output is a series of statistics with an estimable level of accuracy. Qualitative research, on the other hand, generally involves a relatively small number of individuals but explores a topic to the depth that is impossible in a time-constrained, rigid interview.

This report incorporates the findings from both the quantitative and the qualitative research, but to aid interpretation findings from the qualitative research are differentiated from the quantitative research findings in shaded boxes.

4.3.1. Quantitative research

The quantitative research consisted of a telephone survey of a randomly selected sample of 1,447 employers who had migrated to RTI in the main rollout from April 2013 onwards, excluding financial agents and payroll bureaux. Of these 1,447 employers, 466 had also been the subject of an interview in the first tranche of main migration research.

The quantitative sample was selected to ensure that it was representative of all employers. After excluding financial agents and payroll bureaux, the sample was drawn randomly from the Inter Departmental Business Register (IDBR). The overall population is naturally skewed towards micro (1-9 employees) and small employers (10-49 employees), so medium employers (50-249 employees) and large employers (those with 250 or more employees) were deliberately over-sampled in order to generate a robust number of employers for sub-group analysis. Data were then weighted back to their natural levels in the final data set. This was achieved by weighting the total sample data to match the profile of the overall population by number of employees, business sector and geographical region.

In addition to main migration employers, the overall sample included 402 employers that had taken part in the RTI pilot and who had participated in the pilot research. These employers had recently completed their second End of Year processes under RTI and were therefore deliberately included to measure any change in their experience over time.

The individual interviewed on behalf of an employer was the person who had most involvement with implementing and running payroll under RTI. Interviews were conducted between 23 June and 11 August 2014 and took an average of 20 minutes. The estimated response rate was 45%.

Further details of the sampling, data collection and weighting are given in Appendix A.

4.3.2. Qualitative research

The qualitative research comprised 30 depth interviews (10 face-to-face and 20 telephone) following up cases from the survey. The sample was selected to reflect a mix of employers in terms of size and experiences of migrating their payroll to RTI. Ten employers were selected with positive experiences of RTI, or where the burden / costs of undertaking payroll had decreased and twenty employers that indicated that the burden / cost of payroll had stayed the same or increased, or expressed some form of dissatisfaction in terms of:

- Difficulties dealing with specific aspects of RTI;
- **Meeting the 'on or before' requirement;** and
- Problems in undertaking the end-of-year (EOY).

Employers were also selected where there had been a change in the amount they used their agent – either reduced or increased use.

Fieldwork was undertaken between 21 July and 18 August 2014, with interviews taking up to an hour. All interviews were digitally recorded and analysed using 'Matrix Mapping', TNS BMRB's proprietary approach to the fine-grain analysis of qualitative material.

4.4. Key learnings from RTI research programme so far

The RTI pilot research programme provides a picture of how those volunteer employers found preparing for RTI, its initial implementation, their experience after their first few RTI submissions and also at year end. The overriding impression of the pilot research is of a largely positive experience. RTI was easier and less of a burden than pilot employers had expected. This is due to RTI eliminating the most time-consuming parts of the previous PAYE process. Even with decreasing levels of HMRC support to employers, stage by stage, employer confidence levels remained as high as under the previous system.

Inevitably, there were some short term implementation issues for employers, but the pilot provided the opportunity to smooth many of these out, and to fine-tune suitable guidance (particularly web guidance) and support. Even with transitional issues during the pilot, the vast majority of pilot employers anticipated a reduced long term burden under RTI. Smaller commercial software users seemed at greater **risk of problems, particularly those using off the shelf software. However, employers' felt that software providers were responsive in sorting out any software related issues.** Employers using HMRC Basic PAYE tools (BPT) were likely to find HMRC support helpful, as long as technical problems were sorted out quickly. Larger employers wanted more reassurance, particularly that they have successfully submitted something to HMRC.

Once RTI was embedded, there was little evidence of any impact for the majority of employers on payroll costs, the use of external help, any downsides for employees, or any increase in burden. There was some confusion over costs from software providers, and a potential fear of additional work for some employers with a weekly payroll. There was also a perceived risk for those who pay staff on a casual basis that a minority may find it hard to submit via RTI on or before they pay their staff. Prior to the end of the financial year, pilot employers were anticipating the potential benefits and a reduced burden under RTI at EOY. The research carried out after EOY confirmed that these anticipated benefits and lower burden were generally borne out.

On the whole, main migration employers found it easy or easier than expected to migrate to RTI and most were confident that they were doing what is required under RTI. A minority of employers were less confident and some employers were still encountering difficulties with RTI. The sort of difficulty most likely to remain unresolved was information/support issues, including obtaining required information from the helpline or website and software issues. The research highlighted some confusion, albeit at low levels, with elements of the process, for example, that errors could only be corrected at end of year and how to deal with leavers and casual staff.

Most employers found it easy to comply **with the 'on or before' requirement** and most small employers with more frequent payrolls had or intended to comply by the April 2014 deadline. However, there was a minority who were still not clear about the requirement or their intent to comply by the deadline.

Most employers reported no change in the burden of running payroll under RTI to date. Many expected EOY to reduce the overall burden in the future. Employers reported that the payroll burden under RTI was low; issues tended to be due to lack of confidence and on-going technical problems. Most employers

were confident about the requirements for EOY. Employers reported that they were more likely to pay HMRC promptly and notify HMRC of changes to employee circumstances.

4.5. Reporting notes

Where percentages shown in charts or tables do not total to exactly 100% (or where they do not exactly total to a summary statistic given, such as agree/disagree) this will be due to rounding to the nearest **whole number, or due to the exclusion of those who said “don’t know”**.

Where the results for one group of respondents are compared against the results for another group, any differences stated are statistically significant at the 95% probability level, unless otherwise stated.

Interviews were conducted only amongst employers; the views of third parties (e.g. external payroll organisations) acting on behalf of employers were not covered.

It should also be noted that the information contained in the IDBR about an employer’s number of employees was used in selection of the sample but that the equivalent variable used in data analysis is derived from information about employee numbers given by the employer. These two sets of information did not match exactly. This means that the distribution of the data by number of employees does not exactly match the sample profile information given in Appendix A.

A further feature of **the data is the relatively high proportion of employers giving “don’t know” responses.** Those employers who use third party help with payroll were much more likely than those carrying out payroll activity completely in-house to say that they do not know the answer to a question in the research.

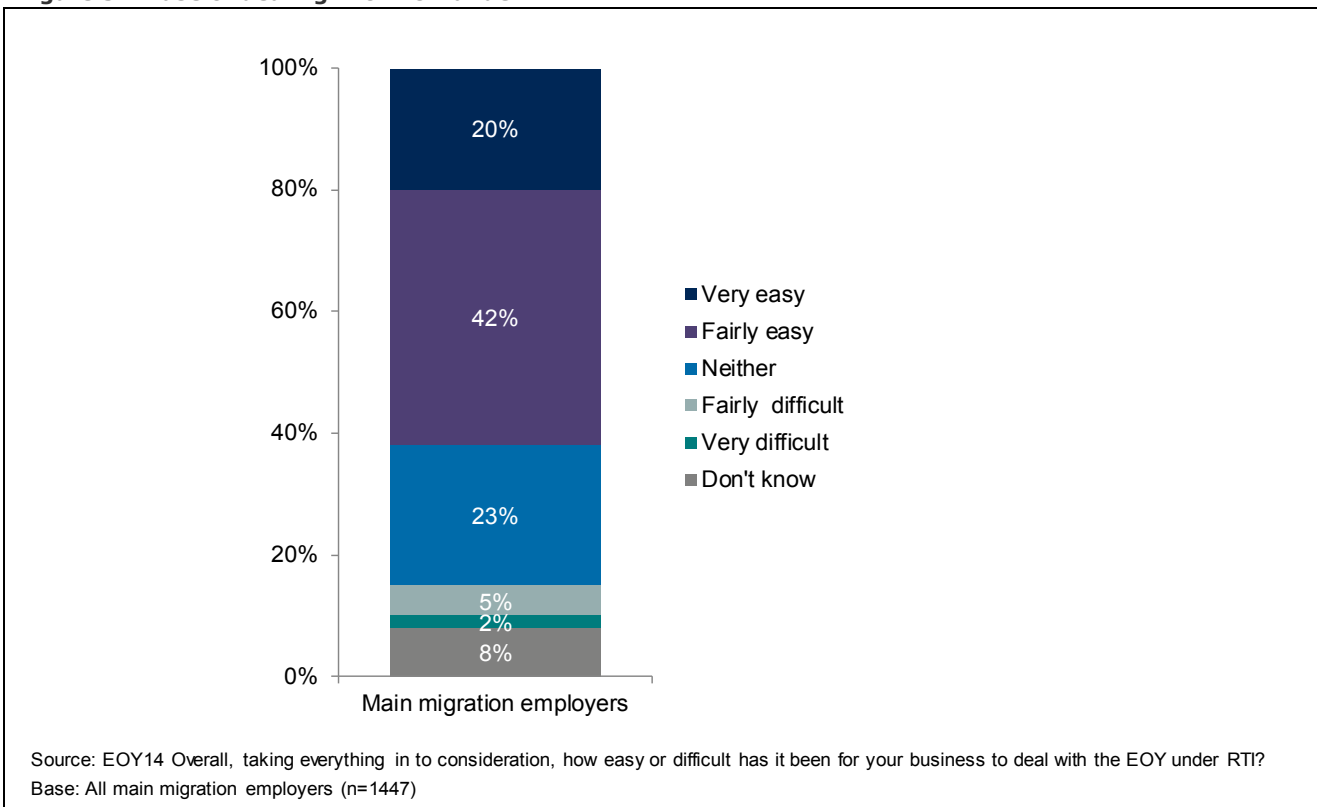
5. End of year experience under RTI

To evaluate employers' end of year (EOY) experience under RTI, this chapter explores overall views of RTI at EOY in terms of confidence in understanding the system and processes required and the ease of carrying these processes out. It will also examine perceptions of the burden of EOY under RTI compared to the previous system and, in particular, the amount of work required and any costs the business has incurred as a result of RTI.

5.1. Overall view of EOY processes under RTI

Employers' overall assessment of EOY under RTI was generally positive. Two thirds (62%) of employers said that it was either fairly or very easy to deal with EOY under RTI, with 7% reporting that it was difficult (Figure 5.1).

Figure 5.1 Ease of dealing with EOY under RTI



Employers in the qualitative research were generally very positive about their EOY experience, for the following reasons:

- The process of end of year reconciliation – a task that had often been seen as time consuming and daunting – was now felt to be much easier as reconciliation was occurring throughout the year as they undertook each payroll. Employers commented on how much less stressful the end of year payroll had become;
- EOY was now associated with greater 'first time' accuracy with fewer, or no, errors to find;

'Much easier. We balanced to the penny this year. Unlike most years where we were always a little bit out and had to go through everything to find the mistakes...much less stressful. It was a real breeze this year.' (10-49 employees, Off-the-shelf software)

- The process was much faster and therefore more economical. By way of example, one micro employer indicated that EOY now took 15 minutes compared with two hours previously – a staff time saving of around £100; a medium sized employer indicated a reduction from four hours to one hour – a staff time saving of around £40 that enabled the employee to spend time on other tasks;
- Employers that had previously sent their EOY submissions electronically through the Government Gateway did not notice any significant change in the time or cost of undertaking their EOY process. This applied to BPT users and employers that used payroll software packages from specific off-the-shelf suppliers.

'I was under the impression EOY was going to be radically different but there was almost no difference at all. Just an extra 20 seconds to send the final FPS.' (1-5 employees, BPT)

However, for some employers EOY under RTI was more difficult. Employers were more likely to struggle with EOY under RTI including those employers who were less confident pre-EOY: 9% of those employers who were not very or at all confident said that EOY under RTI was very easy, compared to 41% of those who were very confident prior to the first EOY under RTI. Those who reported an increase in payroll costs were also more likely to find EOY under RTI difficult (17%), as were those who reported a high burden under RTI. As will be explored later in the chapter, these groups tended to report a more negative EOY experience under RTI at most measures, suggesting that there is a small group of less confident employers who may be having difficulties operating under RTI. However, it is possible that this is a result **of such employers' lack of understanding of payroll more generally**, rather than as a result of the introduction of RTI specifically.

Ease of dealing with EOY under RTI varied with the size of the employer. Micro employers found EOY under RTI most difficult with 58% finding it very or fairly easy, compared with three quarters of small (75%), medium (75%), and large (76%) employers. Indeed eight per cent of micro employers found EOY under RTI difficult. Most large employers found RTI easy but there was a polarising effect and 6% of these employers said that EOY under RTI was difficult, compared with 3% of small employers and 2% of medium employers. These are likely to be large employers who have more complex PAYE affairs (e.g. with more than one payroll scheme or customised software).

Generally those using commercial software found EOY under RTI easier than those operating using BPT; 13% of BPT users found these processes difficult compared with five per cent of employers using commercial software. There is a degree of overlap between the payroll software used and the size of the business, which may be expected as 54% of micro employers also use BPT. However, micro employers using BPT were more likely to find EOY under RTI difficult (14%), compared with micro employers using commercial software (7%).

Whether the business used a payroll bureau or agent also had a bearing on employers' ratings of the ease of dealing with EOY under RTI. Those who did all payroll tasks in house generally found EOY under RTI easier. Of those who said that they conducted everything in house at this EOY, 77% said that EOY

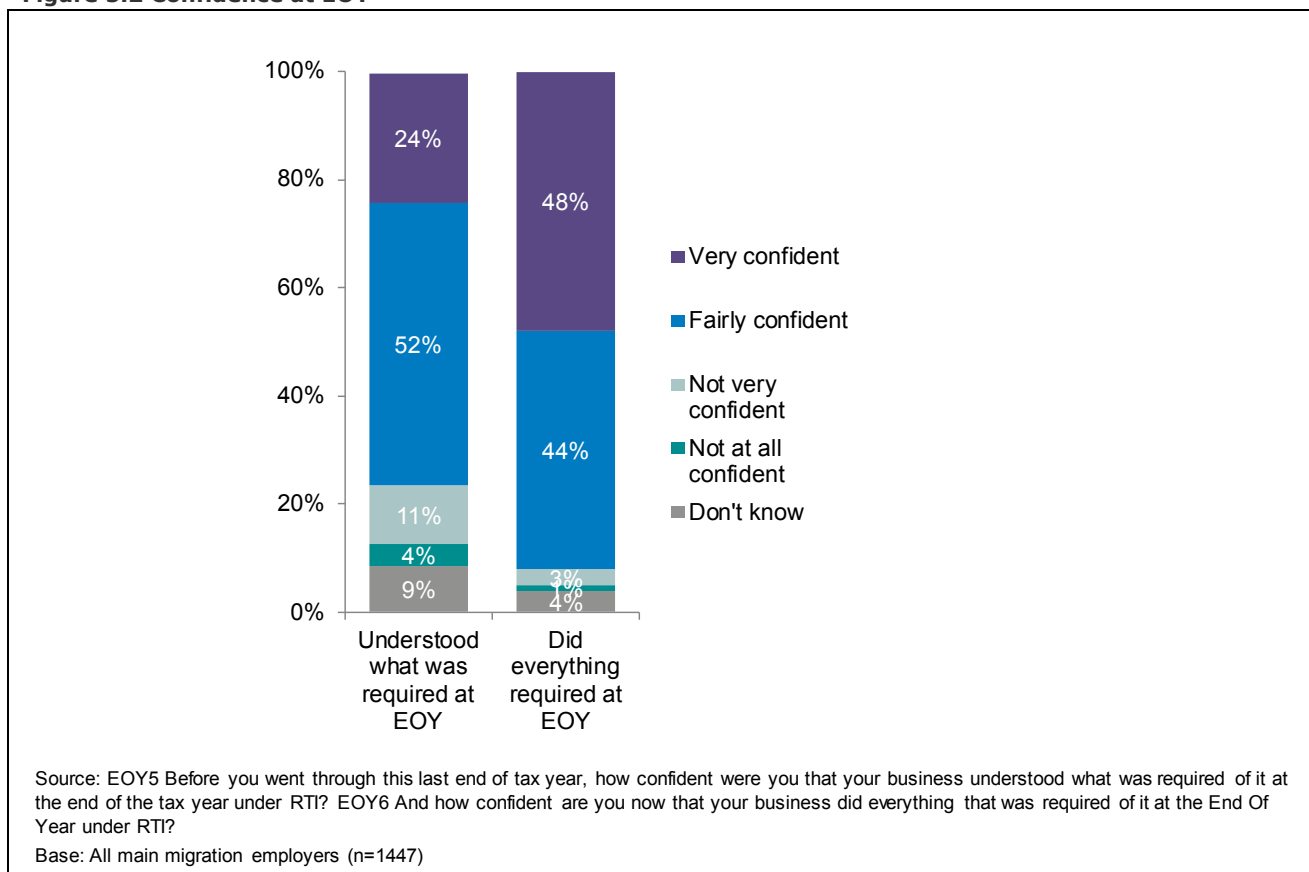
under RTI was easy, compared to 56% of those who outsourced some of their EOY tasks, and 48% of those who outsourced everything. Those who did outsource some or all work at EOY were more likely to say that EOY under RTI was neither easy or difficult (30% of those who outsourced some tasks at EOY, and 33% of those who outsourced all of their EOY), perhaps reflecting that there has been little impact on these employers, as they do fewer EOY tasks internally.

Nine in ten pilot employers (90%) found dealing with EOY under RTI for this second time easy, compared to 77% who found their first EOY under RTI easy. This suggests that after two years, these employers are becoming used to the RTI system.

5.2. Understanding of the requirements of EOY processes

An understanding of what is required at EOY under RTI is necessary for employers to carry out the processes proficiently. Confidence that employers understood what was required at EOY under RTI was initially high, with one quarter (24%) very confident, and half (52%) fairly confident. Confidence increased once employers' had been through EOY under RTI, with half (48%) very confident and 44% fairly confident. three per cent of employers were not confident that they had done everything that was required at EOY under RTI (Figure 5.2).

Figure 5.2 Confidence at EOY



However, as with overall ratings of the ease of EOY under RTI, there were some differences in confidence levels by the size of the business. Whilst confidence for all sizes of employer increased once employers had been through the process, micro employers were least confident that they originally understood what was required and that, afterwards, they had done everything that was required at EOY under RTI (17% not confident and 5% not confident respectively). There was also some initial apprehension for some large employers, with 15% not very or at all confident that they understood what was required at EOY

under RTI. This was alleviated during EOY though, with 99% of large employers confident that they had done all that was required afterwards.

Software type also had a bearing on levels of confidence both before and after EOY under RTI, with commercial software users more confident that they understood and had done what was required at EOY **than employers who use HMRC's Basic PAYE Tools (BPT)**. Eighty five per cent of commercial software users were confident that they understood what was required of them, compared to 77% of those using BPT. Following EOY, 98% of commercial software users were confident that they had done all that was required, whilst 90% of BPT users were.

As with the ease of EOY under RTI, there was some overlap between business size and software use, in relation to confidence. Micro employers using BPT were less confident both before and after EOY under RTI (21% and 9% unconfident respectively) compared to micro employers using commercial software (13% not confident before EOY under RTI and 2% not confident after).

Those who found EOY under RTI and regular RTI payrolls more difficult were more likely to be unconfident: 45% of those who felt EOY under RTI was more difficult than they expected were not confident that they knew what was required and a quarter (27%) were not confident that they had done everything required. Those who rated the burden at EOY under RTI as high also lacked confidence, as did those who had experienced an increase in payroll costs at EOY under RTI (26% unconfident that they knew what was required, and 10% unconfident that they had done all that was required).

Lack of confidence among employers was explored in the qualitative research, especially amongst the micro employers. The lack of confidence was not just about RTI specifically but often more generally about payroll and particularly where changes were occurring. For example, these employers talked about how payroll was a tiny part of their job role, they did not have any prior experience of payroll, they had often inherited the task from a predecessor, and they had not received any training from their employer. **As a consequence they undertook 'payroll by rote' and where anything changed from the norm (e.g. a joiner, leaver, statutory pay, introduction of RTI) they were 'out of my depth'** and did not know what to do, giving rise to a lack of confidence.

'I've never done payroll before. I just follow what [predecessor] told me to do. When RTI came along I couldn't find out what to do so I did it manually the first year. A friend told me what to do this year so I tried it – I think I started in August and caught up – and I did it [EOY] this year and it all seemed to go fine. But I really don't know what I am doing...and my employer has never trained me...and I can't find anything on their [HMRC's] web site, webinars and pdf's and things...' (6-9 employees, BPT)

Large employers in the qualitative research that had experienced complex problems also expressed a lack of confidence in future EOY's under RTI, especially where their problems remained unresolved.

'...the difference between what we think we owe and what HMRC say we owe is much more manageable now – and I don't worry about it. But, it has unnerved me that these differences arose in the first place and no one at HMRC seems bothered to find out why, just blame us and demand payment. The first year the end of year was really difficult; this year it was easier but still not easy; next year I am not expecting it to be any easier because we clearly still have problems reconciling our figures with HMRC's.' (250+ employees, Bespoke software, Pilot employer)

Confidence amongst pilot employers was high, and had improved from the previous year. Almost all (95%) were confident that they understood what was required at their second EOY under RTI, compared with 91% at their first EOY. Furthermore, 98% were confident that they had done everything required at their second EOY under RTI, an increase from 95% the previous year. As with pilot employers' overall ratings of the ease of EOY under RTI, this improvement suggests a move towards 'business as usual' as employers become more familiar with the system and processes involved.

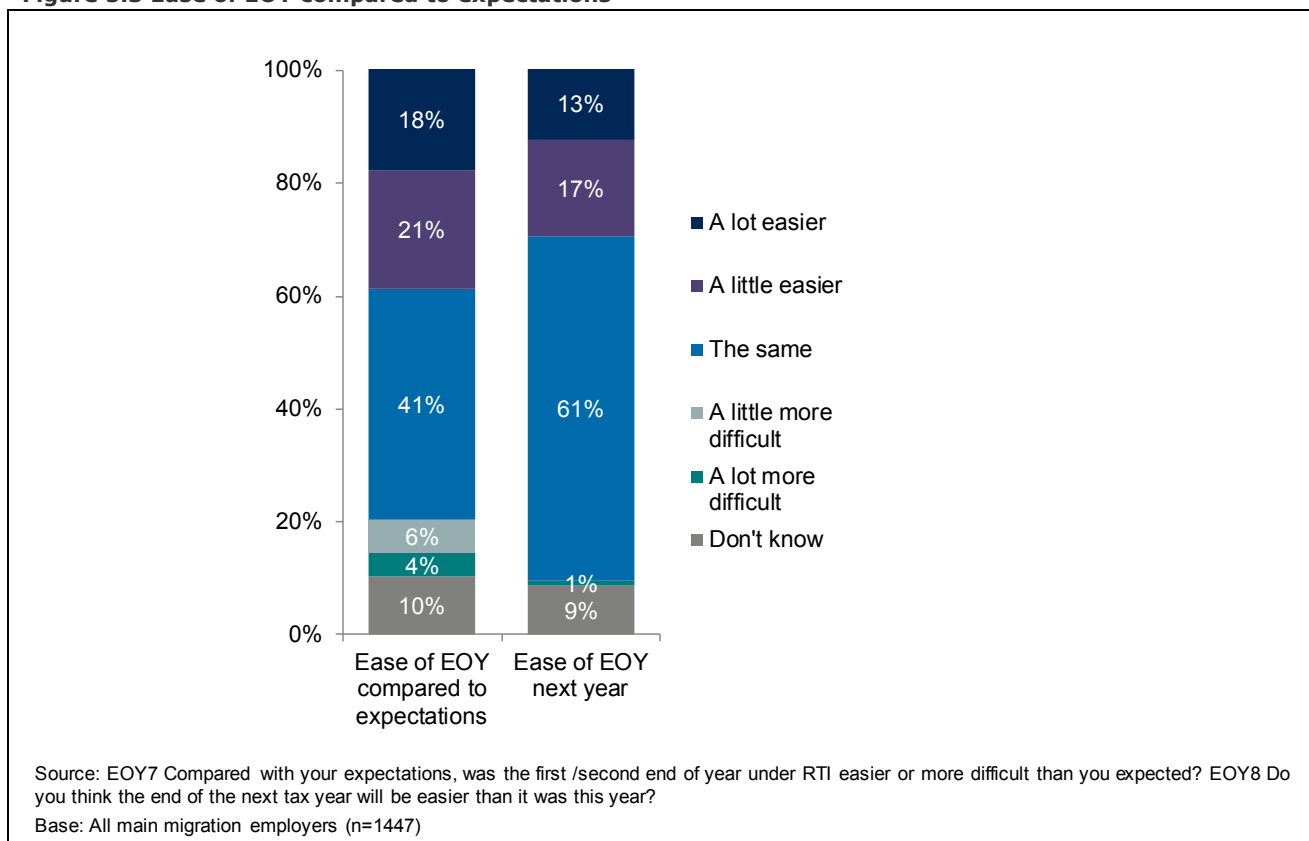
5.3. Level of burden of EOY under RTI

RTI aims to decrease the burden of EOY for employers. As such, employers' perceptions of the burden at EOY was explored generally, and then in more detail in terms of the amount of time, work and cost involved.

5.3.1. Experience compared to expectations

Comparing the ease of EOY under RTI with employers' expectations provides an insight into whether the burden at EOY was at the level employers had anticipated. Two in five (38%) employers found EOY under RTI easier than they had expected, and a similar proportion (41%) said that it was in line with their expectations. one in ten (10%) said that EOY under RTI was more difficult than they had expected (Figure 5.3).

Figure 5.3 Ease of EOY compared to expectations



As with previous measures of experience, micro employers were more likely to feel that EOY under RTI had been more difficult than expected (12%) compared to small (4%), medium (6%) and large employers (4%). One in five (20%) of those using BPT found EOY under RTI more difficult, compared to 6% of those using commercial software. Again, those who felt EOY under RTI had taken more time than under the previous system were also more likely to feel that it had been more difficult than expected (46%), as were those who were not confident pre-RTI (29%).

Employers were generally more positive when asked how easy or difficult they expected the next EOY to be. Nine in ten (90%) said that it would be either easier or the same as this year, showing again that employers expect to be moving towards business as usual under RTI, and expect this to continue over the next year (Figure 5.3).

Those who reported greater difficulty at this EOY under RTI were often likely to think that the next EOY would be easier. Over half (55%) of those who found this year more difficult than they had expected think that next year will be easier, compared to 20% of those who thought this year was in line with their expectations.

However, one quarter of those who said that this year was more difficult than they had expected, expect the next EOY to be the same as this year, and a further seven per cent expect it to be more difficult still, indicating that there is still a small group of employers struggling to operate payroll under RTI. As mentioned earlier, however, it could well be that these employers are struggling due to a lack of understanding of payroll processes more generally, rather than RTI specifically.

Employers in the qualitative study were generally of the opinion that RTI was either easier than they had expected or no different to previous years, although this depended on whether they had experienced any problems with submitting their final FPS for the year. Employers that had experienced problems generally found RTI to be more difficult than expected.

'We thought it was going to be easy as we've done updates before, but we get conflicting figures now – sometimes only a few pounds – but we've not found it as easy as we thought it was going to be.' (6-9 employees, BPT)

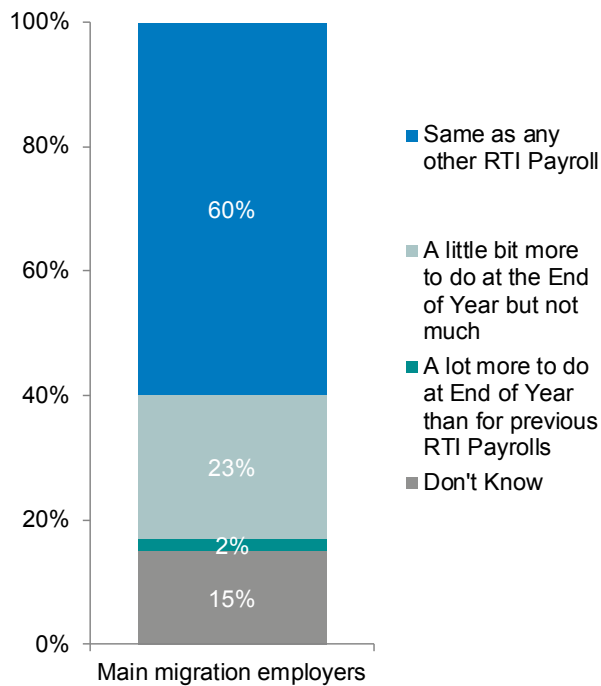
Those for whom there were problems still outstanding were of the view that next year might also be difficult, unless the issue they were experiencing could be resolved.

Pilot employers were also positive with 95% reporting that this EOY under RTI had been easier than or in line with their expectations, an increase from their first EOY under RTI at which 86% felt this. Looking forward, 97% expect the next EOY to be easier or the same as this year, in line with their views at the previous EOY.

5.3.2. Work required at EOY compared to other RTI payrolls

Under RTI employers reported that there is relatively little burden at EOY compared to the regular payroll, with three in five (60%) employers reporting that, under RTI, EOY processes required the same amount of work as usual payroll tasks. Whilst one quarter (25%) thought there was more to do, the majority of these felt there was a little more to do (23%). two per cent of employers' felt that there was a lot more to do at EOY compared to the usual payroll run (Figure 5.4).

Figure 5.4 Burden at EOY compared to regular RTI payrolls



Source: EOY9 Which of these best describes the amount of work you had to do at the end of the tax year under RTI?
 Base: All main migration employers (n=1447)

Those using commercial off-the-shelf software tended to find that there was a little more to do at EOY under RTI than regular payrolls, compared with those using BPT (37% compared to 27%). Larger employers were also more likely to feel that there was more to do at EOY under RTI than at their regular payroll in comparison with smaller employers: 46% of large employers thought there was more to do, as did 38% of medium employers. In contrast 28% of small employers and 24% of micro employers said that there was more to do at EOY than there was for a usual payroll run.

Again, employers who were low in confidence pre-RTI and/or had difficulties at EOY under RTI tended to feel that there was more of a burden at EOY under RTI than at regular payrolls. Forty four per cent (44%) of employers lacking in confidence pre-RTI said that there was more to do at EOY, far more than those fairly and very confident pre-RTI (26% and 20% respectively). Half (50%) of those who found RTI difficult overall reported having more to do at EOY than at regular payrolls.

Those who prepared and submitted their EOY returns completely in-house were more likely to have had more to do at EOY under RTI compared with regular payrolls (33%, compared with 15% who outsourced everything). However, one quarter (26%) of those who outsourced everything at EOY did not know how much they had to do compared to a regular RTI payroll, demonstrating the lack of involvement such employers have in the process.

Of those employers that thought that there was a lot more to do at EOY compared with regular payrolls under RTI (although this is a very small base size), the most frequently mentioned reason for this was that they did not understand what they needed to do and so required a lot of help.

Two thirds (64%) of pilot employers thought that the amount of work at EOY under RTI was the same as any other RTI payroll, whilst one third (32%) felt that there was a little more to do and two percent said that there was a lot more to do. This is more positive than at their first EOY under RTI, at which 44% felt

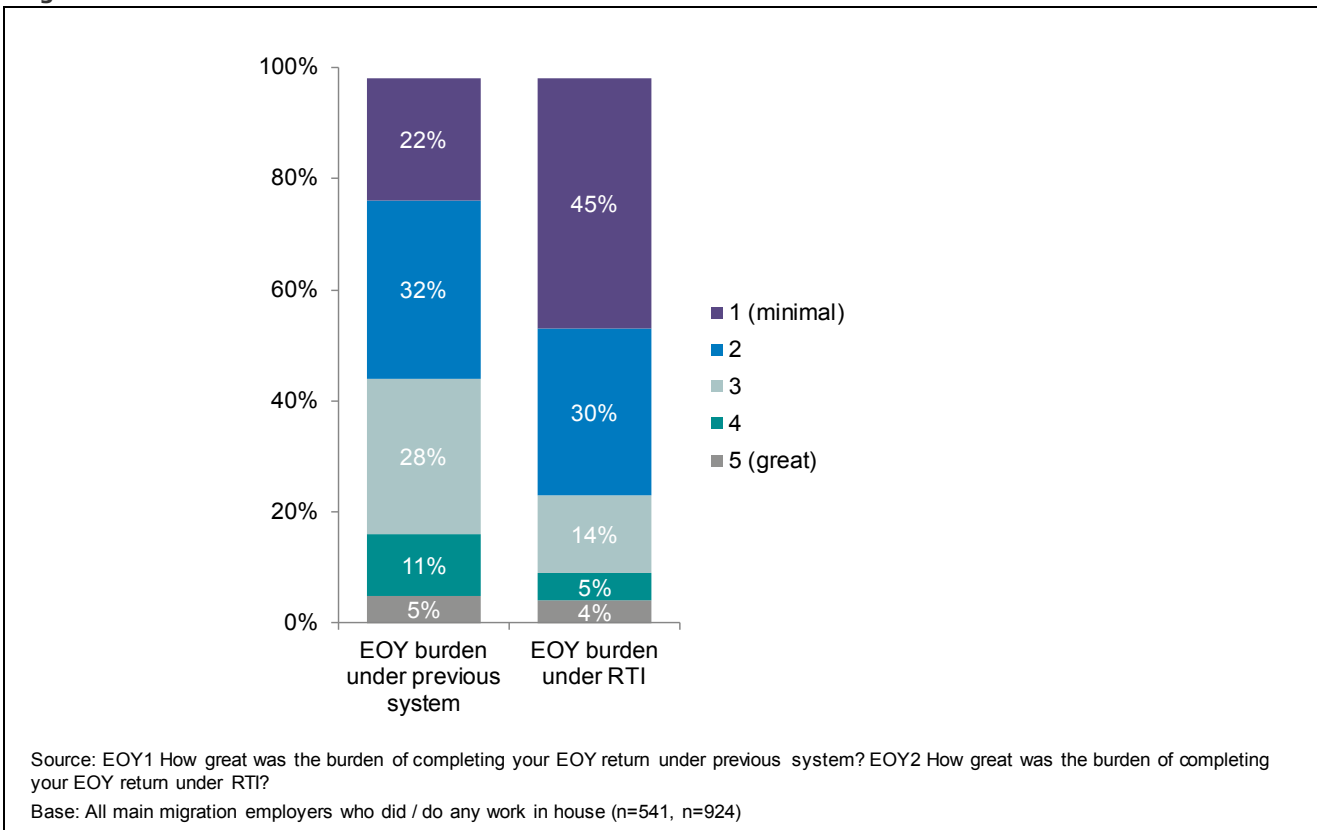
the amount of work was a little more than a regular RTI payroll, and seven per cent felt that there was a lot more work.

5.3.3. Current EOY burden under RTI

Employers who prepared and submitted the EOY return in house were asked to rate the level of burden of EOY under the previous system, and those who do any work in house were asked the same under RTI, allowing for a comparison to be drawn between the two. The level of burden was rated on a scale of 1-5 where 1 represented a minimal burden and 5 a great burden.

Under the previous PAYE system, the burden was relatively low, with half (53%) of employers' giving a rating of 1 or 2. However, 16% of employers said that there was a large burden on the business, rating this as a 4 or 5. Under RTI, the burden of EOY has decreased: three quarters (75%) of employers rating the burden under this system as 1 or 2, and nine percent rating it as a 4 or 5 (Figure 5.5).

Figure 5.5 Level of burden at EOY



Whilst those who reported a low burden under the previous system also tended to have a low burden at EOY under RTI, the burden was reduced for some employers who had a high burden under the previous system.

EOY burden under RTI was greatest for micro employers, with one in ten (11%) rating the burden as great (4 or 5), compared to four per cent of small employers, three per cent of medium employers and five per cent of large employers. The micro employers with a large burden tended to be those who reported having more to do at EOY compared to usual RTI payrolls.

Again, employers who were not very or at all confident pre-RTI also reported a higher burden at EOY under RTI (23% reporting a burden level of 4 or 5). Those using BPT were more likely to report a higher burden than those using commercial software (15% compared with 4% reported a burden of 4 or 5

respectively). One third (33%) of employers that experienced increased payroll costs also reported a high burden of 4 or 5.

Employers in the qualitative research had mixed views about the time and costs of undertaking EOY under RTI. Employers that had positive experiences of EOY either noted time (and cost) savings or considered that EOY under RTI was virtually no different to previous year ends – and particularly so where they had been submitting electronically through the Government Gateway.

I was under the impression EOY was going to be radically different but it was almost no different at all. Just an extra 20 seconds to send the final FPS.' (1-5 employees, BPT)

'I thought it was a lot easier than last year. Before there were a multitude of forms you had to submit.' (250+ employees, Off-the-shelf software)

By contrast, there were employers that were surprised by the simplicity of EOY under RTI and spent time ensuring they were compliant, resulting in EOY taking longer than necessary. On reflection, they realised that EOY would be simpler and faster in future.

'It shouldn't have taken as long as it did but it seemed too simple...so I spent time on the website [software provider] to see what I had missed out. But it turns out it is much easier than I expected and much quicker too.' (250+ employees, Off-the-shelf software)

Those employers that were lacking confidence in payroll generally and those that had experienced specific RTI-related problems thought that EOY was more burdensome than usual. For this small subset of employers there were mixed views about whether RTI generally and EOY specifically would continue to be burdensome, depending on whether they were growing in confidence and/or their issues had been resolved.

'Yes, it did take more time than I expected. I just do the payroll in the way I was taught by my predecessor. This time it seemed to take me longer as I had to deal with error messages.' (1-5 employees, BPT)

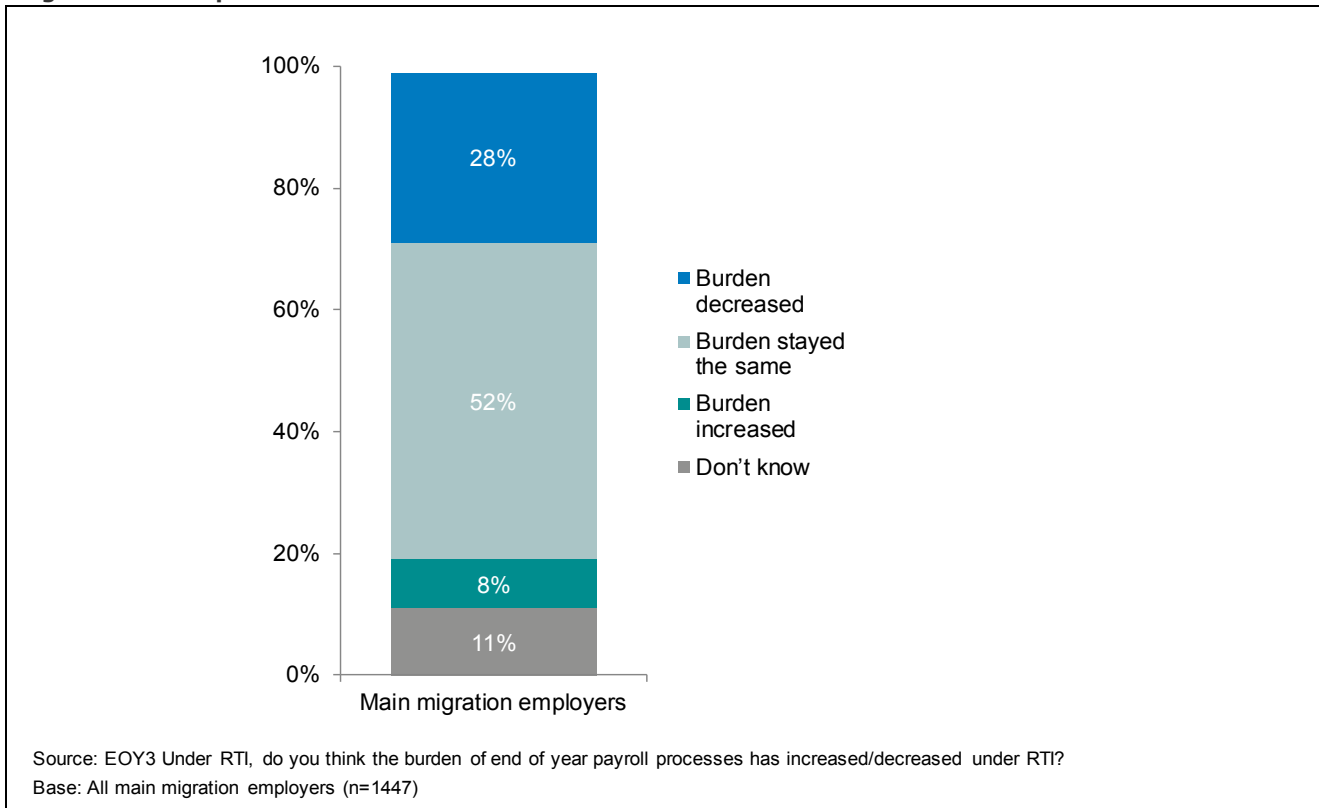
'Why did it take longer [than last year]? Mainly because we did a manual reconciliation alongside our computer payroll. I've always done it like that; our accountant likes it like that; It makes sure we are accurate.' (6-9 employees, BPT)

Research with pilot employers after their first EOY found that burdens had been reduced under RTI. Pilot employers reported a further reduction in burden at the second EOY under RTI. Nine in ten (88%) rated the burden at EOY under RTI as 1 or 2, compared with 80% of pilot employers at their first EOY under RTI. This indicates that, as pilot employers continue to operate payroll under RTI, they have become more familiar with the system and the burden perceived to be lower..

All employers were also asked whether they thought the burden at EOY had increased or decreased under RTI. Around half (52%) of employers reported that the burden had stayed the same, 28% that it had decreased. 8% of employers said that the burden of EOY had increased under RTI (Figure 5.6).

Of those who completed all of the EOY processes in house under RTI, half (51%) felt that the burden had decreased, whereas those who partly or completely outsourced the process were most likely to think that the burden had stayed the same (58% and 64% respectively).

Figure 5.6 Perception of burden at the EOY under RTI



Larger employers were most likely to have perceived a reduction in the burden at EOY (60%), followed by medium (43%) and small (41%) employers. Micro employers were the least likely to perceive a decrease in burden, with one quarter (23%) doing so.

As with reported levels of burden, BPT users were more likely to perceive an increase in burden than those using commercial software (11% and 5% respectively).

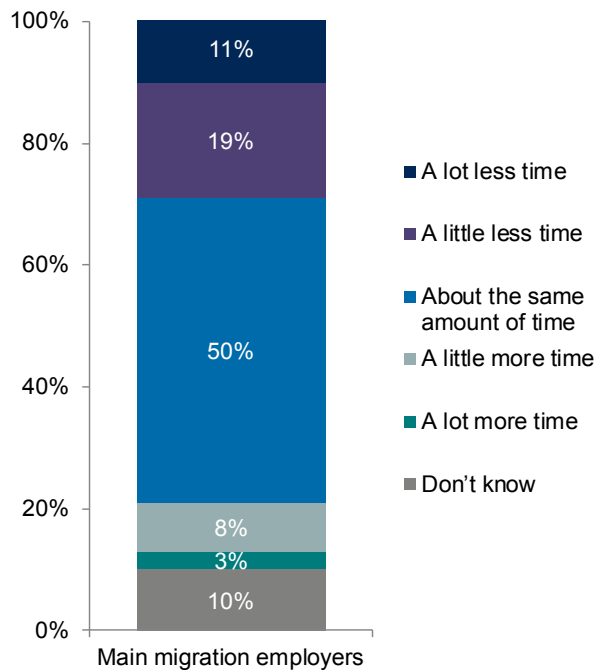
An increase in burden was also reported by those who felt that EOY under RTI was more difficult than they had expected (43%), those that reported that EOY under RTI took longer than it had under the previous system (40%), and those who found dealing with RTI difficult overall (45%).

There were a number of reasons given by those employers who reported an increase in burden. Of those 8% who reported such an increase, the most common reasons were to do with an increase in workload (16%), additional costs/software costs (16%) and confusion and/or difficulty understanding what was required (12%).

5.3.4. Time burden under RTI

Alongside the overall burden, the amount of time taken by employers to complete payroll processes at EOY under RTI also decreased for a number of employers. One in three (30%) reported that it takes their business less time at EOY, when compared with the previous system, with a further 50% saying that it takes about the same amount of time as before RTI (Figure 5.7). Those reporting that the time taken had remained the same tended to outsource some or their entire payroll at EOY (50% and 65% respectively), whilst those who completed EOY in house were more likely to say that the time taken had decreased (52%).

Figure 5.7 Perceived time burden under RTI



Source: EOY11 Under RTI, do you think it takes your business more time, less time or about the same amount of time to complete your payroll processes at the end of the tax year than it did under the previous system?

Base: All main migration employers (n=1447)

Overall 11% of employers thought that EOY under RTI took more time than under the previous system. These were most likely to be employers who did not feel confident pre-RTI: one quarter (25%) of those who were not very or at all confident pre-RTI said that EOY took more time compared to nine per cent of those who were very confident, and eight per cent of those who were fairly confident. One third (34%) of those who were not confident pre-RTI said that EOY under RTI took less time.

As with other measures of burden, larger employers were most likely to feel that EOY under RTI took less time than under the previous PAYE system with half (52%) reporting that it took less time. The effect for large employers was slightly polarising, however, with one in five (19%) finding that EOY under RTI took more time. This is likely to reflect the complexity of payrolls in larger employers. Larger employers tend to have more complex payrolls and operate more than one PAYE scheme. 27% of micro employers said that EOY took less time, whilst 36% of small employers did so and 40% of medium and 52% of large employers.

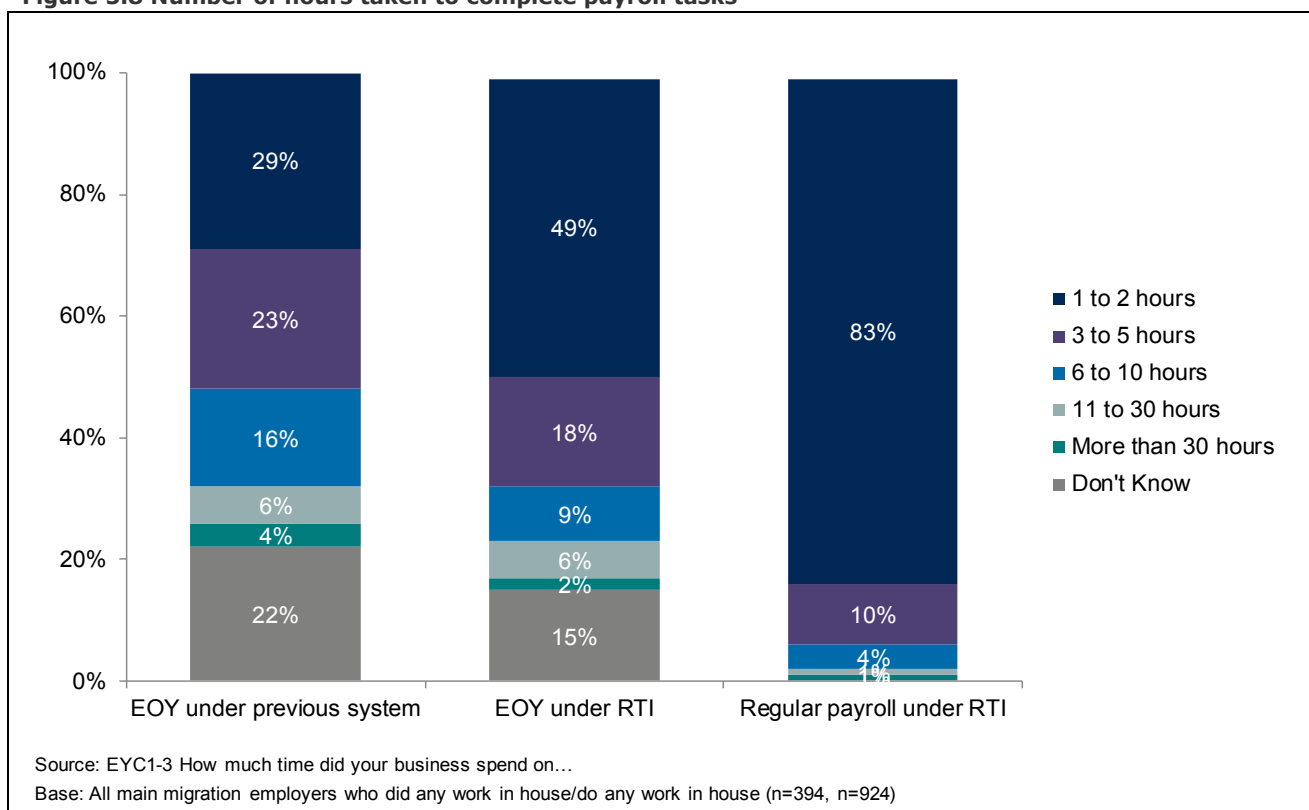
Again those employers who were lacking in confidence pre-RTI and had a more negative experience at EOY under RTI were the most likely to believe that EOY under RTI had taken more time than it did under the previous system. One quarter (25%) of those not very or at all confident pre-RTI said that it had taken more time than it did under the previous system, whilst half (50%) of those who felt that EOY was more difficult than they had expected did so.

The majority (71%) of pilot employers said that the payroll processes took less time at EOY under RTI than they did under the previous system, an increase from 57% at their first EOY. This perhaps indicates that some of the time taken at the first EOY is spent understanding the new system and what is required, and that for most employers in the longer term, EOY processes under RTI will take less time than they did previously.

Employers were also asked to estimate the number of hours spent preparing and submitting EOY return both before RTI and under RTI, as well as how long it took to complete a regular payroll under RTI. Generally, the amount of time taken to complete EOY processes has decreased under RTI with half (49%) of employers reporting that it takes them one or two hours, compared with 29% under the previous system. Furthermore, under the previous system, two thirds (68%) of employers said that EOY took ten hours or less, and this has increased to three quarters (76%) under RTI.

Under RTI, employers perceived that there is relatively little burden at EOY compared to the regular payroll, with three in five (60%) employers reporting that, under RTI, EOY processes required the same amount of work as usual payroll tasks. In general, preparing and submitting the EOY return still tends to take longer than a regular payroll under RTI – 83% of employers reporting that it would normally take them one or two hours (Figure 5.8).

Figure 5.8 Number of hours taken to complete payroll tasks



Larger employers tended to spend more hours preparing and submitting their EOY return under RTI: 13% spent more than 30 hours doing so which is perhaps explained by the more complex HR and payroll arrangements in operation at many large companies. One in ten (10%) employers who experience a high burden (4 or 5) at EOY under RTI said that their business spent longer than 30 hours preparing and submitting their return, as did six per cent of employers who perceived an increase in burden.

Employers in the qualitative research that were confident in the RTI process and had not experienced any problems with EOY thought it was faster than pre-RTI, in some cases cutting the amount of time spent by 90%.

'...much quicker, much, much quicker. Before it probably took us about two hours. Now? Less than twenty minutes.' (6-9 employees, Off-the-shelf software)

Employers that were used to submitting electronically through the Government Gateway tended to notice little time saving.

'There was virtually no change in the time it took [to do EOY].' (1-5 employees, BPT)

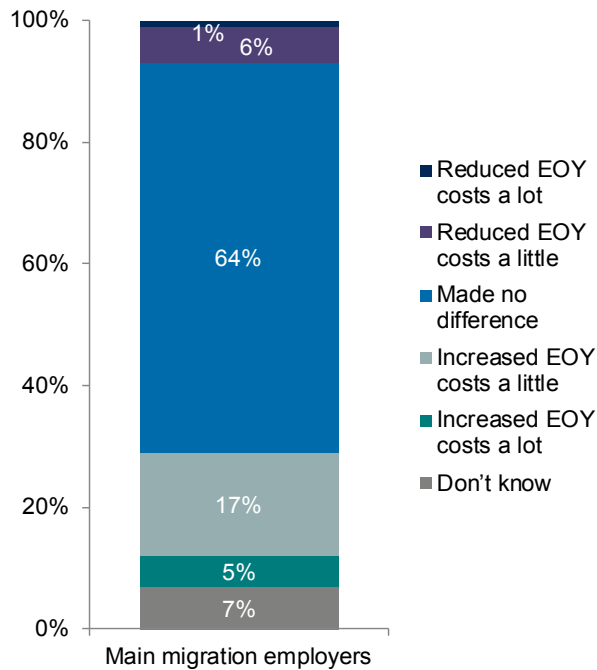
It was those employers that were lacking in confidence (mainly micro and small employers), employers with off-the-shelf payroll software that experienced problems with some aspect of RTI and large employers with bespoke payroll software that were experiencing problems with RTI generally that indicated that the process was more time consuming and expensive in staff costs compared to pre-RTI EOY.

'We were talking earlier about the problems we were having with the software. If it continues like this then I expect EOY to be more difficult. We always used to balance really easily – I'm scrupulous about getting everything right – but so far our experience hasn't been good and it has taken many hours to sort out the problems.'
(250+ employees, Bespoke payroll software)

5.3.5. Cost burden under RTI

Employers were asked whether their costs of running payroll at EOY had increased or decreased under RTI. For the majority (64%) there had been no change. Whilst seven per cent reported a decrease in EOY costs, one in five (22%) said that costs had increased, including five per cent that reported that their costs had increased a lot (Figure 5.9). Looking ahead, three quarters (73%) of employers expect the costs at the next EOY to be about the same as they were this year, whilst one in ten (9%) are expecting a decrease. However, 12% expect the costs next year to be greater than they were this year.

Figure 5.9 Perceived cost burden under RTI



Source: In terms of the cost of running payroll at the end of the tax year, taking into account both staff costs, and any costs to suppliers, do you think that RTI ...

Base: All main migration employers (n=1447)

Those using an agent were more likely to report an increase in the cost of running payroll at EOY under RTI: 32% of employers who outsourced everything at EOY said that their costs had increased, and 29% of those who outsourced some work did so. This compares with one in ten (11%) employers who prepared and submitted everything in-house at EOY.

Once again, those less confident and experiencing more difficulties experienced a greater financial burden than most employers. Thirty seven per cent of those not very or at all confident pre-RTI reported an increase in costs. Half (52%) of those who found EOY under RTI more difficult than they had expected also did so, as did the same proportion (51%) of those who felt the burden of EOY under RTI to their business was high (4 or 5).

The reasons that employers indicated an increase in time and / or costs in the survey were further explored in the qualitative work. A number of reasons were mentioned:

- A lack of trust in the RTI EOY process which meant they additionally undertook a manual reconciliation process, thereby increasing the overall time spent on EOY processes;
- A requirement by the company accountant to undertake a manual EOY reconciliation;

'...the accountant said we still had to do a reconciliation so that there was an audit trail.' (1-5 employees, Off-the-shelf software)
- Dealing with errors that accumulated over the year which meant that the EOY reconciliation would not balance. In one instance, an employer had found that the amounts recorded in their FPS submissions were different to those recorded on HMRC's PAYE Online;
- An inability to understand what the employer had to do for EOY, despite seeking information from HMRC's web site and advice from the Employer Helpline;
- Time taken to resolve problems with EOY. By way of example, a small employer had sent their final FPS and received a confirmatory email. Subsequently, they were contacted by HMRC to indicate that their EOY FPS had not been received. Calling the helpline (the employer was not sure which of HMRC's helplines); they were advised that their FPS had been received. The employer then received an email indicating that their FPS had not been received and on calling the helpline again were advised that it had been received and not to worry any further. The employer found the experience stressful as they were concerned that they may be fined for non-submission. **As they had not experienced any further problems they assumed it was a 'glitch' that occurred because HMRC would have been receiving a large volume of EOY FPS's.**
- Finally, there were some employers that found EOY so easy that they thought they had missed something out. Concerned that they were being non-compliant they spent additional time trying to see if they had missed any steps out of the EOY process.

'I couldn't believe it was so easy...I wasted a huge amount of time going over the process we had done and looking on the [HMRC] web site and talking to other employers and the accountant to make sure we had done what we supposed to do. I will know for next year.' (5-9 employees, Off-the-shelf software)

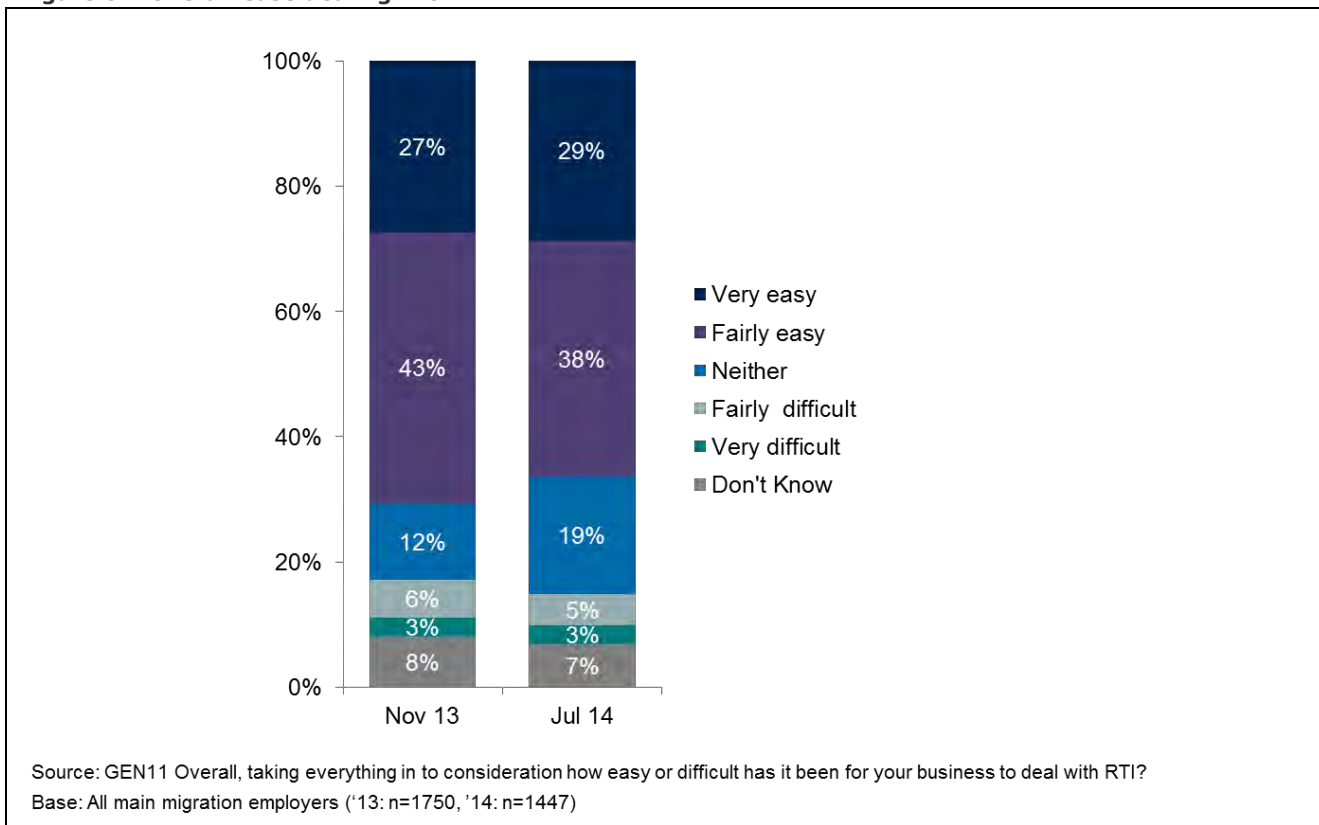
6. Overall views of RTI

As well as focusing in on employers' End of Year (EOY) experience under RTI, the research also explored employers' feedback on RTI overall. This chapter examines how easy or difficult employers found it to deal with PAYE in real time, the reasons for any difficulties and/or increase in burden, the perceived benefits and downsides of RTI, whether any changes have been made to internal processes as a result of RTI and its impact on reporting behaviour. Where applicable these measures have been compared to the baseline measure captured in late 2013, approximately seven months after RTI became mandatory.

6.1. Overall view of RTI

Employers' overall assessment of RTI was explored quantitatively and qualitatively. This assessment was generally very positive. Seven in ten employers (67%) said that RTI had been either very (29%) or fairly (38%) easy to deal with overall. 8% said it had been difficult. The perception employers had of the ease or difficulty dealing with RTI had not changed since late 2013 (Figure 6.1).

Figure 6.1 Overall ease dealing with RTI



More than a year after RTI had been implemented, some sub-groups were more likely than others to say that they found RTI easy: small and mid-sized employers (10-249 employees) (both 76%), those handling payroll entirely in-house (81%), commercial software users (80%) and those who were more confident about RTI (74%). While the likelihood of an employer classifying themselves as confident after EOY under RTI increased alongside size of business, this pattern was not the case for finding RTI easy. Both the smallest and the largest employers were less likely than mid-sized employers to find RTI easy

(64% and 69% respectively, compared with 76%). Among large employers, those that used off the shelf payroll software were more likely to have found RTI easy to deal with than those with customised payroll software (87% compared to 48% for customised software users).

Following their second complete year dealing with PAYE in real time, pilot employers were overwhelmingly positive, with 90% saying it was very or fairly easy to deal with. This measurement was not taken in the first EOY pilot research.

6.2. Reasons for difficulties, increases in burden and costs

Employers expressing difficulties with RTI in the survey were followed up in the qualitative research. Overall, there were four reasons for their difficulties.

First, their negative experiences were due to a general lack of familiarity with, and understanding of, the payroll process. Typically, this was manifested by:

- The person responsible for payroll being unfamiliar with the payroll process, inheriting a 'process' from a predecessor that they followed by rote, and a lack of training in payroll processes by the employer; and
- Payroll staff that were generally familiar with 'regular' payroll but experienced difficulties with dealing with less frequent PAYE events such as a leaver, statutory pay or dealing with errors continued to have difficulties under the RTI system.

Second, employers for whom payroll was a very small aspect of the job role tended to have difficulties in finding relevant information **about RTI on HMRC's website or found it difficult talking to HMRC's helplines** as they did not know the right questions to ask. This included managing difficulties with installing and running BPT software.

Third, micro and small employers in particular found two aspects of RTI had increased the burden of undertaking payroll. These were:

- Undertaking weekly FPS submissions for weekly paid staff. In the past they would pay employees weekly and send information to HMRC monthly; now they had to do this weekly, which increased the payroll burden;

'Not only have you got to input all the data, you also have to submit it each week which you didn't have to do before.' (6-9 employees, BPT)

- Meeting the 'on-or-before' requirement which for employers with a single person responsible for payroll made dealing with late changes to the payroll or making FPS submissions over holiday periods very difficult.

'There is only me [doing the payroll]. So, if it [FPS submission date] falls when I am on holiday, or sick, what do I do? There is no one else here who knows what to do.' (6-9 employees, BPT)

'HMRC don't seem to realise how difficult it is to run a business. The EPS is very difficult to understand and so we try not to use it which means we do the payroll as late as possible so that we don't have to make any changes the following month'

[on the EPS].' (10-49 employees, Off-the-shelf software)

Fourth, there were employers in the qualitative research that had experienced differences between their FPS submissions and the information recorded on HMRC Online. Three employers explain the problem they experienced:

'The first year was tricky...the FPS wasn't being reflected correctly...even the payments to HMRC were wrong too. The helpline [unsure which one] could see the FPS and EPS but not as we could see them. The helpline would take the query and never get back to us. We talked to the Debt Management Team and the Technical Team but they couldn't resolve it. In fact they didn't seem to want to help at all as we heard nothing from them. It is almost resolved [difference reduced from £80,000 to £200] now but only because we put an enormous amount of effort into it.' (250+ employees, Bespoke payroll software)

'At first it went well but it went badly downhill in August 2013 when someone left and at the year-end we found a large discrepancy [around £500] between us and HMRC. HMRC have chased us for payment but until they show us where the problem is we will refuse to pay.' (1-5 employees, BPT)

'Since we started submitting I had a telephone call from their Debt Collection people [every month]. On one query I spent half a day; they told me it was related to my submission. But they were unable to go through week by week; they could only work on an accumulated basis. I needed to identify which week we underpaid, which we – and they – were unable to do.' (250+ employees, Off-the-shelf software)

In each of these cases employers spent a considerable amount of time trying to resolve the issue - £400 of staff time in one instance, £500 in another. However, it was neither the time nor staff costs that were the main reasons **for employer's comments about the increased burden of RTI but the amount of time** they spent dealing with HMRC staff that were said to be either unhelpful, could not understand the problem or did not follow up the issue.

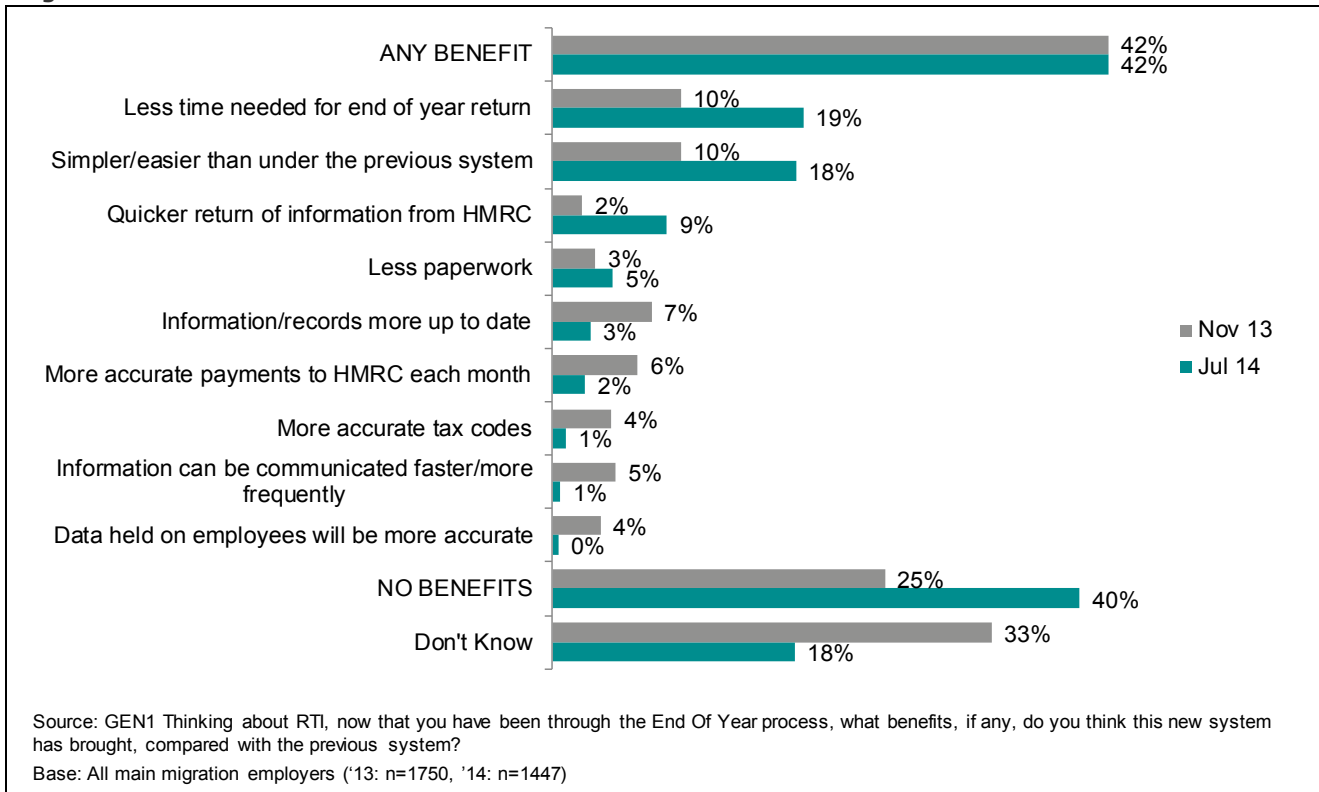
6.3. Benefits and downsides of RTI

Employers were asked unprompted questions about the benefits and downsides they could see of the RTI system compared to the previous system (Figures 6.2 and 6.3).

Two-fifths (42%) mentioned any benefit, which had not changed from eight months earlier. A similar proportion (40%) said that there was no benefit to RTI and a further one in five (18%) said they did not know or could not think of a benefit.

The mostly commonly mentioned benefit of RTI was that less time was needed for EOY process (19%), which was followed by it being simpler and/or easier than the previous system (18%). One in ten employers (9%) felt that the quicker return of information from HMRC was one of the advantages of RTI. These top three benefits were all mentioned more frequently following the end of year process, than in the previous research in late 2013. Issues around accuracy (records being more up to date and employee data accurate, accurate payments to HMRC and accurate tax codes) were mentioned less frequently than eight months earlier, although, as respondents had recently experienced it, EOY was more salient.

Figure 6.2 Perceived benefits of RTI

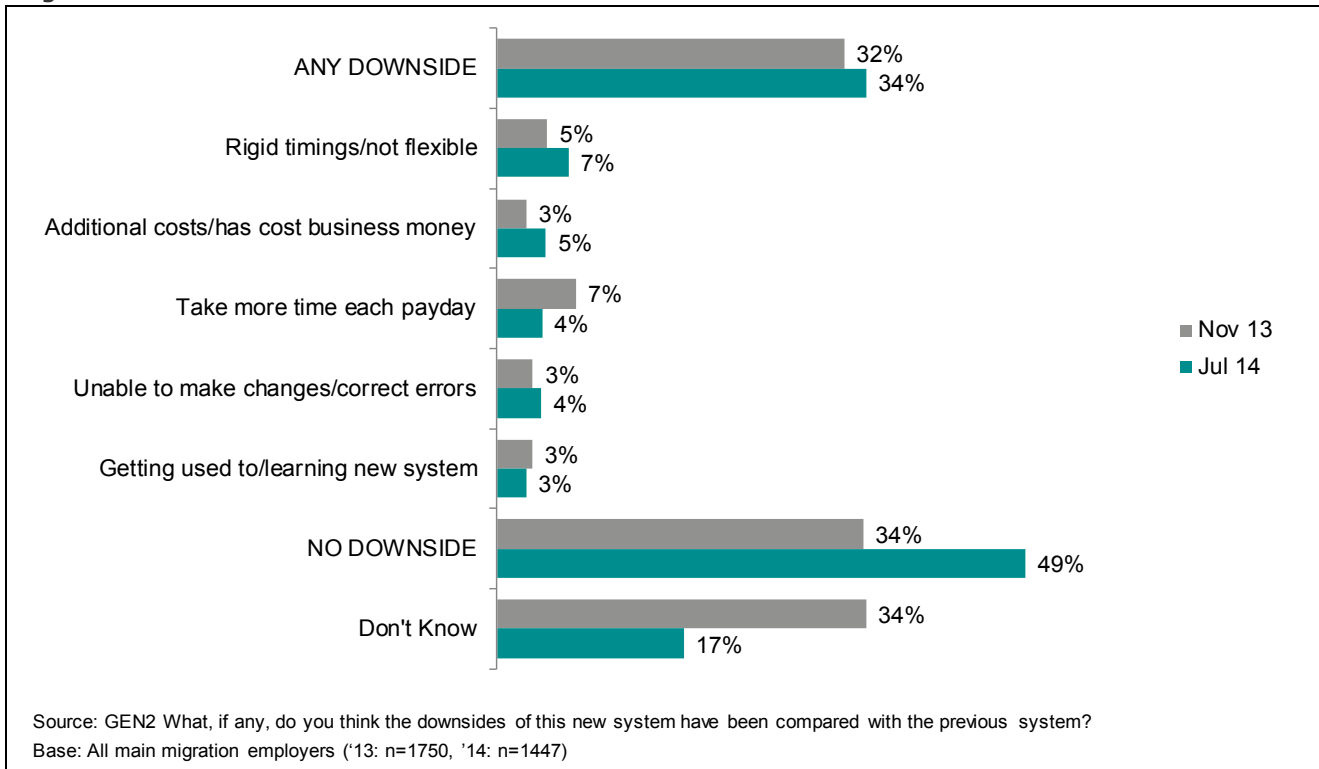


A third (34%) of employers could think of at least one downside of RTI, similar to the same finding in late 2013. Half (49%) of all employers said that there were no downsides which had increased significantly between November 2013 and July 2014. Fewer said that they did not know or could not think of a downside (17% down from 34%).

All downsides were mentioned at relatively low levels. The most commonly perceived downside of RTI was that the timings were too rigid and not flexible (7%). 23% of employers who found it difficult to comply with **HMRC's requirement** that employers have to submit data on or before paying staff (**the 'on or before' rule**), mentioned rigid timings as a downside compared to 4% of employers that found this requirement easy to comply with. On or before and easement is examined further in section 6.6.

Of the other frequently mentioned downsides, 5% said that RTI had resulted in additional costs to the business, 4% felt that the payroll process took more time each payday, while 4% said that one of the downsides was that they were unable to make changes or correct errors after their RTI submission.

Figure 6.3 Perceived downsides of RTI



Large employers (250+ employees) were more likely to cite any benefits of RTI (71%). They were particularly more likely to mention that less time is needed for EOY return (39%), that it is simpler and easier (34%) and there is less paperwork (17%). However, large employers were also more likely than average to mention any downsides (58%). In this case, key issues were that it will take more time each payday (17%), rigid timings (12%), the need to reconcile payments (9%) and technical problems with HMRC systems (9%). Large employers with customised software were more likely to mention a downside (72%), with time taken each payday (34%) and more time spent on in year corrections (9%) mentioned most often.

Employers that dealt with all payroll tasks in house were also more likely to mention a benefit (69%) and to mention a downside (46%), but the issues most often mentioned were in line with employers overall.

The employer subgroups less likely to mention a benefit and more likely to mention a downside were those that perceived their overall EOY burden and their payroll costs to have increased as a result of RTI (25% saw any benefit, whilst 50% saw any downside).

Employers in the qualitative research either indicated some benefits of RTI – faster and more accurate payroll and easier EOY, or where they were used to submitting payroll information through the Government Gateway felt that had been little change.

Downsides were generally mentioned in relation to:

- Increased costs (new or updated software or increased use of an agent),
- Meeting the 'on or before' requirement
- Difficulties sorting out problems arising from undertaking less frequent PAYE tasks (such as

- dealing with a leaver or statutory pay for micro and small employers)
- Where there were disparities between the information sent to HMRC by employers and the information received by HMRC.

Amongst the follow-up employers that had experienced technical problems with setting up their software, dealing with changes through an EPS, or where there were disparities between the employers' and HMRC's figures, the main burden was associated with finding the relevant information on HMRC's website or identifying someone within HMRC who could assist them with their problem.

'I gave up looking on HMRC's website as it had loads of information but nothing that seemed relevant to the issue I was facing...I appreciate all the information but it needs to be much better arranged – bite sized chunks rather than these sprawling pages...I tried the helpline but the two times I rang they didn't seem to know anything about BPT.' (1-5 employees, BPT)

'If you total up the amount time I spent talking to the Technical Team and the Debt Team at HMRC it must have amounted to two weeks of my time. In the end it was our payroll [software] provider that sorted out although I understand that HMRC wouldn't talk to them about our problem, only the issue in general, which seemed to slow the whole process down.' (250+ employees, Bespoke payroll software)

Among pilot employers, 83% mentioned at least one benefit of dealing with PAYE in real time (compared to 75% at the first EOY research). The most frequently mentioned benefits were the ease and simplicity of it compared to the old system (41%), less time required for EOY processes (39%) and quicker return of information from HMRC (29%).

Fewer pilot employers mentioned a downside after the second EOY as did after the first: 38%, compared to 48%. This was in line with main migration employers. The downsides most frequently mentioned by pilot employers were inflexible timings (5%), inability to make correct errors after submission (5%) and technical problems with HMRC systems (5%).

6.4. Changes in running payroll

The research also examined whether any changes had been made to internal payroll processes as a result of RTI, including whether improvements had been made, whether employers had changed the way they use an agent and whether there was a change in costs.

One in ten employers (13%) said that as a result of RTI they had made some improvements to the way they dealt with payroll, employees or how they ran their business: small proportions of employers said RTI was easier, quicker or more efficient and therefore freed up more time (6%) and that their record keeping had improved (3%).

More employers that felt EOY under the previous system had caused the business large administrative burden said they had improved the way they dealt with payroll (27%), compared to employers that perceived the burden to have been minimal (9%).

4% of employers changed the frequency with which they pay staff as a result of RTI: 4% have reduced the frequency and less than 1% increased the frequency. Almost all (95%) employers reported no change in the frequency with which they paid their employees.

One in five pilot employers (20%) had made an improvement to the way in which they deal with payroll, with 12% mentioning that the RTI processes were quicker and easier and freed up more time.

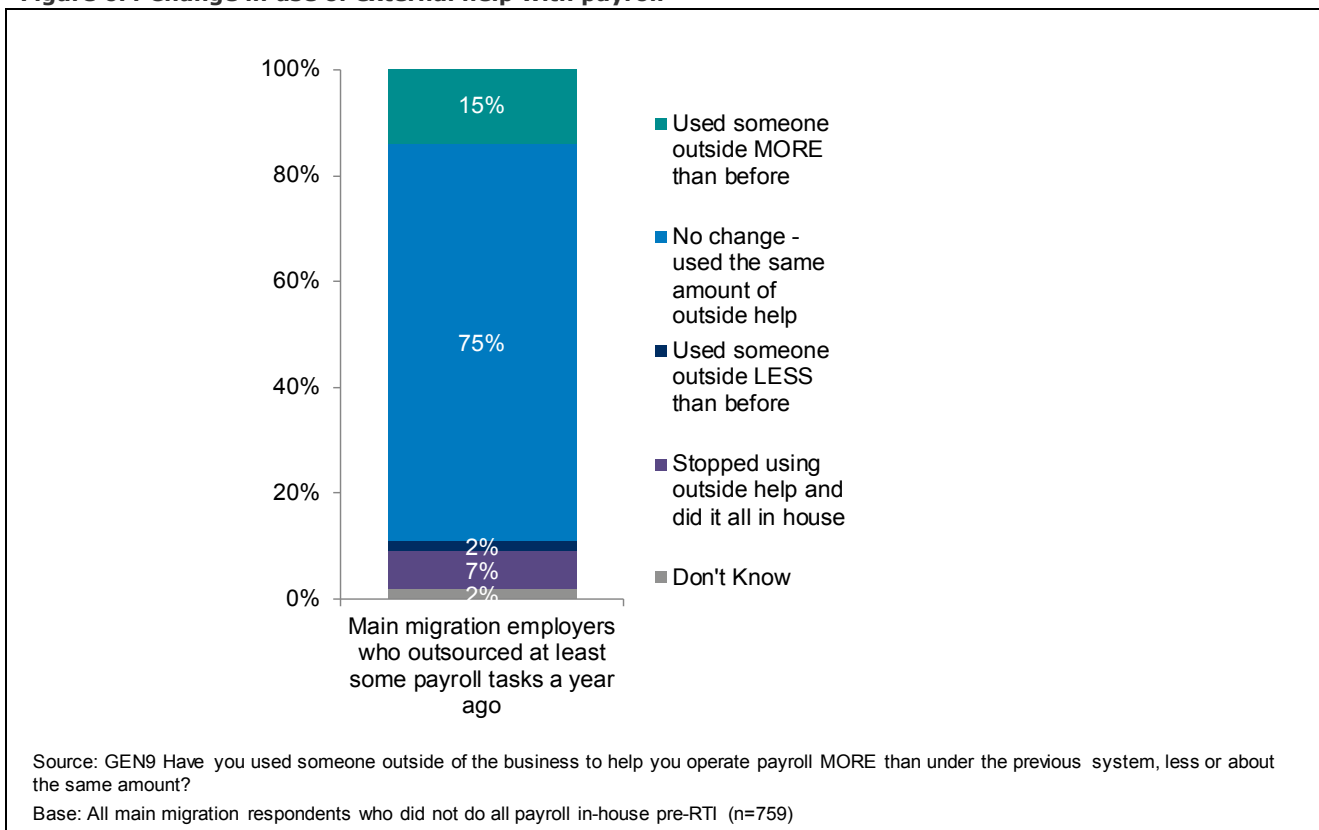
6.4.1. Change in the use of external help under RTI

Levels of use of external help have remained relatively unchanged. Four in ten employers (40%) did not use an agent a year prior to this research and almost all (97%) had continued to deal with payroll in house up to and after their first end of year under RTI.

Of employers that did use external help previously, three quarters (75%) used the same amount of help one year on, with 15% using more external help. Almost all (95%) continued to use the same supplier. However, one in ten either stopped using outside help altogether (7%) or used it less (2%, Figure 6.4).

Types of employer that were more likely to use external help with payroll more than before were those that were not confident prior to EOY (38%) and that overall found RTI to be difficult to deal with (69%). On the other hand medium sized employers (50-249 employees) were more likely to stop using outside help under RTI (24%).

Figure 6.4 Change in use of external help with payroll

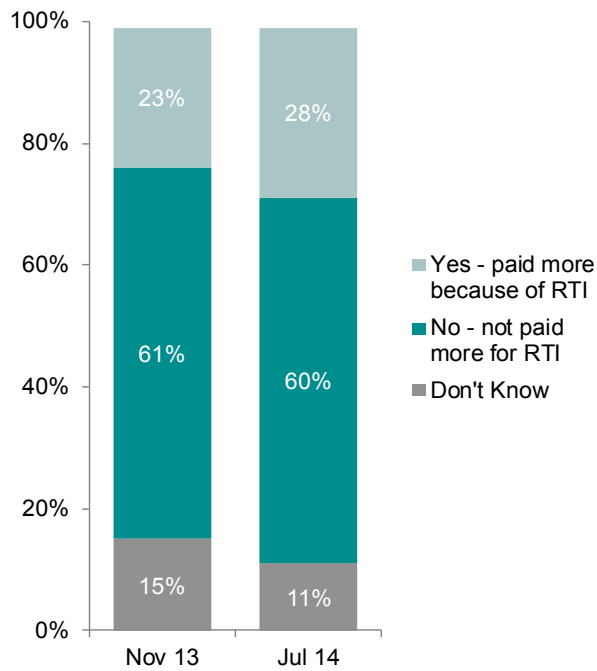


6.4.2. Changes to agent costs as a result of RTI

Employers that had used an agent to help with payroll were asked whether there had been an increase in the cost to their business of such help due to RTI overall. Six in ten said they had not paid more, but 28% said they had, which was an increase from 23% eight months earlier (Figure 6.5). Base sizes are too low to identify which subgroups were more likely to report an increase.

About a third (33%) of those who said there had been an increase in agent costs due to RTI said they paid an extra amount to set up RTI and half (48%) said they paid an extra amount at every payroll from the introduction of RTI onwards.

Figure 6.5 Whether paid more to someone outside the business as a result of RTI



Source: EYC4 Thinking about anyone you pay outside of your business to help deal with payroll [...] has there been any increase in costs to your business for this, because of RTI?

Base: All main migration respondents who used outside help ('13: n=952, '14: n=650)

Those employers in the qualitative research that said they had used an agent more, or their agent costs had increased, indicated that this was primarily due to concerns about managing a new system. This included:

- Employers that were no longer able to use paper-based methods to undertake their payroll and were fearful of technology decided to outsource their payroll to an agent;
- Concern about engaging with a new system, making errors in their payroll and being worried about being fined for unintentional non-compliance. This was especially true for those employers that ran their payroll 'by rote' and were not confident in what they were doing;
- Employers that had migrated their payroll to RTI and had received a number of penalty warnings and could not understand why. Concern about being fined prompted them to outsource their payroll to their agent.

'I got these error messages and then a letter I think it was to say we would be fined. That was it. Off to the accountant.' (6-9 employees, previously Off-the-shelf-software), now contracted out)

'I tried to download the BPT instructions, but to me [EOY] wasn't clear. I'm a layman, not a qualified accountant. I've learned my trade in my own way and I haven't been taught it. Basically, timing and penalties weren't clear. I've always been up front and on time. It just put the fear in me because I'm not confident. So, I just said "no".' (1-5 employees, BPT, used an agent more under RTI)

There were also employers that indicated increased use of an agent in the survey that had done so because of internal changes of responsibility within the business, with additional agent use not being as a

result of the migration to RTI.

However, there were also employers in the qualitative research that had reduced their agent costs. In all cases this was because RTI **had made the process of payroll much easier, with EOY being 'so easy'** that there was no longer a need to use an agent for their payroll. This applied to both small and large employers.

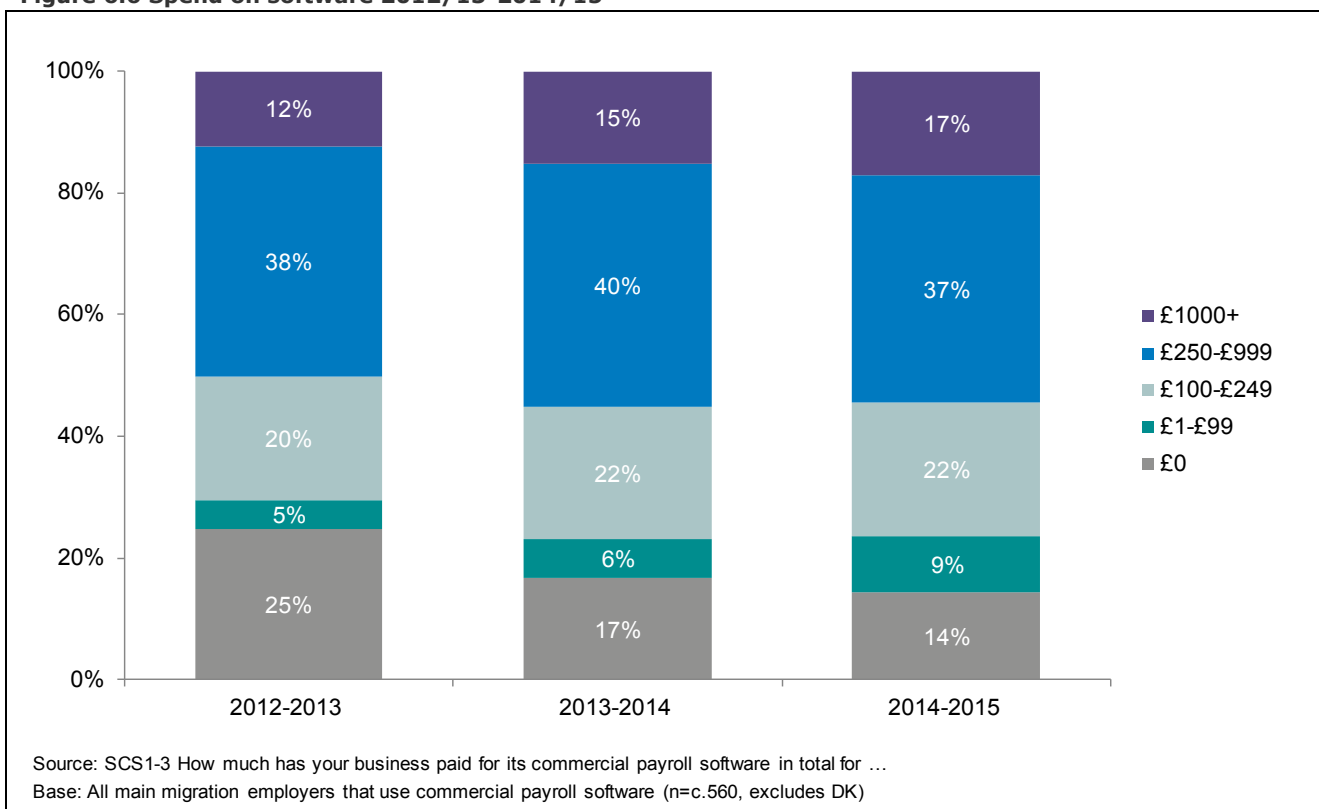
'There's nothing for them [agent] to do so we brought it in house and saved ourselves £50 a month.' (1-9 employees, BPT, used agent less)

'We get so many changes just before submission and [there is] lots of going backwards and forwards I would just be a go-between if we continued using an accountant.' (250+ employees, Off-the-shelf software)

6.4.3. Changes to software costs as a result of RTI

Employers who use commercial payroll software were asked how much they had spent on it in the current tax year (2014/15), last tax year (2013/14) and in the one before that (2012/13). These time periods equate respectively to when use of RTI has been established for a while, in the first year of using RTI, and pre-RTI. For the 2013/14 tax year, employers were also asked to distinguish how much of this spend was for upgrades and support for dealing with RTI specifically. Figure 6.6 shows a graphical comparison of the distribution of spend on software pre and post RTI.

Figure 6.6 Spend on software 2012/13-2014/15



In 2012/13, 12% of employers spent at least £1000 on their payroll software, which increased to 17% in 2014/15. The proportion of employers that paid between £1 and £99 also increased from 5% to 9% over

the same time, while those that paid £0 dropped from 25% to 14%. It suggests there has been a small increase in costs, which appears to be gradual over time.

70% of employers that spent anything on their software in 2013/14 said that none of the costs incurred were directly to pay for upgrades and support for dealing with RTI.

The qualitative research findings indicate that in some instances software costs increased as a result of RTI, either because the business was moving from manual to software-based payroll with the consequent costs of buying software for the first time, or that RTI-enabled software was more expensive than before.

'I have saved time but it has cost me money because my software costs have gone up. This is a cost for my business and HMRC are getting me to do the work for them. They are saving money at the expense of me.' (1-5 employees, Of-the-shelf software)

Other employers took the opportunity to upgrade their software suite to include new facilities, which may be reflected in the survey's findings around costs.

'One of the reasons we went for the new software was because of RTI. The previous software didn't have the reporting and submissions facilities. At the same time we got a fully integrated system – accounts, payroll and everything. We spent a quarter of a million.' (250+ employees, Off-the-shelf software)

Employers were also asked if their banking costs had increased as a result of RTI. Nine in ten (88%) reported no increase, with 2% reporting a one off increase and 3% an on-going increase in costs.

6.5. Specific difficulties encountered with using BPT

The survey findings indicate that compared to commercial software users, BPT users tend to be less confident understanding what is required of them when undertaking payroll under RTI, less likely to find payroll under RTI easy to undertake and more likely to find EOY difficult.

BPT users were asked in the qualitative follow-up research about their experiences of undertaking payroll generally, and EOY specifically using HMRC's BPT software.

BPT users have very high expectations of the software and assume that, while free, it is directly equivalent to commercially available paid-for software. Consequently, some of the negative comments that were made about BPT concerned its lack of functionality compared with commercial payroll software. Typically, BPT was not seen as 'slick' as commercial payroll software; it was criticised for its lack of tool tips and an ability to print payslips. It was also erroneously criticised for not producing P60's. In commenting about their experiences of undertaking payroll under RTI it was clear that many comments were more directed at BPT than RTI.

'When you've got a screen in front of you it should be bullet points. And if you want specific instructions it should pop up in front of you when you hover over it. It's too wordy. It should be more modern and in-line with what people are used to using online.' (6-9 employees, BPT)

There were a number of examples where employers experienced problems with using BPT including:

- Employers could not find the RTI-enabled version of BPT and in some cases reinstalled the previous version of BPT;
- An inability to install BPT successfully on a Windows XP PC. As a consequence this employer continued to use BPT from the previous tax year (2012 – 2013) resulting in outstanding tax liabilities for employees at the end of the tax year;
- Problems associated with BPT not successfully submitting the FPS, freezing, or crashing;
- Problems associated with BPT not backing up the payroll data;
- Instances of BPT erroneously picking up records for employees that had left in the previous tax year;
- A concern that BPT does not inform the user when there are changed requirements. For example, **on employer experienced a problem with submitting P11D's as they were using an incorrect version of Adobe Acrobat (used by BPT) and considered that the BPT software should have alerted them to this issue;**
- Difficulties dealing with error messages that arise with BPT.

'I mean I've got some warnings that come up every time that I log on and I've tried to do what it asks me to do and every time I do, it doesn't clear. It's, just there all the time.' (1-5 employees, BPT)

As with their experiences of trying to resolve problems with RTI generally or EOY, employers found it difficult to find relevant information on HMRC's website.

'It's the same issue again. Their [HMRC] website is so full that you can't find anything. The search facility is awful...I bookmark the pages now...but even when I read the BPT pages they are crammed with information and my issue is never there.' (1-5 employees, BPT)

Employers also reported a mixed experience in dealing with helpline staff about queries to do with BPT. While some advisers were complimented for their help and skill others were seen as having little familiarity with BPT and sometimes providing conflicting advice.

'The helpline staff do not understand, in most cases, anything about BPT. So trying to talk to them is useless. They just tell you to look at the web site...which is not helpful at all.' (1-5 employees, BPT)

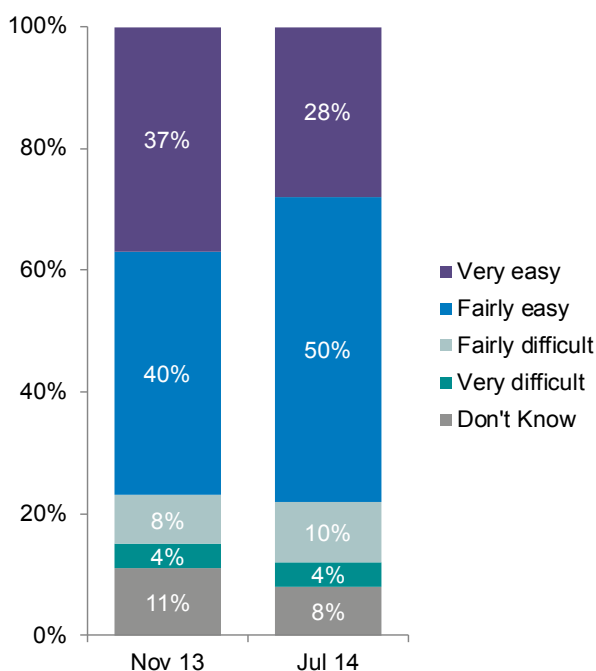
'I rang the helpline and they told me the only way to deal with the problem I had was to delete BPT and start again. So I did. And re-installed it. When I rang the helpline again they said they needed a screen shot from the original version of BPT before they could help me. So, not very helpful and generally conflicting information.' (6-9 employees, BPT)

6.6. On or before and easement

Under RTI, employers have to submit data to HMRC on or before paying staff (the 'on or before' rule). This research explored whether employers had found complying with this requirement difficult. Three-quarters (78%) of employers said that they found it very (28%) or quite (50%) easy to comply with 'on

or before', which was similar to the same finding eight months earlier, albeit there had been a shift from very easy to fairly easy (Figure 6.7). 14% found it very (4%) or fairly (10%) difficult.

Figure 6.7 How easy it is to comply with 'on or before'



Source: BEH2 Under RTI, employers have to submit their return before or at the same time as paying their employees. How easy or difficult has it been for your business to comply with this requirement?

Base: All main migration employers ('13: n=1750, '14: n=1447)

Sub-groups more likely to find it difficult to comply with 'on or before' were those who handle all payroll in-house (20%), those who did not feel confident about RTI (33%) and those who found RTI difficult to deal with (53%).

18% of employers that paid employees more often than monthly said it was difficult to comply with 'on or before' compared with 13% of monthly payers.

Employers in the qualitative research that experienced problems with 'on or before' tended to be micro and small employers where payroll represented a very small part of a person's job role and large employers where payroll was managed by one member of staff.

In each case, these employers thought that HMRC had introduced an unnecessary inflexibility into the payroll process with meeting the 'on or before' requirement, fitting in poorly with their business processes. Specific difficulties mentioned were:

- Dealing with payroll over holiday periods as there is no one else who can send the FPS. Employers were therefore arranging holidays around the FPS submission date or specially training someone to send a 'ready to go' FPS on the due date. Potential problems would arise if there needed to be late changes to the payroll as there would be no one to make these. The alternative would be to make amendments the following payroll although most of these employers were very unsure about managing the EPS;
- Businesses with unpredictable events (e.g. a dairy farm where calving can happen at any time of day or night, also mentioned how the inflexibility of 'on or before' made it difficult to comply in

some instances;

- Businesses with multiple payrolls found the requirement more difficult to manage than before, with **payroll processes being brought forward to manage 'on or before'** but with the potential issue of then having to make late changes.

'I think the implementation for a small business is difficult in that we need to submit the figures there and then. It means lots of change. It's the cost of resource to comply.' (6-9 employees, BPT)

'I'm the only one that does it. If payroll falls when I am on holiday I'm not sure how I would deal with it. This year we were away on the June one and I did it a lot earlier than I would normally do...but if I needed to make a change if someone went sick then I wouldn't be able to do it and would have to make the change the next month and do that awful EPS which I'm told is a nightmare.' (1-5 employees, BPT)

'Although we are a large business I am the only person who does the wages so it makes it difficult when I go on holiday. I have to ask someone else to do the FPS and hope they do it right.' (250+ employees, Custom payroll software)

In recognition of the potential burden of **compliance with 'on or before' faced by small employers (fewer than 50 employees)** who pay staff more often than monthly, HMRC granted them an easement until April 2014 (HMRC extended this arrangement for two further years for micro employers). This meant that during the 2013/14 tax year HMRC allowed small employers to submit their RTI return no later than the end of the month in which payments are made, even if they pay employees more frequently than monthly.

Approximately one in six (16%) small employers utilised the easement facility. Slightly less than two thirds (64%) said that they did not use it, while the remaining 20% did not know. More employers who outsourced their payroll or EOY processes to a third party were not sure whether they made use of easement.

While a small proportion of eligible employers used the easement overall, the proportion rises to 28% of those that found the **'on or before' requirement difficult**. Employers that pay their employees less than monthly were also more likely to have made use of the easement facility (23% compared to 14% with a monthly payroll).

Amongst those employers followed up in the qualitative research for whom the easement was relevant, some were using the easement and had notified HMRC, some were using it without notification to HMRC and the remainder were not aware of the easement. None of the employers in the follow-up research were aware that the easement was **time-limited with no apparent planning for managing 'on or before'** once the easement had come to an end.

Once aware of the easement and its time limit, some of the employers thought they might use it although others did not think it relevant to them:

'It wouldn't really help me because employees are paid at the end of the month so it doesn't really affect me.' (1-5 employees, Off-the-shelf software)

While employers generally wanted to be compliant in regards to **'on or before'** there were employers in

the qualitative research that intended to disregard the requirement to file on time.

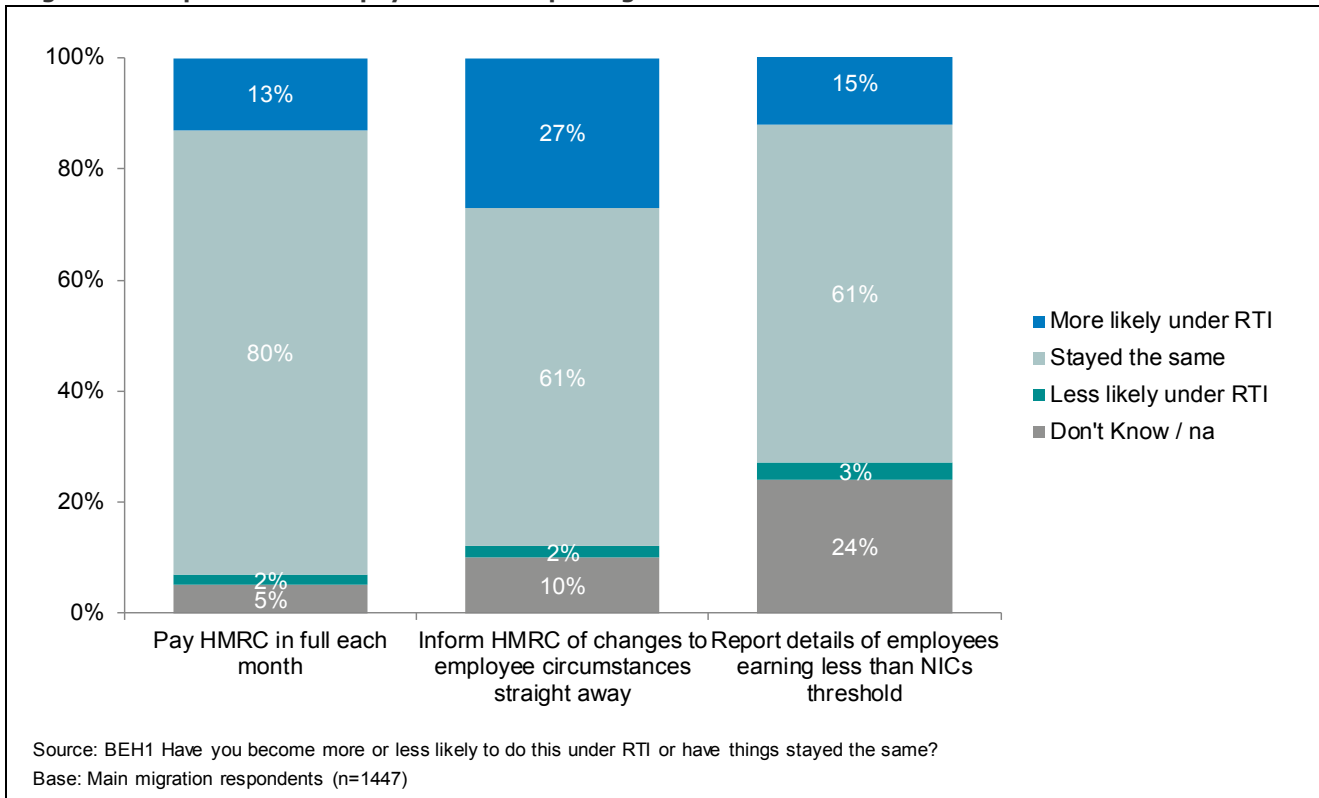
'I didn't know about the easement, nor that it will end. I will just send it [FPS] when it's convenient to me – just carry on as before.' (1-5 employees, Off-the-shelf software)

6.7. Impact on reporting behaviour

Most employers (61%-80%) felt that there had been no change in their behaviour as a result of the introduction of RTI, but where there was a change, it was on balance positive.

The introduction of RTI has had the most positive effect on employers notifying HMRC of a change in employee circumstances. A quarter (27%) of employers reported that they were more likely to report a change in employee circumstances. One in ten (15%) said that they would be more likely to notify HMRC if an employee's earnings fell under the National Insurance lower earnings limit. A similar proportion (13%) said that they are more likely to pay HMRC in full as a result of RTI (Figure 6.8). These findings are very similar to findings in the research eight months earlier.

Figure 6.8 Impact of RTI on payment and reporting behaviour



Micro employers (1-9 employees) were more likely than large employers to say that they were now more likely to pay HMRC in full (14% compared to 5% for employers with 250+ employees). Small employers (10-49 employees), medium sized employers (50-249 employees) and those conducting all payroll affairs in-house were more likely than average to say that they were now more likely to inform HMRC of changes in employee circumstances straightaway (35%, 39% and 39% respectively vs. 27% overall). Medium sized employers (20%), large employers (22%) and those conducting all payroll affairs in-house (23%) were more likely than average to now be more likely to notify HMRC if an employee is earning under the National Insurance lower earnings limit (compared to 15% overall).

7. Conclusions

Employers' experience of End of Year (EOY) under RTI was generally positive with the majority reporting that it was easy to deal with EOY under RTI. Confidence among employers that they understood what was required of them was initially high and increased once employers had been through EOY. The majority of employers also found EOY under RTI easier than or in line with what they had expected, and most expect the next EOY to be either easier than or the same as this year, suggesting a move towards business as usual.

Under RTI, the perceived burden of EOY has decreased or stayed the same for most employers with three quarters rating the burden as minimal (1 or 2 out of 5), compared to half under the previous system. Most employers perceived the burden to have decreased or remained the same under RTI as the previous system.

As with previous waves of the RTI research programme the majority view of employers to have migrated their payroll processes is a positive one. Most employers report that RTI is easy to deal with and that they feel confident they are doing what is required under RTI. However, some employers have struggled and some continue to experience difficulties with reporting in real time.

This research identified specific groups within the employer population that have found RTI more difficult to deal with. Employers that were less confident found the end of year payroll processes more difficult and also perceived their burden to be greater throughout the year, with micro employers and/or BPT users more likely to be less confident. However, dealing with a lack of confidence among these specific groups within the population does not mean simply dealing with issues related to RTI. Lack of confidence often extended beyond RTI to payroll processes more generally.

This research highlighted that there was a high degree of correlation between those less confident, micro employers and BPT users. There is a perception among some BPT users that there is not sufficient support available or accessible. They also sought reassurance that the processes had been completed correctly.

Under RTI employers have to submit data to HMRC on or before paying staff (the 'on or before' rule) and while most found this easy to comply with, again it was the less confident/micro employers that found this aspect of RTI difficult. In recognition of the potential burden of compliance among small and micro employers, HMRC granted them an easement where they were allowed to submit their return no later than the end of the month in which payments are made. **Three in ten employers that said 'on or before'** was difficult to comply with took advantage of this easement, and the suggestion was that awareness of the facility was low. There was also a lack of awareness among those that were using it that it was time-limited.

Appendix A: Technical method

Sample Design

The quantitative sample was selected to ensure that it was representative of all employers. After excluding financial agents and payroll bureaux, the sample was drawn randomly from the Inter Departmental Business Register (IDBR). The overall population is naturally skewed towards micro (1-9 employees) and small employers (10-49 employees), so medium employers (50-249 employees) and large employers (those with 250 or more employees) were deliberately over-sampled in order to generate a robust number of employers for sub-group analysis. Data were then weighted back to their natural levels in the final data set.

A subset of the main migration employer sample had also taken part in the previous wave of main migration research conducted in summer 2013. In addition to main migration employers, the overall sample included employers that had taken part in the RTI pilot and who had participated in the pilot research.

The individual interviewed on behalf of an employer was the person who had most involvement with implementing and running payroll under RTI. For employers previously interviewed during the pilot research, or during the preceding main migration research, wherever possible, the same individual who was previously interviewed was reinterviewed for the EOY research.

Questionnaire

The questionnaire was developed by HMRC and TNS BMRB to address the research objectives. Where employers had more than one PAYE scheme, the contact was asked to answer the questions with the answer that fitted best across all the schemes.

All employers were sent an advance letter shortly before fieldwork began. This was printed with the HMRC logo and signed by an HMRC researcher. Enclosed with this letter was a pro-forma questionnaire asking employers to gather key information on cost and time burdens ahead of the interview, to be kept by them ready for use in the interview.

Data Collection

The quantitative interviews were carried out with the aid of Computer Assisted Telephone Interviewing (CATI). CATI means that the questionnaire was displayed and responses captured on-screen. The CATI system also automatically calls respondents and alerts an interviewer when the call is answered, which improves efficiency. **Interviewing was carried out in the controlled environment of the research agency's** dedicated telephone interviewing centres. Rigorous interview quality control procedures prescribed in ISO 20252 were followed, including a supervisor listening into interviews remotely on a systematic basis.

Interviews were conducted between 23 June and 11 August 2014 and took an average of 20 minutes. The final achieved sample comprised 1,447 employers that had migrated to RTI in the main rollout from April 2013 onwards. Of these 1,447 employers, 466 had also been the subject of an interview in the first tranche of main migration research. The overall sample also included 402 interviews with pilot employers. Overall the estimated response rate was 45%³. Table A.1 summarises all of the fieldwork outcomes.

³ Calculation: Interviews / ((Interviews) + (Eligibility rate * unresolved and unscreened resolved sample))

Figure A.1 Fieldwork outcomes

Outcome	n
Total completed interviews	1851
Deadwood (bad numbers, wrong numbers)	755
Screened ineligible sample (no payroll scheme, not running RTI etc.)	187
Unresolved sample (engaged, no answer, general call backs)	1584
Unscreened resolved sample (refusals, language barrier, unavailable)	932
Total sample records	5309
Eligibility rate on screened sample	91%

Data Weighting

Data for main migration respondents was rim weighted by employer size, business sector and geographical region at the analysis stage to correct for over-sampling certain groups and any differential response by sub group. Data for RTI pilot employers was not weighted.

The first column of Table A.2 shows the actual number of interviews conducted by sub group i.e. before weighting was applied. The second column shows the number after corrective weighting was applied.

Table A.2 Unweighted and weighted number of interviews

	Interviews completed (unweighted)	Weighted number of interviews
SIZE		
1-9 employees	628	1185
10-49 employees	422	213
50-249 employees	273	39
250+ employees	124	10
SECTOR		
Production	187	140
Construction	90	173
Services	885	1010
Education, Health, Public administration, Defence	285	124
REGION		
North East	50	45
North West	154	148
Yorkshire and Humber	86	98
East Midlands	103	98
West Midlands	132	124
East	131	156
London	211	244
South East	234	231
South West	147	137
Wales	60	56
Scotland	139	108

Appendix B: Questionnaire

TELEPHONE: CATI QUESTIONNAIRE

INTRODUCTION (RESCRIPT AS NEW)

SHOW BUSINESS NAME ON SCREEN

SAMPLE GROUPS

1. A Pilot employers recontact
2. B Main migration recontact
3. C Main migration fresh

IF RE-CONTACT RESPONDENT (SAMPLE GROUPS A & B)

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS BMRB, an independent social research company

Please could I speak to [NAME ON SAMPLE]?

IF NECESSARY AND/OR SPEAKING TO A GATEKEEPER

We are carrying out a survey for Her Majesty's Revenue and Customs about the PAYE Real Time Information scheme. We spoke to [NAME ON SAMPLE] last year and would like to speak to them again about their experience.

IF PERSON HAS LEFT BUSINESS OR NOT AVAILABLE DURING FIELDWORK THEN TRY TO SPEAK TO SOMEONE ELSE THAT DEALS WITH PAYE IN REAL TIME (WILL BE SOMEONE RESPONSIBLE FOR PAYROLL).

SCR1 Continue interview

1. Continue with named person
2. Continue with alternate contact

RE-INTRODUCE IF NECESSARY

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS BMRB, an independent social research company.

IF SCR1=1

SCR2a We are carrying out the next stage of research for Her Majesty's Revenue and Customs about the PAYE Real Time Information scheme. We spoke to you last year and would like to speak to you again now about your experience at the end of the last tax year.

Is now a good time to ask you some questions?

IF NECESSARY: The interview should take around 15-20 minutes.

1. YES – CONTINUE
2. NO - USE OUTCOME CODES

IF SCR1=2

SCR2b We are carrying out a survey for Her Majesty's Revenue and Customs about the PAYE Real Time Information scheme. We spoke to [NAME ON SAMPLE] last year but they are not able to help us this time, so we would like to speak to another person in your business who had a great deal of involvement in running PAYE under RTI, particularly at the end of the last tax year.

Can I just check that you are the best person within your business to ask about RTI?

1. YES – CONTINUE
2. NO - TRY TO GET ANOTHER REFERAL OR USE OUTCOME CODES

IF NEW RESPONDENT (SAMPLE GROUP C)

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS BMRB, an independent social research company. We are carrying out a survey for Her Majesty's Revenue and Customs about the new system for reporting information on PAYE in Real Time that your business implemented last year. The purpose of the research is to help HMRC fully understand employers' experience of the new Real time Information system and the burden on businesses.

IF NECESSARY EXPLAIN Real Time Information is the new system which requires employers to submit information to HM Revenue and Customs on their PAYE each time they run their payroll rather than just at the end of the tax year.

Please could I speak to the payroll manager? IF NO PAYROLL MANAGER THE FINANCE DIRECTOR

REINTRODUCE IF NECESSARY

Good morning/afternoon/evening, my name is ..., and I am calling on behalf of TNS BMRB, an independent social research company. We are carrying out a survey for Her Majesty's Revenue and Customs about the new system for reporting information on PAYE in Real Time that your business implemented last year. The purpose of the research is to help HMRC fully understand employers' experience of the new Real time Information system and the burden on businesses.

IF NECESSARY EXPLAIN Real Time Information is the new system which requires employers to submit information to HM Revenue and Customs on their PAYE each time they run their payroll rather than just at the end of the tax year.

SCR3 I need to talk to the person in your business who had a great deal of involvement in running PAYE under RTI, particularly at the end of the last tax year.

Can I just check that you are the best person within your business to ask about RTI?

IF SAY HAND ALL PAYROLL OVER TO AN ACCOUNTANT/PAYROLL BUREAU/AGENT

Can I speak to the person that deals with the accountant/payroll bureau/agent? We want to find out about the experience of the business, not accountant or payroll bureaus.

1. YES – CONTINUE
2. NO - TRY TO GET ANOTHER REFERRAL OR USE OUTCOME CODES

IF SAMPLE GROUP C

SCR8 Can I just check, do you have a payroll scheme ADD IF NECESSARY Do you pay any people under PAYE (Pay as You Earn)?

Yes

NO – THANK AND CLOSE (thank you for your time, but we are only speaking to businesses who have a payroll scheme)

IF SAMPLE GROUP B OR C

SCR4 Is now a good time to ask you some questions?

IF NECESSARY: The interview should take around 15-20 minutes.

1. YES – CONTINUE
2. NO - USE OUTCOME CODES

ASK ALL

SCR5 Confidentiality screen

Thank you for agreeing to take part in the survey. It is important to HMRC to understand employers' views and experiences of RTI now that it is more established in your business.

ONLY READ IF ASKED ABOUT CONFIDENTIALITY

IF SAMPLE GROUP C OR PER1B=No

If you wish your responses to be kept confidential, then we will do this. However we will ask at the end of the interview if you are happy for us to pass your details back to HMRC in a way that will let them link your answers to other information they have, to help evaluate RTI more fully.

IF SAMPLE GROUP A OR B AND PER1B=Yes

Last time we spoke, <Text sub: IF SCR1=1 you were / IF SCR2=2 [NAME ON SAMPLE] was> happy for us to pass your details back to HMRC in a way that would let them link your answers to other information they have, to help evaluate RTI more fully. At the end of the interview I will check this with you again.

1. CONTINUE WITHOUT READING
2. STATEMENT READ OUT

IF SAMPLE GROUP C

SCR6 Can I just check, is this business an accounting firm or payroll bureau that deals with payroll on behalf of clients?

- Yes
- No
- Don't know

IF SCR6=YES/DK - TERMINATE

I'm sorry, but at the moment we're interested in hearing from employers directly about their experience of RTI. So, I do not need to ask you any more questions. Thank you for your time.

ASK ALL

SCR7 We sent you a letter and a short questionnaire about your End Of Year processes under RTI, which asked you to collect some cost and time information. Do you remember receiving this and have you collected the information we asked for yet?

- 1 Yes – remember receiving it and have collected the information
- 2 Yes – received it but have not collected the information yet
- 3 Yes – received it but not planning to collect the information
- 4 No – don't remember seeing it

IF SCR7=1 – Continue with interview

IF SCR7=2 – Make appointment

IF SCR7=3 – Continue with the interview

IF SCR7=4 – Email copy of letter and make appointment

OUTCOME CODES

- Continue with interview
- Make appointment or general callback
- Soft refusal
- Hard refusal
- Proxy Refusal
- Against company policy
- Unavailable during fieldwork
- Could not identify correct respondent in business
- New telephone number
- Business moved
- Business closed down
- Duplicate number
- Incorrect information on sample
- Insufficient language skills - unable to complete interview in English
- Communication skills (not language) – no respondent able to complete
- Does not operate PAYE in real time/does not know what RTI is
- Payroll bureau/agents does everything – do not want to take part
- Payroll bureau/agent (Terminate from SCR6)

- No PAYE Scheme (Terminate from SCR8)

PART 1 BUSINESS BEHAVIOURS/DEMOGRAPHICS (EST: 3 MINS)

ASK ALL

First a few questions about dealing with payroll in your business. When you are answering the questions, if you have more than one payroll scheme, please can you give the answer that fits best across ALL of this business' payroll schemes.

ASK SAMPLE C

I am going to read out a list of PAYE tasks, and ask you to tell me for each one whether, this time last year you dealt with it totally in house, or whether you used someone outside of your business, such as an accountant or payroll bureau to deal with some or all of the work involved. So first of all ...

BLI1 [item] **IF NECESSARY** Did you deal with this totally in-house, or did someone outside of the business deal with some or all of it?

IF NECESSARY: In-house means done by the owner or an employee of your business. Outside of the business means someone who is not an employee.

(SC each item) RANDOMISE

1. Calculation each payday of employee Tax and NI
2. Preparing and submitting the End of Year return
3. Preparing and issuing P45 and P46
4. Making payments to employees
5. Making payments to HMRC
6. Dealing with employee tax code changes

For each item: READ OUT IF NECESSARY

- All done in-house
- Partly done within the business, partly outsourced
- All done by someone outside of the business
- **DO NOT READ OUT** Don't know

ASK ALL WHO SAID ALL 'DONE IN HOUSE' AT ALL ITERATIONS AT BLI1

BLI2 Can I just check that you did not use anyone outside of your business, such as an accountant or payroll bureau to do any of the work involved in PAYE? **(SC)**

- Yes - did everything in house
- No – someone outside of the business did some payroll work
- Don't know

AGT1: SET UP VARIABLE FOR AGENT USE:

- All done in-house: (A: GEN8=1 OR GEN9=3 (FROM SAMPLE), B: BLI2=1 (FROM SAMPLE) OR C: QUESTION BLI2=1 ABOVE)
- Use an agent at all (A: GEN8=2,3 OR GEN9=1,2,4 (FROM SAMPLE), B: BLI2=2 (FROM SAMPLE) OR C: QUESTION BLI2=2 ABOVE)
- Don't know (A: GEN8=DK OR GEN9=DK (FROM SAMPLE), B: BLI2=DK (FROM SAMPLE) OR C: QUESTION BLI2=DK ABOVE)

ASK SAMPLE C ONLY

BLI2b Can I just check do you have just one PAYE scheme for this business or do you have more than one scheme

- One PAYE scheme
- More than one PAYE scheme
- Don't know

IF HAVE MORE THAN ONE PAYE SCHEME : When you are answering the rest of the questions, please can you give the answer that fits best across ALL of the schemes you run.

ASK SAMPLE C ONLY

BLI3 Do you provide or deal with any of the following for your employees? **READ OUT. CODE ALL THAT APPLY (MC) RANDOMISE**

- Business expenses
- Benefits in kind e.g. health insurance, company cars
- Salary sacrifice schemes e.g. childcare vouchers
- Student loan repayments
- Workplace pension scheme
- Statutory pay, for example sick pay or maternity pay
- None of these
- Don't know

ASK SAMPLE B & C ONLY

BLI4 Which of the following methods do you use to pay your employees? **READ OUT. CODE ALL THAT APPLY (MC) RANDOMISE**

- Cash
- Cheque
- Giro
- Internet banking
- EDI file sent to employer's bank
- External BACS payments service
- Internal BACS payments service
- CHAPS
- Other (specify)
- Don't know

ASK ALL

BLI6 How often do you pay your employees? **(MC).**

INTERVIEWER NOTE: CAN MULTICODE IF RUN MORE THAN 1 PAYROLL SCHEME.

- Daily
- Weekly
- Fortnightly
- Monthly
- Other (specify)
- Don't know

ASK ALL

BBD1 Have you changed how often you pay your employees because of RTI? **(SC)**

INTERVIEWER NOTE: IF CHANGED ASK IF CHANGED TO BE LESS OR MORE OFTEN. IF CHANGED, BUT NOT BECAUSE OF RTI, CODE AS NO

- Yes – changed to be less often
- Yes – changed to be more often
- No – not changed
- Don't know

ASK ALL

BLI8 And can I just check, how many employees does your organisation have besides yourself?

IF RESPONDENT UNSURE ASK FOR ROUGH ESTIMATE

- 0 (i.e. Sole trader with no employees)
- 1 – 9
- 10 - 49
- 50 – 99
- 100 – 249
- 250 +
- Don't know
- Refused

ASK ALL

BLI7 Do you use commercial payroll software that has been customised for your business, is it off the shelf, or do you use HMRC's Basic PAYE tools? **(MC)**.

- Commercial software – customised to my business
- Commercial software – off the shelf
- Use HMRC Basic PAYE Tools (BPT)
- Other (specify)
- Don't know

ASK ALL

GEN1 Thinking about RTI, now that you have been through the End Of Year process (text fill if **SAMPLE A**: for the second time), what benefits, if any, do you think this new system has brought, compared with the previous system? **PROBE FULLY. DO NOT READ OUT (MC)**

- Less time needed for end of year return
- No need to correct payments at end of year
- Fewer under or over payments each payday
- More accurate payments to HMRC each month
- Will make business more efficient/more organised
- Employees tax affairs will be more accurate so fewer queries to employer
- Data held on employees will be more accurate
- Less likely to build up debts
- Automatically feeds information in to Universal Credit
- Lead to less fraud
- Will save the government money
- More accurate tax codes
- Information/records more up to date
- Information can be communicated faster/more frequently
- Quicker return of information from HMRC
- Use of Liability and Payment Viewer
- Less paperwork
- Simpler/easier than under the previous system
- Other (specify)
- NONE/NO BENEFITS
- Don't know

ASK ALL

GEN2 And what, if any, do you think the downsides of this new system have been compared with the previous system? **PROBE FULLY. DO NOT READ OUT (MC)**

- Take more time each payday
- More time spent on corrections in year
- Cash flow problems – difficulty paying HMRC on time
- HMRC will know how much the business owes them
- Can't make minimal monthly payments to HMRC to help with cash flow
- More errors made by employers in the payday submissions
- More errors made by HMRC in the payday submissions
- Employees asking employers about their Universal Credit claims
- Use of Liability and Payment Viewer
- Technical problems with software/BPT
- Technical problems with HMRC systems
- Rigid timings/not flexible
- Unable to make changes/correct errors
- Lack of instructions on what to do/guidelines/help on HMRC website
- Getting help from the helpline when you need it
- Poor communication from HMRC
- Reconciling payments/ discrepancies
- Joiners and leavers
- Not user friendly/not intuitive
- Getting used to/learning new system

- Having to make a return more frequently/each week/month
- Additional costs/has cost business money
- Other (specify)
- NO DOWNSIDE
- Don't know

ASK ALL

GEN3 What improvements, if any, have you made to the way you deal with payroll, deal with your employees or run your business, as a result of introducing RTI?
PROBE FULLY. DO NOT READ OUT (MC)

- Collect information needed for payroll at recruitment
- Collect information on whether new employees have a right to work in the UK
- Brought HR and payroll processes together
- Use an accountant or payroll bureau MORE than before
- Use an accountant or payroll bureau LESS than before
- Improved or upgraded payroll software
- Better record keeping
- Change to the way produce or distribute P60s to employees
- Pay HMRC more promptly
- It's easier/quicker/more efficient/ frees up more time
- Less paperwork
- Other (specify)
- NONE/NO IMPROVEMENTS
- Don't know

ASK IF SAMPLE A/B AND AGT1=1

Last time we spoke, you said that you DID NOT use anyone outside of your business, such as an accountant or payroll bureau to do any of the work involved in PAYE.

ASK IF DID ALL IN HOUSE PRE-RTI (AGT1=1)

GEN8 Now that the RTI system is up and running and you have been through the (text fill IF SAMPLE B & C: first / IF SAMPLE A: second) EOY have you continued to deal with all of your payroll within the business or did you start to use someone outside of the business to help you operate payroll? **(SC) READ OUT IF NECESSARY**

- Continued to deal with it all in-house
- Started to use someone outside of the business to help but still did some in house
- Got someone outside of the business to deal with all payroll processes
- Don't know

ASK ALL IF NOT ALL IN HOUSE PRE-RTI (AGT1=2)

GEN9 Now that the RTI system is up and running and you have been through the (text fill IF SAMPLE B & C: first / IF SAMPLE A: second) EOY, have you used someone outside of the business to help you operate payroll MORE than under the previous system, less or about the same amount? Would you say you ... (SC)
READ OUT

- Used someone outside MORE than before
- Used someone outside LESS than before
- Stopped using outside help and did it all in house
- No change – used the same amount of outside help
- Don't know

ASK ALL THAT CONTINUE TO OUTSOURCE AT LEAST SOME PAYE ACTIVITIES (GEN9=1,2,3)

GEN10 Do you use the same external supplier to help operate payroll under RTI as you did before RTI came in? (SC)

- Use same supplier to help with payroll
- Use a different supplier to help with payroll
- Don't know

ASK ALL

GEN11 Overall, taking everything in to consideration how easy or difficult has it been for your business to deal with RTI? (SC)

- Very easy
- Fairly easy
- Neither easy or difficult
- Fairly difficult
- Very difficult
- Don't know

PART 3 END OF YEAR EXPERIENCE (EST 4.5 MINS)

ASK SAMPLE B & C ONLY IF BLI1_2=1,2

Thinking back now about all of the work you would usually have done to prepare and submit the End Of Year return to HMRC within your business, BEFORE the start of the RTI ...

EOY1 EXCLUDING the cost of actually paying employers National Insurance or any other taxes, how great was the burden of completing your End Of Year return under the previous system? Please answer on a scale of 1 to 5 where 1 means it has involved minimal time, effort or costs, and 5 means the End of Year return caused your business a huge administrative burden in terms of time or cost.

ADD IF NECESSARY: under the previous system, employers had to submit a P35 form at the end of the year.

Enter number from 1-5

- Don't know

SET EOY1 FROM SAMPLE FOR SAMPLE A

ASK ALL

AGT3 Can I just check, at the (text fill IF SAMPLE B & C: first / IF SAMPLE A: second) End Of Year under RTI, did you deal with everything in-house or did you use someone outside of the business such as an accountant or payroll bureau to deal with some or all of it? **(SC) READ OUT IF NECESSARY**

IF NECESSARY: In-house means done by the owner or an employee of your business. Outside of the business means someone who is not an employee.

- All done in-house
- Partly done by someone inside the business, partly outsourced
- All done by someone outside of the business
- DO NOT READ OUT Don't know

ASK IF SAMPLE A AND AGT3=1,2 AND EOY1=1-5

When we previously spoke to you, you rated the burden of completing your End Of Year Return before RTI at **[EOY1]** out of 5, where 1 is minimal time or effort, and 5 the maximum burden.

ASK ALL WHO DO ANY WORK IN HOUSE NOW (AGT3=1/2)

Thinking about the what you have to do at the end of the tax year now the RTI system is up and running ...

EOY2 How great was the burden at end of the latest tax year under RTI? Please use a scale of 1 to 5 where 1 means it has involved minimal time, effort or costs, and 5 means the end of year under RTI has caused your business a huge administrative burden in terms of time or cost. **Enter number from 1-5**

- Don't know

ASK ALL

Still thinking about what you have to do at the end of the tax year now RTI is up and running...

EOY3 Under RTI, do you think the burden of dealing with end of year payroll processes has increased, decreased or stayed the same overall?

- Burden increased
- Burden stayed the same
- Burden decreased
- Don't know

IF EOY3=BURDEN INCREASED

EOY4 What has caused this increase in burden at the end of the tax year? PROBE FULLY

- Write in...
- Don't know

ASK ALL

EOY5 Before you went through this last end of tax year, how confident were you that your business understood what was required of it at the end of the tax year under RTI? Is that ... READ OUT (SC)

- Very confident
- Fairly confident
- Not very confident
- Not at all confident
- Don't know

ASK ALL

EOY6 And how confident are you now that your business did everything that was required of it at the (text fill IF SAMPLE B & C: first / IF SAMPLE A: second) End Of Year under RTI? Is that ... READ OUT (SC)

- Very confident
- Fairly confident
- Not very confident
- Not at all confident
- Don't know

ASK ALL

EOY7 Compared with your expectations, was the (text fill IF SAMPLE B & C: first / IF SAMPLE A: second) end of year under RTI easier or more difficult than you expected? Is that ... READ OUT (SC)

- A lot easier
- A little easier
- The same as you expected
- A little more difficult
- A lot more difficult
- Don't know

ASK ALL

EOY8 Do you think the end of the next tax year will be easier than it was this year? Is that ... READ OUT (SC)

- A lot easier
- A little easier
- The same as this year
- A little more difficult
- A lot more difficult
- Don't know

ASK ALL

EOY9 Compared with your usual payroll tasks under RTI, once you had got it up and running, which of these best describes the amount of work you had to do at the end of the tax year under RTI? ... READ OUT (SC)

- It was pretty much the same as any other RTI payroll
- There was a little bit more to do at the End Of Year, but not much
- There was a lot more to do at the End Of Year than for previous RTI payrolls
- Don't know

ASK IF EOY9 = THERE WAS A LOT MORE TO DO

EOY10 What was it you had to do at the end of the tax year that made it much more work than other RTI payrolls? PROBE FULLY. DO NOT READ OUT (MC)

- I did all the calculations under the old system as well (e.g. to check it was right)
- I did not understand what I had to do and needed a lot of help
- I had not reported accurately at each previous payroll and had to correct it all
- Other (specify)
- Don't know

ASK ALL

Still thinking about the End OF Year now RTI is up and running

EOY11 Under RTI, do you think it takes your business more time, less time or about the same amount of time to complete your payroll processes at the end of the tax year than it did under the previous system? Is that a lot or a little... (SC) READ OUT

- A lot more time
- A little more time
- About the same amount of time
- A little less time
- A lot less time
- Don't know

ASK ALL

EOY12 In terms of the cost of running payroll at the end of the tax year, taking into account both staff costs, and any costs to suppliers, do you think that RTI ... (SC) READ OUT

- Increased the costs at the end of the tax year to your business A LOT
- Increased the costs to your business A LITTLE
- Made no difference to the costs to your business
- Reduced the costs at the end of the tax year to your business A LITTLE

- Reduced the costs to your business A LOT
- Don't know

ASK ALL

EOY13 Looking forward to the end of the NEXT tax year, for 2014/2015 do you think the running costs for the end of year processes will be greater or less than they were this year? Is that ... **(SC) READ OUT**

- A lot less
- A little less
- The same as this year
- A little more
- A lot more
- Don't know

ASK ALL

EOY14 Overall, taking everything in to consideration, how easy or difficult has it been for your business to deal with the End Of Year under RTI ? **(SC) READ OUT**

- Very easy
- Fairly easy
- Neither easy or difficult
- Fairly difficult
- Very difficult
- Don't know

ASK ALL

I'm going to read out a list of payroll tasks. For each one, can you tell me if you have become more or less likely to do each one under RTI, or whether things have remained the same.

BEH1 [...] Have you become more or less likely to do this under RTI or have things stayed the same?

- More likely under RTI
- Stayed the same
- Less likely under RTI
- Don't know
- Not applicable (statement 3 only)

(SC) RANDOMISE

1. Pay HMRC in full each month
2. Inform HMRC of changes to employee circumstances straight away
3. Report details of employees earning under the lower earnings limit for National Insurance contributions

ASK ALL

BEH2 Under RTI, employers have to submit their return before or at the same time as paying their employees. How easy or difficult has it been for your business to comply with this requirement? Was it...? (SC) READ OUT

- Very easy
- Fairly easy
- Fairly difficult
- Very difficult
- Don't know

ASK IF BEH2 = FAIRLY DIFFICULT OR VERY DIFFICULT (BEH2 = 3 OR 4)

BEH3 Why has it been difficult for your business to comply?

- Write in...
- Don't know

ASK IF SMALL EMPLOYER (BLI8=1,2,3)

EXP9B During the 2013/14 tax year HMRC allowed small businesses to submit their RTI return no later than the end of the month in which payments are made, even if they pay employees more frequently than monthly. Did your business take advantage of this relaxation of reporting arrangement? (SC)

IF NECESSARY: HMRC has extended this arrangement for two further years for very small businesses.

- Yes
- No – we submitted returns on or before paying employees
- Don't know

ASK ALL

I mentioned earlier the short questionnaire we had sent about your End Of Year processes under RTI, which asked you to collect some cost and time information.

PRO1 Can I just check – did you collect this information ahead of the interview?

- Yes
- No

IF PRO1=YES

I will be asking you for the numbers you have collected over the next few questions.

IF PRO1=NO

Please can you give your best estimates at the next few questions

ASK ALL WHO USE SOFTWARE (BLI7=1,2)

IF PRO1=YES Starting with Question 1 on the sheet

SCS1 How much has your business paid for its commercial payroll software in total for next tax year, in 2014-2015 – so for use from April this year

INTERVIEWER NOTE: ANSWER IN GBP

- Enter in figure
- DO NOT READ OUT Don't know

ASK ALL WHO USE SOFTWARE (BLI7=1,2)

IF PRO1=YES Looking at question 2 on the sheet...

SCS2 And how much did your business pay for its commercial payroll software in total in the last tax year, in 2013-2014 – so for use from April 2013, (text fill IF SAMPLE B & C: in the year you started using RTI / IF SAMPLE A: in the second year your business used RTI)?

INTERVIEWER NOTE: ANSWER IN GBP

- Enter in figure
- DO NOT READ OUT Don't know

ASK IF SCS2 NOT DON'T KNOW

IF PRO1=YES And from question 3 on the sheet...

SCS4 And how much of the costs in the last tax year were directly to pay for upgrades and support for dealing with RTI? (CHECK NOT HIGHER THAN AMOUNT AT SCS2)

INTERVIEWER NOTE: ANSWER IN GBP

- Enter in figure
- NONE OF THE COST
- DO NOT READ OUT Don't know how much was for RTI

ASK ALL WHO USE SOFTWARE (BLI7=1,2)

IF PRO1=YES From question 4 on the sheet...

SCS3 And how much did your business pay for its commercial payroll software in total in the tax year before last, in 2012-2013 – so for use from April 2012 onwards?

INTERVIEWER NOTE: ANSWER IN GBP

- Enter in figure
- DO NOT READ OUT Don't know

PART 6	OTHER EOY TIME AND COST BURDENS (EST 3.5 MINS)
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ASK SAMPLE B & C WHO DID ANY WORK IN HOUSE PRE RTI (BLI1_2=1,2)

IF PRO1=YES And from question 5 on the sheet

EYC1 I want you to think about preparing for and submitting the End of Year PAYE return, before RTI. How much time did your business spend on preparing for and submitting end of year returns?

IF NECESSARY: I want you to estimate the total number of hours it would take if only one person was to do all of the work.

HINT: MULTIPLY NUMBER OF PEOPLE BY NUMBER OF HOURS PER PERSON OR ADD TOGETHER HOURS SPENT BY EACH PERSON

NOTE – If less than one hour enter as 1

- Enter number of hours (range 1-10,000)
- Don't know

SET EYC1 FROM SAMPLE FOR SAMPLE A

ASK ALL IF DO ANY EOY TASKS IN HOUSE POST RTI: (AGT3=1/2)

IF PRO1=YES Moving on to Question 6 on the sheet

EYC2 How much time did your business spend on the payroll work it needed to do at the end of the last tax year under RTI?

IF NECESSARY: I want you to estimate the total number of hours it would take if only one person was to do all of the work.

HINT: MULTIPLY NUMBER OF PEOPLE BY NUMBER OF HOURS PER PERSON OR ADD TOGETHER HOURS SPENT BY EACH PERSON

NOTE – If less than one hour enter as 1

- Enter number of hours (range 1-10,000)
- DO NOT READ OUT Don't know

ASK ALL IF DO ANY EOY TASKS IN HOUSE POST RTI: AGT3=1/2

IF PRO1=YES Moving on to Question 7 on the sheet

EYC3 Apart from at the end of the tax year, how much time does your business usually spend on preparing for and completing your submissions each payday under RTI?

IF NECESSARY: I want you to estimate the total number of hours it would take if only one person was to do all of the work.

HINT: MULTIPLY NUMBER OF PEOPLE BY NUMBER OF HOURS PER PERSON OR ADD TOGETHER HOURS SPENT BY EACH PERSON

NOTE – If less than one hour enter as 1

- Enter number of hours (range 1-10,000)
- DO NOT READ OUT Don't know

**ASK ALL WHO USED OUTSIDE HELP (AGT3=2,3)
IF PRO1=YES And from Question 8 on the sheet**

I want you to think now about costs associated with payroll, and not just about the End Of Year

EYC4 Thinking about anyone you pay outside of your business to help deal with payroll, such as an accountant or payroll bureau, has there been any increase in costs to your business for this, because of RTI? SC

IF NECESSARY: Some 'outside of your business' means anyone who is NOT an employee

- Yes - paid more because of RTI
- No - not paid more for RTI
- DO NOT READ OUT Don't know
- DO NOT READ OUT Do not pay anyone

ASK IF SAID YES PAID MORE AT EYC4

IF PRO1=YES Moving on to Question 9 on the sheet

EYC6 Which of the following best describes how you have paid this extra amount? Did you ... (MC) READ OUT

- Pay to set up RTI
- Pay at every payroll from the introduction of RTI onwards
- Other (specify)
- DO NOT READ OUT Don't know
- DO NOT READ OUT Do not pay anyone

LOOP FOR ITERATION 1 AND 2 AT EYC6

EYC8 How much did you...[ANSWERS FROM EYC6]?

INTERVIEWER NOTE: ANSWER IN GBP

- Enter in figure
- DO NOT READ OUT Don't know

ASK ALL

EYC7 One more question about costs: have your banking costs been increased because of RTI? IF SAY YES: was this a small or a large increase? And was it a one off cost at the start of RTI or have your ongoing banking costs increased? (SC)

- Yes – a small increase in costs – ONE OFF
- Yes – a large increase in costs – ONE OFF
- Yes – a small increase in costs – ONGOING

- Yes – a large increase in costs – ONGOING
- No increase
- Don't know

PART 8	PERMISSION AND DEMOGRAPHICS – NEW RESPONDENTS ONLY (EST 1.5 MIN)
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ASK SAMPLE C

ETH1 Which of the following groups do you consider you belong to? **SINGLE CODE ONLY. READ OUT CATEGORIES IN BOLD THEN PROBE WITH DETAILED CATEGORIES.**

SCRIPTING NOTE – SPLIT IN TO SEPARATE QUESTIONS

- **White**
- English / Welsh / Scottish / Northern Irish/British
- Irish
- Gypsy or Irish traveller
- Any other white background (PLEASE WRITE IN)
- **Mixed**
- White and Black Caribbean
- White and Black African
- White and Asian
- Any other mixed/multi-ethnic background (PLEASE WRITE IN)
- **Asian or Asian British**
- Indian
- Pakistani
- Bangladeshi
- Any other Asian background (PLEASE WRITE IN)
- **Black or Black British**
- Caribbean
- African
- Any other Black background (PLEASE WRITE IN)
- **Chinese**
- **Any other background**
- Arab
- Other (PLEASE WRITE IN)
- **Refused**

ASK SAMPLE C

DIS1 Do you have any physical or mental health condition(s) or illnesses lasting, or expected to last, 12 months or more? **(SC)**

- Yes
- No
- DO NOT READ OUT Don't know
- DO NOT READ OUT Refusal

IF YES AT DIS1

DIS2 Do any of these condition(s) or illnesses affect you in any of the following areas?
CODE ALL THAT APPLY

- Vision (for example blindness or partial sight).
- Hearing (for example deafness or partial hearing).
- Mobility (for example walking short distances or climbing stairs)
- Learning or concentrating or remembering.
- Memory
- Mental Health
- Stamina or breathing or fatigue
- Socially or behaviourally (for example associated with autism, attention deficit disorder or Asperger's syndrome)
- Other (specify)
- DO NOT READ OUT None of these
- DO NOT READ OUT Refusal

IF YES AT DIS2

DIS3 Do any of your condition(s) or illnesses reduce your ability to carry out day-to-day activities? **(SC)**

- Yes, a lot
- Yes, a little
- No, Not at all
- DO NOT READ OUT Don't know
- DO NOT READ OUT Refusal

IF YES A LOT, OR YES A LITTLE AT DIS3

DIS4 For how long has your ability to carry out day-to-day activities been reduced? **(SC)**

- Less than six months
- Between six months and 12 months
- 12 months or more
- DO NOT READ OUT Don't know
- DO NOT READ OUT Refusal

ASK ALL

PER1C HM Revenue and Customs will shortly be conducting some further research on RTI. Would you be happy for someone from TNS-BMRB to re-contact you and invite you to participate in this research?

- Yes
- No

ASK IF SCR5=2

PER1B In order to fully evaluate RTI, HMRC would like to be able to link your answers to other RTI information they hold about you to further understand employer experience. Is it ok to pass on your answers in a way that will allow HMRC to identify you in order to do this? **(SC)**

- Yes
- No
- Don't know

END OF INTERVIEW – USUAL CLOSE SCRIPT AND QUALITY CHECKS. NB – MAKE SURE DON'T PROMISE CONFIDENTIALITY FROM HMRC IF AGREED TO PASS ON DATA.

Appendix C: Qualitative discussion guide

Stimulus:

- A – EOY journey
- B – P35 stimulus
- C – Warning notices

Introductions and Background – 5 minutes

Thank you for agreeing to take part in this research looking at employers' experiences of RTI (Real Time Information) and more specifically completing End of Year (EOY)
About TNS-BMRB – independent research agency
Confidentiality / anonymity
Following MRS guidelines
Agreement to record the interview
Length of interview: up to 60 minutes

Organisation (size and sector) and role
How regularly do you run your payroll(s)?
What payroll software do you use?
When did you make your first FPS / Full Payment Submission? (i.e. Pilot or main migration)
Start date? [If they can't remember exactly, just month required]
Broadly, what are your experiences of running payroll under RTI?
Broadly, what are your experiences of completing EOY?

RTI experience: Payroll process mapping – 10 minutes

'Business as usual' payroll journey under RTI

How has your overall experience of RTI been?
What has gone well?
Were there any issues?
With initial implementation of RTI (very briefly)
With RTI on a payroll basis
How has running payroll compared with your expectations of running payroll under RTI; probe reasons
Benefits of RTI ; PROBE savings of time, cost, burden to the business, bringing HR and payroll closer, other
Downsides of RTI; PROBE time, cost, whether these were 'one-off' issues, or recurring

Survey question: When asked '*how easy or difficult has it been for your business to deal with RTI?*' you said [very easy/fairly easy]
Can I ask why you gave this answer in the survey? What specific processes were you referring to?

Do they see RTI as 'business as unusual'? IF NOT, why not?

Survey question: When asked 'Under RTI, employers have to submit their return before or at the same time as paying their employees. How easy or difficult has it been for your business to comply with this requirement?' You said (Fairly difficult / Very difficult)

Can I ask why you gave this answer in the survey? What specific processes were you referring to?

On or before 2016:

Researcher note (and explain if/when needed): *existing employers with nine or fewer employees will be able to report PAYE information on or before the last pay day in the tax month until April 2016.*

Are you aware of this easement for micro employers?

If aware, have they used the easement at any point

if so, have they notified HMRC they are using the easement

What effect is the easement having on their business

Are you aware that it will end in 2016?

Will you be able to comply with 'on or before' a) before the easement ends, b) when the easement ends

What will you have to do to enable compliance?

What effect will it have on the business?

Are you aware of the Electronic Messages issued for Late/Non Filing and late/Non Payment?

If they are aware:

Have you ever received any (if so, how many approx/how often)?

How useful are they to you?

Did you change Filing/Payment behaviour because of Messages?

RTI experience: End of year process mapping – 25 minutes

RTI End of Year Journey

Using the same customer journey map ask the respondent to describe all the activities they went through for their End of Year submission **under RTI**

What were the individual activities in the EOY process?

Researcher to use HMRC journey map (Stimulus A) as a prompt (but not to show respondent)

How did you decide on this process?

When did they complete the checklist & declarations questions Pre-RTI ; how long did it take?

Were there any difficulties with completing recently the checklist questions on the final RTI return for the tax year?

How long did this take overall? NOTE DURATION

How long did the individual stages of the process take? NOTE DURATION

Was it shorter or longer compared with previous system (when you completed these questions on a P35); what aspects took more/less time NOTE DURATION DIFFERENCE

Reasons for difference in time

Did it require less or more resource/cost compared with previous system; PROBE reasons; NOTE COST DIFFERENCE

Survey question: When asked 'Under RTI, do you think the burden of dealing with end of year payroll processes has increased, decreased or stayed the same overall?' you said [burden increased/stayed the same]

Can I ask why you gave this answer in the survey? What specific processes were you referring to?

Survey question: When asked 'In terms of the cost of running payroll at the end of the tax year, taking into account both staff costs, and any costs to suppliers, do you think that RTI...' you said (Increased the costs at the end of the tax year to your business A LOT / Increased the costs to your business A LITTLE / Made no difference to the costs to your business)

Can I ask why you gave this answer in the survey?

For instances of increased cost HOW MUCH EXACTLY? And why?

Did you require any help/support?

If yes, where did you get support from?

If received support from HMRC and other sources, how did these fit together?

What channels of support; what was most useful / effective?

Was it enough support?

Did you need more or less support compared with previous system

Overall, how did EOY under RTI compare vs their expectations

Did it fall short, meet, exceed expectations; explore reasons

Specifically, how did it compare in relation to

Time

Cost

Support required

Burden to the business

What are your expectations about doing EOY next year?

Same or different in relation to... (PROBE reasons)

Time

Cost

Support required

Expectations of one off vs continual issues

In previous research, some employers have indicated that RTI has reduced the time and burden of undertaking payroll (ongoing and year end), but there has been no cost saving. If this is the case in this interview, explore why this is the case.

Has the reduced time / burden of RTI enabled them to:

Undertake additional tasks (what)

Take longer to do the same tasks (what)

Something else

Agent use (10 mins)

Do you use an agent?

For payroll?

For EOY?

What, if any, was the impact on your use of an agent for 'in year' payroll

What, if any, was the impact on your use of an agent for EOY

Do you still use an agent now? Why/not?

If not now – why did you use an agent before and not now?

Survey question: When asked *'have you used someone outside of the business to help you operate payroll MORE than under the previous system, less or about the same amount?'* You said (Used someone outside MORE than before / Stopped using outside help and did it all in house)
Can I ask why you gave this answer in the survey?
Explore when exactly the decision was made to reduce agent use
Explore why they were able to reduce agent use? Was there a cost saving? How much?

Guidance (10 mins)

Have you used any guidance since RTI was introduced?

From whom: software provider, HMRC, other

What have they used the guidance for?

Views about the guidance used

Software provider

HMRC

Website

helpline

Do you check PAYE Online for HMRC updates? To what extent do you use PAYE Online? If used, how often do you log in?

What do you log into PAYE Online for and how often?

Do you make use of the email alerts? Why/not?

Thank and Close

Anything else they would like to add about their experience of RTI?

Thank and Close