HM Revenue & Customs

Real Time Information Programme

Post Implementation Review report

GOV.UK/HMRC

Contents

Executive summary

The Real Time Information (RTI) Programme implemented the biggest change to Pay As You Earn (PAYE) since 1944. It introduced more frequent or "Real Time" filing of employers' payroll information to help ensure collection of the right amount of tax and NIC from employees, improve the accuracy of tax credits payments and support the successful introduction of Universal Credit.

The programme commissioned a Post Implementation Review when it closed in 2015 to address the following key questions:

- Did the programme achieve what it set out to do?
- How is RTI performing more than three years after it started?
- What needs to be done to improve performance and make best use of this strategic asset for government?

In line with standard practice, this review was carried out by HM Revenue and Customs (HMRC) and reports findings and recommendations to internal HMRC stakeholders. This report is made available outside HMRC in view of the wide external interest in RTI, and builds on the collaborative approach adopted by the RTI Programme.

Did the programme achieve what it set out to do?

The evidence is that the programme did achieve what it set out to do and that the changes made by RTI were positive. By integrating the payroll and payments process, HMRC is able to deal with PAYE payments and debt more effectively, and improve the flow of PAYE payments to the Exchequer. Considering the scale and pace, the introduction of RTI for many (but not all) businesses went relatively smoothly.

Since its introduction in 2013, there have been year-on-year improvements in how RTI is embedded within payroll processes and by 2016, 99% of businesses had integrated it into their payroll operations. There remain a small minority where ongoing problems exist, and with whom we continue to work to seek further improvements in their experience of RTI. Many key stakeholders in the tax and payroll sector still consider the introduction of RTI to have been an additional burden on their business, and have certainly seen a transitional cost which was not fully forecast at the start of the programme.

We found an overwhelming consensus that the migration of more than 1.5 million employers into RTI through a staggered implementation was the right approach. The majority of contributors welcomed the programme's collaborative approach (including winning a Chartered Institute of Payroll Professionals award for engagement and consultation) although some felt the timing of consultation was sometimes too late. They also welcomed the programme's willingness to adapt, for example by deferring the implementation of in-year penalties. Conversely, some responses indicated unease about the impact of real time reporting on small business, with many smaller employers feeling unready for its introduction and implications.

The headline figures taken from the programme's Final Business Case and supplemented by later reports show that RTI has delivered:

- savings of £64m for HMRC
- savings of £672m from reduced tax credits overpayments due to fraud and error and in year income discrepancy
- a one-off cash flow benefit to the Exchequer measured at £813m
- a net saving in administrative burden for employers of £292m per annum.

This has been delivered at a cost of:

- £292m as one-off and transitional costs for employers
- £307m for HMRC to implement RTI over the life of the programme.

This demonstrates a strong rate of return on investment. However, we found some employers, agents and their representative bodies believe that the figures do not fully reflect the experience of small business, citing underestimation of the costs for small employers on an ongoing basis.

How is RTI performing more than three years after it started?

RTI is performing well with HMRC processing real time information for more than 40 million employees and occupational pensioners to support PAYE and Universal Credit (UC). There is evidence of clear progress in making better use of RTI as a significant strategic data asset for government, including pension auto enrolment and student loans.

However, a proportionately small number of data quality issues and mismatches between HMRC and employer records continue to create discrepancies that can be time consuming and potentially costly to resolve for employers, their agents, and for us. This position has been exacerbated by the delay in providing a real time view of RTI data for employers and agents to check against their own records, and the process for amending submissions, which some employers find difficult to follow.

RTI has enabled the tax and benefits system to become more responsive than ever before. We have started to amend some tax codes earlier and to make them more accurate by using RTI data to work out an annualised estimate of pay. We plan to further expand this in 2017, when more real time tax codes will use RTI data. The use of RTI in UC includes examples of claimants disputing the existence of their earnings, or understating their earnings or number of employments until presented with unequivocal RTI data. Once UC is fully implemented, RTI is expected to result in savings of about £600m from prevented erroneous and fraudulent UC claims. Data sharing with other government departments has already seen savings of £491m from the correction of claims to DWP benefits other than UC.

Overall, the consensus remains positive that the changes brought in by RTI were necessary, have modernised many PAYE and payroll practices, and reduced error and fraud across government. In addition, we fully accept the lessons to be learned on consultation, communication and implementation.

What needs to be done to improve performance and make best use of this strategic asset for government?

There is still much to do to ensure both that employers find it easier to understand and comply with their reporting obligations, and that discrepancies are resolved quickly. Where we have identified continuing problems, we have recommended changes to ease the position for employers and agents. We are putting a programme in place to deliver these by 31 March 2019 and to deploy wider lessons in our transformation plans.

We acknowledge that our communications and guidance are not reaching all employers, with some small businesses struggling to understand their reporting obligations and the consequences of failing to meet them. In response, we have committed to thinking more innovatively about how best to reach smaller employers and give them the clarity they need, not just in RTI, but across all of our transformation plans.

The overall incidence of data quality problems is low, and we continue to work with any employers and agents experiencing such problems through guidance and education. To accelerate progress in this area we propose increasing our focus on employer-related issues by establishing a core HMRC communications team, and involving external experts and employers earlier when we need to materially change guidance or redesign processes. In addition, we recognise we need to accelerate system enhancements that allow employers to self-serve, using digital tools to amend their submissions or claim repayments.

Despite the progress made in using RTI data to inform Tax Credit awards and across wider government, external stakeholders expressed frustration about the perceived slow pace with which we are using RTI data to improve the overall accuracy of PAYE codes, and reduce the number of individuals who end the tax year either owing tax or due a refund. We are conscious of the need to accelerate our plans in this area in order to fully realise the benefits of RTI data for our PAYE customers, and to our departmental operations as a whole.

We summarise our key findings and recommendations below.

Key finding	Recommendation
Communications	
Our communications and guidance are not reaching all employers with some small employers struggling to understand their reporting obligations and the consequences of not meeting them.	We set up a core communications team for employer-related issues with clear routes of escalation for internal and external stakeholders to: • improve education and support for employers and small employers in particular to help them meet their reporting obligations and reduce exposure to penalties • involve external experts and employers earlier when materially changing guidance or redesigning processes.
Data quality and discrepancies	
Data quality issues and mismatches between our records and employer records continue to create discrepancies that are costly to resolve for employers, their agents and for us.	We are more proactive in driving up data quality by supporting employers to apply best practice and avoid error. We now offer "once and done" support to employers, intermediaries and agents through our helplines and do not refer to cases involving discrepancies as "disputes".
Employers and their agents are not able to view their HMRC account with us in real time and processes for updating current and earlier years or for providing further information need to be more user-friendly.	We are prioritising the development of digital solutions that: • give employers and agents a real time view of the data we hold and of employers' liabilities and payments • facilitate amendments both during and after the end of the tax year • enable reporting of information currently supplied using an Employer Payment Summary (EPS).
Exploiting RTI data	
Now RTI is well embedded, the government needs to make better use of the real time information provided by employers.	We are working to make full use of relevant RTI data: • ensuring more PAYE tax codes are correct in year so fewer individuals end the tax year owing tax or having to claim a repayment • pre-populating RTI data in Personal Tax Accounts and Self-Assessments • improving the process for repaying student loans.

Section 1 – Background to Post Implementation Review (PIR)

1.1 In October 2014, the Office for Tax Simplification (OTS) published its review into the competitiveness of the UK tax administration. Page 14 stated:

'HMRC should conduct a post-implementation review into Real Time Information (RTI), looking (in conjunction with the Department for Work and Pensions) at whether full 'on or before' reporting is necessary in all circumstances and what further scope there is to extend/harmonise easements for small employers.'

The Financial Secretary to the Treasury accepted this recommendation in his response of 3 December 2014.

1.2 In March 2015, the Administrative Burdens Advisory Board (ABAB) published its Annual Report which stated on page 5:

'We were encouraged to note HMRC's acceptance of the OTS recommendation to undertake a post-implementation review of RTI and look forward to contributing to that process. We welcomed the RTI 'on-or-before' reporting easement for micro employers, but the current plan is to withdraw this in April 2016. The situation will need to be carefully monitored as withdrawal is likely to increase the administrative burden of RTI compliance for these smallest businesses'.

1.3 In June 2015, the RTI Programme Board (PB) considered a paper that made proposals in respect of the scope and timing of the PIR and accepted its Terms of Reference (ToR) (see Appendix A).

1.4 The PIR began in April 2016 and followed the standard approach in line with the HMRC Change Framework, focusing on questions raised in the Terms for Reference (ToR).

1.5 In addition, the PIR covered progress on six recommendations made in a separate review of RTI commissioned by Lin Homer and led by CDIO in anticipation of Programme closure which reported in December 2014. These recommendations (see Appendix B) were mainly directed at HMRC Personal Tax (PT) as the owner of RTI processes in business as usual.

1.6 The review team engaged with the following external stakeholders – Office for Tax Simplification (OTS), Administrative Burdens Advisory Board (ABAB), Employment and Payroll Group (EPG), Taxpayer Data Standards Forum (TDSF) and Department for Work and Pensions (DWP).

The review team also interviewed internal stakeholders from across HMRC business streams.

1.7 Section 7 sets out how we will track the delivery of the recommendations from this report.

Section 2 – Review objectives

2.1 The PIR examined all relevant aspects of post closure programme implementation and live running to address the objectives set out in Appendix G.

Section 3 – Achievement – Outcomes and benefits

The drivers for delivery of RTI were:

- significant modernisation of the PAYE system to reduce the burden on employers
- providing real time data for future exploitation
- to ensure a real time earnings feed was sent to DWP to enable them to deliver Universal Credit (UC).

Modernisation of PAYE

We now hold more real-time customer data than ever. Virtually all employers are reporting in real time for more than 99% of individuals and occupational pensioners with over 100m transactions processed every month.

RTI has enabled the integration of employer payroll processes with reporting PAYE information. This alignment between payroll and PAYE processes has removed the burden from employers of submitting in-year forms relating to new and ceased employments. We have taken over responsibility from employers for collation of information at the end of the tax year. Receiving this information in real time allows us to identify and follow up issues with the data or payments during the year rather than wait until after the year end. The programme's Final Business Case quantified customer benefits of £855m based on a forecast reduction in the administrative burden for employers up to and including 2016/17.

The benefits of staff savings over the same period amount to £64m and reflect savings in operational processes and work items including increased automation. The business case identified that we would continue to need to deploy staff to handle RTI issues and queries and recognised this by allocating staff to different business units. We found that the planned FTE included in the business case was sufficient to absorb the front line costs of resolving RTI issues including any identified later in this report.

Real time information has allowed us to reconcile the amount of tax an employer is due to pay over each month with the amount actually paid over, improving the cash flow to the Exchequer and avoiding large end of year balancing payments or end of year debt recovery activity. A one-off cash benefit to the Exchequer from earlier payment of £813m has been measured using the 2014/15 RTI submissions.

We found that some external stakeholders believed we did not fully appreciate the scale of the impact of some of the key RTI changes on small employers and the wide range of operational practices used by employers in the pre-RTI paper world. They felt that a deeper understanding of the real life issues faced by employers and their earlier involvement at the design stage would have prevented or reduced the impact of the issues which subsequently arose.

Closely associated to this were views expressed through and by ABAB that the Standard Costs Model (SCM) used to underpin the calculation of costs and benefits for business did not sufficiently reflect the experience on the ground of small employers. This review does not seek to revisit the discussions that resulted in an agreed adjustment to the programme's business case. However, it notes that we remain committed to developing the SCM so as to increase overall confidence in its outcomes.

Some external stakeholders believed that RTI had increased costs (whether directly or through engaging an agent) for employers who pay their employees more than once each month. They were also aware of some agents absorbing additional costs rather than passing them on to their clients. There was a degree of scepticism about the costs to business identified as 'transitional'. This was caused in part by a perception that one-off costs for new RTI software had been consolidated into prices. External stakeholders also made the point that employers and agents had incurred additional costs in order to deal with the issues and concerns outlined in Section 4.

The methodology underlying calculation of the headline figures showing a net saving in administrative burden for employers of £292.5m per annum and one-off and transitional costs of £292m was settled for the purpose of the business case. However, some external stakeholders believe these figures underestimate the transitional costs and downplay ongoing costs.

Exploitation of real time data

The programme facilitated collaborative working between departments and with external stakeholders. RTI is already being used within our business to better manage the renewals of tax credits. A number of other government departments (OGDs) such as the Department of Health and agencies like the Student Loan Company are interested in exploiting RTI data.

RTI is our richest and largest single source of customer data and provides a wealth of real time information. This helps to measure the health of the PAYE process and to identify opportunities to improve processes benefiting employers, individual customers and us. Appendix D details the ways in which we have been exploiting or propose to exploit RTI data including examples of where sharing of RTI data is benefiting OGDs.

In March 2015, the policy paper "Tackling fraud and error in the benefits and tax credits system" stated:

"The investment in RTI is already paying for itself, bringing clear benefits to HMRC and DWP. Using RTI allows HMRC and DWP to collect the most up-to-date information about individuals and families claiming traditional benefits and tax credits. HMRC can track accurate income details each month for the 2.3 million people on PAYE who receive tax credits, so it can pay them the correct amount at the outset. This is important, because it ensures greater accuracy and lower levels of overpayments, fraud and error."

During RTI's first year (2013-14), we established how we could use RTI for tax credits calculations, identifying £10m in savings from fraud and error from the high-risk sample involved. These cases were examined after comparing the difference between earnings reported using RTI and earnings declared during the tax credits renewals process.

Now that real time figures feed into the automatic renewal process at the start of the year, there are confirmed savings from reduced tax credits overpayments due to fraud and error and income discrepancy of £10m in 2013-14, £238m in 2014-15, 222m in 2015-16 and £202m for 2016-17.

DWP have confirmed savings to Legacy Benefits as a result of RTI at £122m for 2014-15 and £164m for 2015-16.

External stakeholders expressed frustration about the slow pace with which HMRC is using RTI data to improve the overall accuracy of PAYE codes and reduce the number of individuals who end the tax year owing tax or are due a refund. They want to learn more about how we propose to exploit the RTI data to make sure more PAYE tax codes are right in year and reduce the number of under and overpayments. There was limited knowledge of some of the changes already made, in progress or at the design stage as part of digital transformation.

Now RTI is well embedded, we and wider government need to make better use of the real time information provided by employers. We now need to make full use of relevant RTI data:

- ensuring more PAYE tax codes are correct in-year so fewer individuals end the tax year owing tax or having to claim a repayment
- pre-populating RTI data in Personal Tax Accounts and Self-Assessments
- improving the process for repaying student loans.

Universal Credit

As a key enabler to the UC programme in DWP, RTI met all key milestones. Once UC is fully rolled out, RTI is expected to result in savings of about £600m a year to Annually Managed Expenditure.

Examples of situations where the use of RTI in UC has already had an impact include a claimant:

- failing to declare a redundancy payment of over £20,000
- declaring they were taking unpaid voluntary work at a care home when in paid employment there
- understating their earnings and number of employments when required to self report
- disputing they had any earnings until presented with the PAYE data.

HMRC and DWP have established a joint team of staff to deal rapidly with referrals from DWP in connection with the real time earnings feed before the earnings in question are used in the UC calculation. This team resolves 98% of such referrals on day one.

Section 4 – RTI Performance

Data

We plan to move to a fully digital tax system with people managing their affairs through digital accounts. Both internal and external stakeholders expressed concerns about the underlying quality of some of the data and its possible consequences for Making Tax Digital for individuals and businesses including:

- unexplained discrepancies and duplicated employment records
- unallocated credits
- growing number of Temporary Reference Numbers (TRNs)
- performance of the NINO Verification Request service (NVR).

Unexplained discrepancies can arise where an employer does not agree with the charges created by their RTI submissions. In 2014-15, of the 1.8 million employer schemes, 37,065 formally disputed their liability to PAYE. In 2015-16, of the two million employer schemes, the number of employers formally disputing their liability was 40,902. Analysis of a sample of closed cases showed that, on average, 78% of the outstanding debt was spurious. At 31 March 2017, there were 15,302 working unique employer disputes for years 2012-13 to 2016-17 with the total figure for potentially spurious debt of £390m. Large employers account for the majority of the spurious debt but 68% of the schemes in question are small employers.

The work involved in determining if the charges are correct is time consuming. During 2015-16, we deployed 86 full time operational staff to handle these cases which have two root causes:

- **Duplicated employment records** – historically up to 80% of disputed charges were related to this issue. A number of IT enhancements have been introduced to reduce this number to 16%. Additional changes were introduced in January 2017. We are currently gathering the data to measure the impact of those improvements on our customers. Initial indications are positive. Since 2012, we have reviewed, analysed and sought to address and correct the issues that produce duplicate employments. The position has improved and the total number of individuals impacted by a duplicate employment is now less than 0.5% of the employee population
- **Late, missing and incorrect RTI submissions** – in many cases the position could be rectified by the employer if they could view their account balance in real time and their previous RTI submissions. Where these issues potentially impact UC claimants, HMRC and DWP staff work collaboratively to identify and proactively address data discrepancies before the information is used in the UC calculation.

These discrepancies can lead to other financial data discrepancies within our systems which impact individuals and employers. This may result in delayed and/or incorrect end of year tax reconciliations and coding notices and UC payments may not reflect what claimants were expecting.

Many of the external stakeholders responding to the review were critical of the time we took to resolve discrepancies. They felt that it had been unhelpful for us to label such discrepancies as "disputed charges". Treating the matter as a dispute had sent the wrong signal to employers and their agents and had been interpreted as suggesting that the employer/agent had done something wrong.

Stakeholders mentioned instances where an employer or agent's query had moved around different parts of HMRC with little transparency over who was taking responsibility to resolve the issue. They were also critical that we had not provided employers with an easy tool to help them identify how a discrepancy had arisen and to self-serve to resolve it.

We are exploring ways to clear older cases and focus on working with employers and agents to resolve newer cases and target support on improving the quality of future RTI submissions.

Unallocated credits existed prior to RTI but the scale was unknown because we did not know exactly what amount employers were due to pay each month. Under RTI, current monthly figures show total unallocated credits covering the entire employer population range between £2.6bn and £5bn with monthly peaks and troughs as payments are allocated to charges. During 2015-16, we deployed operational staff members of 55 FTE on unallocated credits mainly to respond to employer queries.

Understanding how a credit has arisen on an employer's account involves similar challenges to understanding why we believe an employer owes an additional amount. The review heard concerns from external stakeholders about the transparency of the process of matching payments to liabilities, the lack of a real time view of payments and liabilities and how long it takes for us to agree to and make a repayment. They saw a need for more effective automation of repayments and were critical of the current end of year process for repaying employers under the Construction Industry Scheme.

We recently brought together some staff from the teams working on unexplained discrepancies and unallocated credits to build a multi-skilled workforce capable of handling both types of case. It is not uncommon for an employer to face both issues and working the cases end-to-end and adopting a 'once and done' approach will benefit both employers and us.

Temporary Reference Numbers (TRNs)

We are working with the Taxpayer Data Standards Forum to understand the root causes of TRN creation and identify options to reduce TRNs. Our response to this issue includes:

- helping employers to improve data quality through the Future of Payroll pilot
- examining the scope for improving our trace and match rules
- exploring further opportunities for employer education.

NINO Verification Request service (NVR)

We are working with the Taxpayer Data Standards Forum to track cases through our trace and match processes to understand whether there are issues with this service. We have not found any problems so far.

Our main recommendation on data quality and discrepancies is that we need to be more proactive in driving up data quality by supporting employers to apply best practice and avoid error. This includes:

- offering "once and done" support to employers, intermediaries and agents
- stopping referring to cases involving discrepancies as disputes
- providing employers, intermediaries and agents with a real time view of liabilities and payments and the tools to help understand and resolve discrepancies by self-serving (see Systems).

Systems

Viewing liabilities and payments

We found that employers and agents are not able to view their account in real time and they have difficulty understanding how the charge is made up.

The Enterprise Tax Management Platform (ETMP) is the system used to manage PAYE charges. All payments and liabilities relating to 2013-14 and subsequent years are accounted for on ETMP. The calculation of the monthly employer charge from submission receipts is complex. Our debt management staff identified very early on that the ETMP screens did not always reflect the correct position for our customers and they were difficult to interpret. They felt that it took too long for the issues to be recognised and taken seriously. Debt Management staff need to be confident that the data is of good quality and reliable when they contact the customer.

The view ETMP presents to the customer can cause confusion. Employers do not always recognise the figures i.e. they do not agree with what has been submitted. They told us that there is no clear explanation about how their payments have been allocated and they are concerned about the time lag in updating the record and the lack of an agent view. The Liabilities and Payments viewer (L&P) is widely considered not to meet customer needs. Plans to replace L&P viewer with an improved digital offering are being developed.

Specific submissions

Stakeholders expressed concerns about the separate submissions for Earlier Year Update (EYU) and Employer Payment Summary (EPS). External stakeholders thought these submission types reflected the previous paper-based process and would have preferred digital solutions.

Correcting a previously reported position

Anecdotal evidence suggests that many employers do not understand that the EYU should contain values indicating the difference between their previously reported year-to-date figures and the new position. To make an update, employers need assurance that the year-to-date position they have recorded is the same as that held by us. However, we do not provide the means for an employer to check the detailed position we hold. When an employer is asked to correct their account by submitting an EYU and believes the information they have already submitted to be complete and correct, the employer is unable to calculate an adjustment value. External stakeholders suggested that there should be a process for employers to submit the latest position and that it should be possible for our systems to calculate the adjustment required and update relevant systems accordingly. They also asked for employers and agents to have access to view the data we hold as this would help to resolve some of their difficulties. There is additional work underway to identify a solution enabling employers to self-serve and obtain employee level data to ensure that their submissions can be completed more accurately both in-year and after the year end.

Employer Payment Summary (EPS)

An employer will send an EPS to reclaim statutory payments, Employment Allowance, Construction Industry Scheme (CIS) deductions, National Insurance Contributions (NICs) Holiday or if they have not paid any employees in a tax month. Compliance colleagues voiced a number of concerns about the form. Currently there is no legislative requirement for employers to send an EPS. Identified risks include using the form to claim repayments on CIS that may not be due and claiming more than the maximum amount of Employment Allowance. In light of the concerns raised, we are working to identify process improvements for CIS deductions. External stakeholders would like us to consider removing the EPS and offer a digital alternative for providing this data. Internal and external stakeholders expressed concerns that the EPS will become a 'catch all' form for us to use when there appear to be no easy alternatives, for example the new Apprenticeship Levy.

Our key finding is that employers and their agents are not able to view their account with us in real time and processes for updating current and earlier years or for providing further information need to be more user-friendly. In response we need to prioritise development of digital solutions that:

- give employers and agents a real time view of the data held by us and of employers' liabilities and payments
- facilitate amendments both during and after the end of the tax year
- enable reporting of information currently supplied using an EPS.

Policy

'On or before' reporting

The RTI legislation requires employers to submit details of payments to their employees 'on or before' the date that they pay their employees. External stakeholders made representations to the programme that this would prove difficult for some employers. In April 2014, we introduced a two year relaxation for employers who at 5 April 2014 employed less than ten employees and who needed further time to adapt their payroll processes. This relaxation permitted these employers to report their PAYE information for the tax month by the date of the last payment in that month rather than 'on or before' each payday.

The relaxation ended as planned at 5 April 2016 following a review in October 2015. Our view is that 'on or before' reporting remains essential to reforming the tax system so it works closer to 'real-time' and to wider government initiatives, particularly Universal Credit.

Some external representatives still cite 'on or before' reporting as a burden for employers and that many small employers, agents and payroll bureaux in particular continue to use the easement without realising that they are doing so. They would like us to look again at the decision and to move to monthly reporting.

Penalties

We implemented late filing penalties for large and medium employers from October 2014 and in March 2015 for small and micro employers. This had been deferred from April 2014 to reduce the risks associated with a "big bang" approach to penalties for customers. To help customers who almost met the filing deadlines but missed them for unexpected reasons, we enhanced penalty processing to provide some additional flexibilities to help reduce any burdens on these employers and agents i.e. a three day 'period of grace'. We have looked at the effectiveness of the three day easement. Analysis suggests that the number of employers who file three days late has remained relatively static throughout this period as has the number filing one day late and the use of the easement is not growing. We do not intend for the easement to become permanent but will ensure that the longer-term plans align with the wider strategic review of penalties which is currently in progress.

The RTI Programme Board agreed in March 2015 to focus on customers of highest risk and to develop a risk-based alternative. We have continued to apply a risk-based approach with the focus on those employers regarded as being of highest risk and whose behaviour is least compliant. This means targeting employers who are:

- filing late every month where the current approach would not result in a filing penalty
- continually using late reporting reason codes to avoid facing a late filing penalty.

We acknowledge that the 'on or before' reporting policy still remains difficult for some employers and their agents to administer and employers remain unaware of the current risk-based approach to late filing and payment penalties. We recommend improving education and support for employers and small employers in particular to help them meet their reporting obligations and reduce the incidence of penalties.

Communications, guidance and support

OTS recommended in 2014 that: "HMRC need to treat problems with RTI with urgency and make it clear to employers that they are doing so. This is about improving communication and guidance in those cases where problems occur". The programme had a very effective communications team providing a consistent source of planned and targeted communications for employers. The handover did not recommend a similar team to be embedded in business as usual. Some stakeholders expressed concern that there does not appear to be a visible employer communications and education strategy in place to provide clear and concise guidance for external and internal stakeholders.

There are challenges in reaching small employers where the quality of support really matters. External stakeholders said that we should consider different ways of reaching and engaging with small employers and this view is supported by recent research looking specifically at the experience of small and micro employers. That research recommended a focus on better rather than more support making using of visual guides to set out what employers need to do and by when. We found evidence of increasing efforts to target support, for example targeting employers incurring penalties to prevent future errors and a campaign to help new employers comply with their PAYE obligations from the start.

External stakeholders would like to see us be more proactive in correcting error by identifying employers who may be struggling and promoting good practice, for example by publishing the Top 10 Employer Errors with clear guidance on how to avoid them. They were also keen to see greater use of prompts and nudges.

In response to such concerns, we have established a dedicated analytics team to monitor employer behaviour and gain early insight of emerging issues. The work of that team has also helped to identify some of the reasons for difficulties with finalising individual employee records. For example, some employers face issues with:

- using the irregular payment indicator
- accurately providing leaving dates
- not realising some of their submissions are missing.

Internal and external stakeholders also felt that the current GOV.UK guidance was insufficiently comprehensive to enable employers to handle the range of issues they may experience given the complexity of payroll issues.

We repeatedly heard pleas from external stakeholders to involve external experts and employers earlier when materially changing guidance or redesigning processes. While the RTI Programme's collaborative approach was broadly welcomed, the external view is that we are still not consistently applying the lessons from RTI and are approaching externals for help in process design too late to ensure we develop easy to use and customer-focused products and processes.

Our key finding is that our communications and guidance are not reaching all employers with some small employers struggling to understand their reporting obligations and the consequences of not meeting them. We recommend that we set up a core communications team for employer-related issues with clear routes of escalation for internal and external stakeholders to:

- improve education and support for employers and small employers in particular to help them meet their reporting obligations and reduce exposure to penalties
- involve external experts and employers earlier when materially changing guidance or redesigning processes.

Section 5 – Governance

The programme identified and documented the significant changes introduced by RTI in policy, IT systems and business processes to facilitate the transition from the programme to our business as usual (BAU) processes. A handshake document in June 2015 covered handover of the risks, issues, dependencies, actions, decisions and reporting requirements. There are comprehensive systems in place to continue to track and resolve the various caveats, risks and issues included in the handshake document.

Section 6 – Stakeholder engagement

Internal engagement

The individuals identified as owners of the remaining deliverables within the handshake document (section 5 above) agreed that handover to business as usual went well and recommended the handover process as a good model for future programmes. There were regular business readiness conversations and checkpoint calls, standard packs were produced and director agreement obtained before processes and products were handed over. All the key documentation was archived. There was some evidence of personnel moves not helping the arrangements to hand accountabilities over to new owners.

External engagement

Key messages and recommendations from our external stakeholders

The Review team met with representatives from Office of Tax Simplification (OTS), Administrative Burdens Advisory Board (ABAB), Employment Payroll Group (EPG) and Taxpayer Data Standards Forum (TDSF). We also received written submissions. We asked:

- what we had done well
- what we could have done better
- what employers are still struggling with
- lessons we can learn for the future
- further work or actions for us to consider.

The meetings and their contributions were very constructive. See Appendix E for a record of contributions from external stakeholders.

There were many positive comments about what went well:

- migrating so many employers into RTI within a short timescale and the staggered implementation were regarded as significant successes
- they valued the programme's collaborative approach although some felt the timing of consultation was sometimes too late
- they welcomed the decision to defer the implementation of in-year penalties and the removal of the requirement to answer the end of year questions on the final submission for the tax year.

Their key recommendations to build on the successful introduction of RTI were for us to:

- investigate instances where the data on our systems does not appear to agree with what the employer believes they have submitted and establish why that has happened
- enable agents and employers to view their accounts with a view of the full charge, how it is made up and in real time
- revisit the causes and concerns for employers who need to make amendments after the year end (EYU)
- investigate alternative ways and timing of reporting of information currently required through the EPS
- review the "disputed charges" process – make the team more joined up for example across the separate debt and employer helplines
- consider the full end to end employer refund process and in particular automate employer refunds
- review code numbers in real time
- review whether the 'on or before' requirement is really needed
- improve education and communication.

Section 7 – Actions on recommendations

We acknowledge the issues and concerns brought to our attention and believe these can be addressed through work already underway or by following our recommendations. By bringing these recommendations together, we believe that we will be better placed to prioritise and coordinate improvements that will help inform our transformation plans.

We are creating a plan to monitor progress made against each of the recommendations and will share that plan with our main stakeholder groups.

Appendix A – Terms of reference

The PIR will examine all relevant aspects of post programme closure implementation and live running of Real Time Information to enable the following objectives to be met:

- evaluate the extent to which the benefits and business outcomes stipulated in the business case have been realised
- compare planned costs and benefits with actual costs and benefits to enable an overall assessment of value for money to be made
- report on the rational scope and cost of change requests raised or approved post closure and review the effectiveness of programme-funded changes delivered post closure
- compare forecast and actual live performance of the supporting systems, services and capabilities delivered, identifying aspects that have had both positive and negative impacts
- recommend actions required to maximise the effectiveness of the business change and capabilities delivered, including improved operational performance, benefits realisation and the delivery of business outcomes
- evaluate the handling of risks, issues, dependencies, actions, decisions and reporting requirements handed over to business owners at closure
- review the actions taken to archive programme documentation including handover of key documentation to appropriate individuals
- report on the effectiveness of programme closure communications to stakeholders and recommend further appropriate work or actions required, together with indicative timescales and responsibilities.

The PIR will also focus on the following areas:

- the extent to which specific IT issues identified prior to closure have been resolved in a timely and cost effective way
- the extent to which any new risks and issues identified post closure have been effectively managed and/or resolved
- the extent to which necessary stakeholder engagement and communications continued post closure
- the extent to which senior business owners and managers have continued to sponsor or champion the new changes and/or ways of working introduced as required
- the quality and consistency of financial and benefits reporting.

Appendix B – CDIO recommendations

The Chief Digital and Information Officer (CDIO) review (December 2014)

1. Personal Tax (PT) should put in place a dedicated and appropriately resourced RTI analytics team, with the capability to regularly monitor RTI and employer behaviour, to gain very early sight of emerging issues and trends and to develop appropriate proactive interventions.

   Update January 2017 – Combined Analytical Steering group created to understand, prioritise and monitor data quality through the use of analytics. Emerging issues and trends are used to work collaboratively with customers to understand and address root causes with improvements driven through customer education, system enhancements and transformational changes. A Jointly Managed Engagement Team funded by HMRC and DWP reports to the steering group. This team undertake direct customer outreach calls if incorrect data is identified as impacting UC, HMRC and other data consumers. The emerging themes and trends are used to inform further outreach initiatives with customer engagement teams including payroll agents and software developers.

2. PT should continually monitor RTI feeds from selected employers (risk led approach) checking for missing submissions and contacting employers to resolve and correct issues as they arise.

   Update January 2017 – We use our key customer events to target the highest risk processes that may adversely affect our customers. We use the data/trend analysis to inform customer education initiatives, for example webinars, YouTube to ensure our customers receive the right outcome. We also use the analytical data to identify customers with repeat late submissions so we can prioritise outreach educational calls to those customers.

3. The RTI analytics team and subject matter experts in PT Customer, Product and Process (PTCPP) should develop enhanced analytics to spot trends in the creation of duplicate employments (relating to specific employers, agents or software products), and to initiate the necessary corrective measures (linked to Recommendation 1).

   Update January 2017 – We are implementing changes in late January 2017 to improve data matching and reduce the number of duplicate employments. We will identify the volumes of additional matched cases along with remaining duplicate cases to establish reasons and any identifiable trends.

4. PT Change and subject matter experts in PTCPP should re-examine the option to introduce a Unique Employment Identifier (UEI), and compare the costs and benefits of implementing a solution with the costs and disbenefits of continuing with reactive measures.

   Update January 2017 – UEI still under consideration by Making Tax Digital programme but currently no agreed delivery date. Recent system changes to improve matching and the evaluation of further changes implemented in January 2017 will inform how we progress the UEI.

5. The Liabilities and Payments (L&P) Viewer should be replaced by a new digital solution under Digital Tax Account; intelligence and lessons learned from the RTI Programme should be fed into the Agile process as part of the discovery phase, and support offered from PT and Software Developers Support Team (SDST) to join the project up with the appropriate existing relationships with employers, agents and third party software developers.

   Update January 2017 – Work commenced to build new Application Programme Interfaces (APIs) delivered in three phases – 1) Designing and testing a new viewer and presenting this on the Business Tax Account 2) Ensuring agents will have access 3) Building front-facing APIs for third parties.

6. PT Change and subject matter experts in PTCPP should examine the costs and benefits of changing the Earlier Year Update (EYU) process from corrective figures to replacement year-to-date figure.

   Update January 2017 – Our work indicates that the key issue underlying problems with EYU completion is the lack of a view of RTI employee level data to enable employers, intermediaries and agents to understand and correct any errors. We have made a change proposal to use APIs to display RTI employee level data via third party software.

Appendix C – Benefits and costs/benefit profiles

The first business case for RTI was approved in 2011. Subsequent versions showed an increase in costs with an expectation that the programme would manage costs down which they did successfully, The benefits changed as the programme progressed, for example to reflect the extension of the RTI pilot from six months to a year as a result of customer feedback. The extension of the pilot delayed the realisation of benefits compared to the original business case.

The final Full Business Case (FBC 5) was approved in April 2015. In accordance with the comprehensive handover report for benefits realisation, we have continued to monitor and report the benefits profiles. The benefits are assured as part of the Internal Audit review of Change Programme Efficiencies at the year end.

The Programme Closure Report splits RTI Benefits into five main areas:

- Customer Benefits (£855m)
- Forecast of Tax Credit Error and Fraud Reductions AME Benefits and in-year income discrepancy (£646m)
- Forecast of FTE Benefits (889 FTE – £64m)
- Accelerated Revenue (PAYE Withholding) (£986m) reduced in July 2015 to (£813m)
- Non Paybill Savings (£1.3m).

Costs

Delivery of Change Requests (CRs) after programme closure

The programme agreed funding for 14 changes to be delivered after the programme closed. All 14 changes have been delivered. Costs did not increase and in some cases were lower than the estimate. The programme set aside funding for a tactical solution for penalties to cover 2015-16. This tactical solution has continued pending the outcome of a wider review of penalties consistent with the Making Tax Digital agenda.

Profile number	Benefit description	Forecast benefits	Actual benefits realised as at March 2017	Final realisation date	Notes
01	Error Fraud and Overpayment AME savings 14/15, 15/16 and 16/17.	£630m	£620m	October 2016	**Complete**
02	B&C FTE Savings 14/15.	15.24	16.02	May 2015	**Complete**
03	PT Ops FTE Savings 14/15.	63.8	61.2	October 2015	**Complete** When final benefit measured FTE savings had reduced from forecast of 9.2 to 6.6 making total FTE saving of 61.2 instead of 63.8. This was due to volume of calls not reducing in line with expectations and number of new recruits learning job and getting up to speed.
04	B&C Non pay bill savings 14/15.	£1.3m	£1.3m	January 2015	**Complete**
05	Improved customer experience.	£8.2m	£9.45m	October 2016	**Complete**
06	RTI In Year CY Income Discrepancy 13/14, 14/15, 15/16 and 16/1.	£16m	£52m	April 2017	**Complete**
07	Ceased Employment FTE savings 13/14.	12	10.81	September 2014	**Complete**
08	Reduction in Admin Burden for Employers.	£855m	£855m	March 2017	Complete Net of new administrative burdens, one-off and transitional costs covering 2012-13 to 2016-17.
09	Reduction in PAYE Withholding.	£986m	£813m	July 2015	**Complete** Forecast at £986m, confirmed at £813m.
10	FTE Saving by reducing workloads in NICEO.	292.57	298.40	May 2015	**Complete**
11	FTE savings driven by the reduction of Work Management Items.	507.24	507.24	May 2015	**Complete**
12	Non Paybill Savings due to the Introduction of RTI.	£91k	£91k	April 2015	**Complete**

Appendix D – Exploitation

Benefits and Credits (B&C) – exploitation of RTI for tax credits

Following the implementation of RTI for tax credit renewals, our compliance teams began using RTI data in year, forecasting the end of year position using year to date RTI data. This is then matched against tax credit estimated income to identify potential income discrepancies. Our staff contact the customer to try and resolve any discrepancy and if they can't contact them, their income is updated using the RTI figure. From September 2016, this became an automated process. From August 2016, RTI data has been used to automatically cease employments.

We have just started to look at using RTI data to make sure provisional tax credits payments are correct from the beginning of the tax year. If the customer has had a significant change of income during the year, such as starting a new job, we will make sure the full income is taken into account for the following tax year. The aim is to prevent overpayments and reduce debt. A proof of concept in April 2016 on a small group of customers proved successful and a further extended trial is planned again for the 2017-18 tax year on a wider population.

Individuals – exploitation of RTI data in PAYE processes

Since the programme closed, the following system enhancements have used RTI data in year:

- Restoring cumulative codes at first payday
- Restoring cumulative codes at second or subsequent payday – checking previous pay and tax information to date of leaving on previous primary employment and when received issuing cumulative tax code based on pay and tax information from RTI
- Estimated pay – calculating estimated pay for the new employment based on the information on the first FPS. When employment ceases, use pay to date of leaving from RTI
- Correcting start dates for around 550,000 individuals annually. When a customer starts a new job, employers can occasionally create employments with incorrect start dates. This affects around 550,000 individual customers annually and will enable earlier end of year reconciliation and reduce customer contact and operational work.

Transformation of PAYE for individuals

In summer 2015, we identified the shift to a tax system operating in "real time" as one of the strategic design principles underpinning 'Making Tax Digital'. This included moving to a position where we do not just collect PAYE information from employers in real time but also utilise that information, leading to in-year PAYE 'tuning' for tax based on monthly calculation for PAYE taxpayers.

Work to deliver these changes is underway, for example "refreshing PAYE" will use RTI data at individual customer level as we get it to project/calculate if a customer is on track to pay the right amount of tax across their PAYE sources and, where they are not, to redistribute their allowances, rate bands and reliefs to get a differently constructed code out to the employer that results in the customer paying the right amount of tax by the end of the year.

Other Government Departments (OGDs)

Employment and earnings data provided through RTI is essential for DWP to calculate UC awards. The value of that data is becoming increasingly recognised, leading to growing interest from other parts of DWP and departments in exploiting RTI data. This is in line with Cabinet Office interest in data sharing across government, which is under consultation.

We already share in-year earnings and employment data from RTI with a number of OGDs and we have a pipeline of other opportunities under consideration. A key part of our work is to help OGDs to monitor the benefits of using this the data. The following three examples demonstrate where we are currently successfully sharing data.

1. We have worked collaboratively with Her Majesty's Courts and Tribunals Service (HMCTS): to put in place a process that provides HMCTS with up-to-date employer information, allowing them to collect court fines. This has brought in additional revenue to HMCTS at a much greater pace. A key success was a project around HMCTS uncollectable debt; HMCTS sent HMRC details of individuals' accounts which were deemed uncollectable. HMRC supplied the most recent employer details and individuals' contact details, which enabled HMCTS to contact those in debt individuals and start collecting on accounts that had previously been termed uncollectable. HMRC is working with HMCTS to help them to quantify the benefits where possible and build the functionality into future data sharing.

2. We are working with The Pensions Regulator (TPR) to build business rules that will interrogate RTI data to monitor compliance of employers who should be auto enrolling employees and provide data to allow TPR to support targeted communications. This will enable TPR to carry out compliance activity, streamlining their internal business processes and ensuring they target only those that are not complying. In June 2016 TPR estimated that this work will result in savings of around £750k for the 2016-17 tax year.

3. DWP have used RTI data for checking non-UC benefits (known as RTI Bulk Data Match, as announced at Autumn Statement 2013). They have identified legacy errors and corrected the level of benefits for the future. This has seen savings of £122m during 2014-15 and £164m for 2015-16. That led to the creation of a project entitled Wider Use of RTI, the aim of which is to share earnings and employer information for the purpose of fraud prevention (new claims), detection (benefit reviews) and reducing benefit overpayments (accurate calculations). In February 2015, the team won an award in the prevention category of the annual Fighting Fraud Awards.

Appendix E – Stakeholders' feedback

External Stakeholders' Feedback

Representative bodies

We have responded separately to written submissions from the following representative bodies:

Association of Taxation Technicians (ATT)

Low Incomes Tax Reform Group

Confederation of British Industry (CBI)

Institute of Chartered Accountants of England and Wales (ICAEW).

Administrative Burdens Advisory Board (ABAB)

HMRC's Making Tax Digital programmes have made a commitment that ABAB will be consulted throughout HMRC's transformation process. For Making Tax Digital (MTD), ABAB stress the importance of applying some of the learning from RTI. They consider it especially important for HMRC to engage with stakeholders earlier and to obtain a genuine and large scale understanding of what small businesses actually do at the earliest possible stage. They also emphasise the importance of having a single joined-up view accessible to taxpayers, agents and HMRC.

On or before

- It is vital that HMRC understands micro employers and engages with them early to understand the impact of policy proposals. Visits to understand what employers do in practice need to take place early before such a policy becomes final
- Perception of "on or before" reporting for RTI was that it was driven by the needs of DWP and UC. HMRC should share their experience with OGDs to avoid similar issues
- ABAB are sceptical of the figure for compliance with "on or before"
- ABAB consider "on or before" reporting to be unachievable for many small businesses and compliance with the reporting obligation virtually unmeasurable
- Costs (whether direct or through engaging an agent) have increased for employers who pay their employees weekly with some agents not passing the additional fees on to their clients and absorbing the additional costs.

Data

- Submissions on the whole are working well with code numbers coming back more quickly
- Concerns were raised about how data is matched onto our systems and about the misalignment of data
- Some call centre staff do not appear to fully understand issues
- Concern was raised about a 2012-13 case - we are insisting on an FPS and EYU when the employer was not in RTI for the year

- Employers and HMRC cannot view the same data which does cause some serious issues with employers and agents incurring costs and experiencing frustration trying to resolve them
- Some staff have had to change working hours to a time when they can get through on HMRC's helplines.

Education and communications

- The range of support material is really good – webinars and YouTube for example – and HMRC need to promote them more
- HMRC should publish the top 10 employer errors and consider new guidance options around each
- HMRC should encourage employers to sign up for email alerts and use emails to highlight information employers need to know
- HMRC should bring together and clearly signpost everything that's available to new employers
- HMRC should review the CIS guidance for employers with no employees as existing guidance is too vague

View Liabilities and Payments (L&P) and disputed charges

- The view between systems is different because of timing issues with the pilot for agent view of L&P apparently stalled. The principle that real time must be real time will become even more important with MTD
- A contact tracker would help employers know what is happening with their dispute so that they do not have to contact HMRC
- HMRC need to more transparent about the timeliness of correspondence
- ABAB have continuing concerns over the level of cases with disputed liabilities and the absence of a "single shared view" to help employers and HMRC resolve such cases much more easily.

Transfers

- There appears to be a recurrence of an issue over the speed with which 64-8s are being dealt with.

What we could have done better and what should be flagged to MTD

- HMRC should have been more honest to employers early on. We kept giving messages RTI would be simpler and good for business. We should endeavour to be more open from the outset
- One-off costs for software – prices have not reduced since RTI and recurring costs to business not adequately recognised
- ABAB are not convinced that RTI created ongoing savings and continue to express concerns especially for small business
- HMRC should liaise with software developers early to give them all the information they need to develop a full product, for example payrolling of benefits where not all software was ready for April creating a potential loss of income for agents and for employers who wanted to payroll in 2016/17 but were unable to
- Concerns were raised that if a payrolling employer has to notify the type of company car to HMRC, costs will further increase as businesses do not necessarily organise themselves so as to coordinate provision of benefits with their payroll function.

The overall stakeholder message was that HMRC should speak with ABAB early as a critical friend to ensure there are no surprises.

Stakeholder groups

Key points from meeting with members of Employment and Payroll Group (EPG) and Taxpayer Data Standards Forum.

Session one

What we did well

Data Items Guide

- Staggered implementation
- Open collaboration between HMRC and various organisations that needed to work with RTI at an early stage, feedback and comments considered
- Consultation went well however some felt the timing of consultation was sometimes too late
- Migrating so many employers into system within a short timescale
- Initial take-up progressed well (a phased approach for alignment submissions would have helped overcome some issues caused by too many employers trying to join on day one)
- Tax codes returned quicker.

What we could have done better

- Clearer links between legislation and the system requirements
- Some consultation left too late i.e. amendment to legislation for "on or before"
- Data Items Guide
- Data matching and NINO Verification Service (NVR)
- Collaboration was not always successful as some decisions were not fully thought through
- Bulk payroll transfers remain a problem
- Reconciliation problems exist at employer level i.e. disputed charges and unallocated credits
- Some employer processes designed around what was done before replicating the paper process – not radical enough to ease transition to digital world
- HMRC did not always understand employer payroll processes or the payroll agent's business
- Issues and impact should be considered from the customer's perspective
- Employers, agents and HMRC are not always able to see the relevant records
- Interactions were not thought through end-to-end for example, having to provide financial information on an FPS when a non-financial change is needed
- HMRC should have adopted a more understanding approach in the early stages, for example not automatically chasing debt and assuming employer error. HMRC's approach suggested the employer had done something wrong with employers and agents incurring extremely lengthy investigation work
- Some employers decided it was easier to pay the outstanding amount rather than dispute with HMRC even though it might be wrong

- Advice on software issues has been inconsistent between HMRC and software suppliers
- The initial decision to retain End of Year questions made it difficult for employers to comply with the deadlines
- Agent Online Self-Serve (AOSS) should have been in place before RTI as access to information by agents would have saved time
- Duplicate records and disputed charges – employers don't know what data is held by HMRC, don't know how to correct the data and unsure of problem or source. Need to understand what caused the problem
- "On or before reporting" has had and continues to have a commercial impact
- The key driver for RTI appears to have been Universal Credit
- It's unnerving not to reconcile employer figures with HMRC's when you can't see data held by HMRC
- "Disputed charges" is not good terminology as perceived by externals as suggestive of wrongdoing of some description. Use more neutral language, for example reconciliation query or discrepancy
- HMRC lack understanding of the employer position when non-reconciliation occurs and there are potential cost implications
- Extra cost to employers - "on or before" reporting means that employers of weekly-paid staff - for example seasonal workers - have to employ someone to do weekly payroll routines to report to HMRC instead of employing someone monthly
- More honest communication when there are problems
- GOV.UK needs a "What's New" page
- Concerns were raised about digital accounts reflecting inaccurate data
- Employer Payment Summary (EPS) was an afterthought and causes problems for employers
- HMRC should have consulted more and demonstrated that they had listened to customers
- Employer Help Line waiting time is poor
- BACS hash matching is problematic
- Some of the issues now seen in RTI were previously hidden by the annual process
- Employers fear hearing that they have an unexplained balance query.

Session two – what are employers still struggling with, prioritisation suggestions for further work or actions to be considered by HMRC

Data matching – trace and match, NINO verification (NVR)

The Pension Service are looking to use something similar to verify data. Concerns were raised that some of that data will be in a poor state so it would be helpful to share learning

- There were concerns that matching rules are not followed correctly, and that the tone of HMRC language was not appropriate when issues were followed up
- Concerns were raised about how HMRC uses the payroll ID in the matching process
- There seem to be challenging matching issues where employees are overseas
- HMRC continue to issue tax codes to old employments. What is the root cause? What is generating a code against a ceased employment? Possible duplication and wrong record closed?

Submitting data to HMRC – including Full Payment Submission (FPS), Earlier Year Update (EYU) and Employer Payment Summary (EPS)

- Stakeholders should be able to indicate type of scheme, for example modified
- Date of leaving – systems don't accept future dates – need to be able to correct
- Need to be able to enter non-financial information
- If employees recorded on wrong scheme simple guidance is needed on how to correct the issue
- Stakeholders voiced a need for additional staff to submit FPSs. RTI didn't make things easier for employers and there are extra costs involved.

EYU

- 19/4 FPS deadline following the end of the tax year is a problem. EYU meant to replace P14 adjustments and employers could input P14s up to a year late. HMRC should recognise longer periods are needed for adjustments
- Preference is to provide revised Year To Date (YTD) figures. If HMRC ask an employer to submit an EYU to correct something, employer will face problems providing a delta value as it can't see the data held by HMRC
- Many employers can't finalise their payroll by 19/4 date and this should be recognised by HMRC
- If future is digital, need to be confident that the data is correct.

EPS

- Needs to be a legislative form
- The form is highly unpopular with employers and agents.

Other issues

- Demise of EDI channel – there needs to be plenty of time to consider a replacement
- P14s for pre-RTI years cause problems as they are not linked into new reconciliation process
- Student Loans/Construction Industry Scheme – are employer prompts still being issued via GNS?
- Employer name no longer comes up for new schemes on a GNS message which is very frustrating when the agent has a large number of employers and they aren't listed by name.

Flow of data from HMRC – ie codes

- Should be able to add zero pay to FPS from a P45
- Tax codes with previous pay and tax cause issues
- There are problems with Scottish codes and NT codes
- There is a transition anomaly with Student Loans
- Moving jobs – timing continues to cause problems
- Why are tax codes issued after leaving date? What triggers tax code?
- Tax codes are sent very late in-year – what happened to the black out period in March?

Exploitation of RTI

- Stakeholders suggest calling it "Expanding the use of RTI" rather than "Exploitation"
- Employers and agents thought HMRC would be exploiting more of the RTI data by now
- HMRC need to ensure other users of the data understand what the data is telling them. For example pension scheme services
- HMRC understanding of RTI data can be inconsistent, for example identifying instances of suspected employer error where the employer acted correctly
- HMRC is not intervening in-year where the tax code is incorrectly applied which stores up end of year issues
- HMRC need to make more intelligent use of estimates as the data is there and should enable a rounded view of individual cases
- Stakeholders expected other OGDs to be using more HMRC data by now, for example Pension Credits
- Need to have a smarter process put in place to draw attention to Date of Death
- HMRC do not inform Student Loan Company until end-of-year about income received which causes issues.

Education and communications

- HMRC does not communicate issues quickly and efficiently enough with employers and agents learning about things only after the event. Such late updates can lead to misunderstandings
- Information is on GOV.UK but how do we know it's there and what's available? Is there a history of changes on GOV.UK? Could emails alerts be considered?
- Early engagement with outside industry particularly at the design stage would be beneficial

- FPS – there is employer confusion over whether it is a payment or reporting tool
- Issuing new guidance is not always the best approach – HMRC need to spend more time understanding what employers actually do in practice.

Payments and view liabilities

- AOSS is complicated. On the payment liability screen the agent/payroll bureau cannot see what has been paid so it is difficult to reconcile
- Now use APIs – where/what will HMRC store for agents and the access they can have?
- Employers are generating queries from viewing the system during the interim period when EPS or payments have not gone through. There is a lack of knowledge about why it doesn't balance
- Disputed charges – GNS messages do not always match the situation
- Christmas payments are problematic due to employers paying months eight and nine together.

Bulk transfers

- Transfers continue to be problematic
- EDI responses – there is a lack of common identifiers which means there is no way to confirm which schemes' data HMRC has received.

Any other issues

- Could "on or before" be looked at again? Removing "on or before" would make a massive difference to micro employers with seasonal workers. It would also remove burden for agents. Changing filing to fifth of the month would help smooth the way for digital accounts
- Payrolling Benefits In Kind – there is a mismatch between employer responsibility and employee liability as what the employer reports by way of payrolled benefit in-year may not equal what the individual is required to report on a tax return
- Confusion over employer addresses – need a facility to provide different addresses to HMRC for different purposes/ capacities.

Feedback from individual practitioners

What we could have done better

- EPS are sent on time for nil payment made or nil employees but notices received are saying payments are late when nothing is due
- Final EPS have been sent but HMRC continues to send non-payment or late payment notices
- Late payment notices are sent even when it can be proven that employees were paid after RTI submission
- For weekly payrolls it is difficult with tight turnarounds and complex pay and deduction details to do all the calculations, make the RTI submissions and actually make the payments to the employees as well as run the business.
- Process needs to be simplified and perhaps one submission per month rather than EPS and/or FPS etc.

What we could have done better

- Consulted more widely and earlier and listened more and taken into account what was being said, in particular about issues for smaller employers and how payrolls were dealt with in practice and reality
- Taken into account from the outset the concerns being raised by professional bodies and employers about the impracticalities of what was proposed, especially, for example farm workers, pub workers and so on where pay is often calculated on a grossed-up basis after payment and 'on or before' is generally not possible or practicable
- Looked at the wording of the error messages being sent electronically to ensure that they were helpful and would make sense to the recipient
- Accepted that things would inevitably go wrong and/or unexpected issues arise and ensure that enough staff – and more particularly appropriately trained staff – were available to help callers
- Ensured that all possible payroll scenarios had been considered well in advance and appropriate full and accurate guidance put out well before RTI was to be implemented, for example payroll scenarios involving workers paid by the shift or covered by an annual scheme
- The EPS was introduced very late in the day and did not take sufficient account of how employers run their payrolls in practice. For example, submitting an EPS after running the payroll did not fit comfortably with existing practice. Further, the early guidance for employers proved difficult to follow.

What employers are still struggling with

- Misleading and unhelpful acknowledgement and error messages
- Timing issues – clients often advise of pay after payment has been made – where no tax or NI are due, in the past this would not matter but now it does – there is no built-in flexibility in the system to deal with the 'admin' aspects of a payment after the due date which is hard for sole practitioners
- Changing payroll programme part way through a year – invariably seems to cause problems
- Correcting errors – never as straightforward as HMRC suggests and not always intuitive
- Trying to reconcile payments made to the amounts expected
- HMRC staff not being able to help and not understanding the problems when things go wrong (it appears that often the screens and numbers they see differ from those we have access to).

Lessons we can learn for the future

- To be more focussed on what it is like on the recipient's side of the things and work towards making that experience work smoothly and having enough and appropriate support in place
- Be more flexible in approach and be more receptive to comments made and help being offered

- Not all software works in the same way – guidance needs to reflect that and not simply explain everything on the assumption that the employer is using Basic PAYE Tools
- HMRC Impact Assessments heavily underestimated the additional time needed for employers and agents to get to grips with the new approach. The Impact Assessments did not reflect the time taken to resolve issues where systems were not working as expected or the guidance was misleading
- It will take customers and HMRC staff a long time to get to grips with issues such as these and this should be taken into account at outset and planned for.

Further work or actions to be considered by HMRC

- Too little is being done to use the information to the employer's benefit, for example make in year refunds, action requests for funding to employers, sort out payments issues
- HMRC should ensure email acknowledgements are appropriate to the recipient and the language and tone are user-friendly. The best examples are where external stakeholders have participated in the drafting process.

Examples of messages sent out by HMRC

"Please be advised that one or more Tax Notices (P9) have been issued. If you access your PAYE notices and reminders through the HMRC Website:

- Go on line at www.gov.uk and select 'PAYE for Employers' from the 'do it online' menu.
- Login and select 'PAYE Online for Agents'
- Select 'View Notices' from the Notice Summary.

Please do not reply to this email."

This was a relatively good email – clear and accurate. It could be improved by quoting the Employer name or reference (although perhaps only one email is sent out no matter how many employers are involved in which case I understand that an employer reference could not be included).

Employers are now getting used to RTI, it is bedding in. However small employers do still have difficulty in resolving issues quickly. Call centres encourage them to forward another FPS rather than trying to identify the problem. Lack of sight of the data we hold is the biggest problem so the interface with HMRC needs to be more transparent.

RTI guidance needs to be in plain English for micro businesses – they are running their business and are not payroll experts.

PAYE online payments and liabilities facility in AOSS

There is now a tab which shows when physical payments were actually received by HMRC from the client which is a big improvement.

However, the amounts received appear to be reallocated across months and across years in order to clear earlier outstanding payments, so it is not possible to agree payments made by the client to payments allocated very easily.

When we call the HMRC payments helpline they do not see the same record and have completely different and often conflicting information, for example payments are not allocated in the same way as they appear online.

Class 1A NICs do not always appear to be included in the figures, both the liability and the payment.

Appendix F – Documents reviewed

- Full Business Case V5
- RTI Closure Documents
- Handover documentation
- CDIO - RTI Review
- All benefits documents – Benefits Realisation Plan and attachments
- Lessons learned
- The Office for Tax Simplification (OTS) published its review into the competitiveness of the UK tax administration in October 2014
- ABAB 2015 Annual Report published March 2015
- Autumn Statement 2015 specifically page 124 On or Before
- Jim Harra letter to ABAB 15 December 2014
- Teresa Graham ABAB letter to David Gauke 17 December 2014
- All June 2015 Programme Board Documentation
- Handshake Document – June 2015
- Closure and Handover Report
- Internal Audit Review of Real Time Information (RTI) Deliverables – Transition to Business As Usual (BAU)
- All Handover Packs – 45
- RTI Remaining Deliverables – June 2015
- ETMP Overview
- ASPIRE – TRN slide set
- B&C Lessons Learned
- PTCPP – EYU Paper
- Project Mandate – External Customer and Internal View of RTI Charge details via Your Tax Account
- Written views from external customers
- Compliance papers
- Tackling Fraud, Error and Debt in the benefits and tax credits system – March 2015
- HMRC Business Plan 2016-2021
- NAO Report 25 May 2016 – The quality of service for personal taxpayers 2.20 - 2.21
- PAC Hearing Evidence 13 June 2016.

Appendix G – Post Implementation Review objectives

Post Implementation Review of RTI

Objectives and summary outcomes against each objective

Objectives relevant to Section 3 – Achievement – Outcomes and related benefits

- Evaluate the extent to which the benefits and business outcomes stipulated in the Business Case have been realised;

  We now hold more real-time customer data than ever. Virtually all employers are reporting in real time for more than 99% of individuals and occupational pensioners. We are continuing to track costs and benefits in accordance with the final business case – see Appendix C. We are on track to deliver the benefits as forecast at the end of 2016-17. We are satisfied that the key business outcomes of the final Business Case have been delivered. HMRC, DWP and Other Government Departments (OGDs) are reporting financial savings from exploiting RTI data and these are set to increase.

- Compare planned costs and benefits with actual costs and benefits to enable an overall assessment of value for money to be made;

  The programme delivered a significant strategic asset for government on time and within planned costs (Full Business Case 5). The benefits from using RTI data in HMRC and OGDs will grow as digitisation increases across government services. The investment in RTI has given value for money. However, we acknowledge the reservations expressed by some employers, agents and their representative bodies that we did not sufficiently understand the cost to small business of real time reporting. Moving forward, we note that the measurement of the costs to business for future change initiatives is the subject of a separate constructive dialogue on administrative burdens and HMRC will be using the learning in their Making Tax Digital programmes. One of the objectives of this PIR is to highlight opportunities where the current process can be improved. We make recommendations in this report that make specific reference to the experience of small employers including using employer experience to help shape process improvements.

- Report on the rationale, scope and cost of change requests raised or approved post closure

  The programme made provision for the delivery of 14 changes post closure. These changes were agreed between the programme and business owners pre-closure and the handover arrangements and planned deliveries progressed well with costs coming in under forecast.

Objective relevant to Section 4 – RTI Performance

- Compare forecast and actual live performance of the system, services or capabilities delivered, identifying those aspects that have had both a positive and negative impact;

  We now process real time information for more than 40 million employees and occupational pensioners. RTI provides data to improve in-year PAYE processing and support Universal Credit. Some stakeholders expressed a lack of confidence in the quality of some of the data held by us and displayed on various systems. The number of cases involving discrepancies referred to us is small relative to the number of employer schemes (over two million). One of the aims of this PIR is to identify opportunities to improve RTI performance. For example by reducing the costs to us and to employers of understanding and resolving discrepancies. In this report, we make recommendations that focus on improving the support for employers to help them self-serve and prevent error.

Objectives relevant to Sections 5 and 6 — Governance and stakeholder engagement

- Evaluate the handling of risks, issues, dependencies, actions, decisions and reporting requirements handed over to business owners at closure
- Review the actions taken to archive programme documentation including handover of key documentation to appropriate individuals
- Report on the effectiveness of programme closure communications to stakeholders.

The processes covering handover to business owners and programme closure were comprehensive and in the main very effective. The prioritisation of business readiness and the carefully planned transition of new products and processes to business owners were particular strengths. Monitoring arrangements have worked well post closure.

Objectives relevant to Section 7 — Actions on recommendations

- Recommend actions required to maximise the effectiveness of the business change capabilities delivered, including improved operational performance, benefits realisation and the delivery of business outcomes
- Recommend further appropriate work or actions required, together with indicative timescales and responsibilities.

This PIR signposts opportunities to build on the success of the changes implemented by the RTI Programme. The key findings and recommendations in many cases reflect work which we already have underway. However, the PIR has enabled a more comprehensive view to be taken of how RTI is working in practice. By bringing these recommendations together, we believe that we will be better placed to prioritise and coordinate improvements in line with our transformation plans.

HM Revenue
& Customs