

**Real Time Information (RTI): Improving the operation of PAYE  
Tax Information and Impact Note**

**Comments from the Low Incomes Tax Reform Group ('LITRG')**

We refer to the recently-published HMRC Tax Information & Impact Note on RTI.

Whilst we appreciate that formal responses were not sought to the Tax Information & Impact Note, we wish to raise some key concerns which have not been addressed by the Impact Assessment, mainly digital exclusion issues. We feel it is imperative that the issues outlined below are given due consideration as part of RTI developments going forward and in accordance with requirements of the Equality Act 2010.

The detailed proposals set out in the Tax Information & Impact Note are noted. In particular, we welcome the recognition of impacts on 'care and support' employers and small firms in the 'Equalities Impact' and 'Other Impacts' sections of this Note.

**1. Digital Exclusion**

- 1.1. Whilst we welcome acknowledgement of the problems for employers in rural locations with poor broadband services the difficulties extend far wider and the Equality Impact Assessment should reflect this. Our key concern is that the Assessment identifies only two specific groups that may have difficulties (Care & Support Employers and those with poor broadband access) – it does not include the broader categories of digitally excluded employers, including for example older people, those with disabilities and those who cannot afford the cost of computer equipment, broadband subscriptions and the requisite training. Those groups, and perhaps others, will also experience difficulties in complying with RTI requirements.
- 1.2. We do note acknowledgement of digital inequalities in the final paragraph under the 'Equalities Impact' and reference to the assistance to digital measures under RTI.

- 1.3. In our recent response<sup>1</sup> to the Taxes Impact Assessment published on 14 November 2011 (see Section 5.4) we raised the difficulties for micro businesses under RTI in the context of digital exclusion issues. In that response we expressed the view that the requirements of RTI would only magnify the problems for digitally excluded groups by introducing yet another online system when many would be unable, or find it difficult, to deal with it.
- 1.4. From a digital exclusion perspective our concerns are that the vastly increased frequency of filing requirements imposed by RTI will compound difficulties for the digitally excluded groups who run micro businesses and impose significant additional burdens on them. Not an insignificant number of micro businesses are run by older people and those with disabilities - such groups are likely to experience significant difficulties as a result of the increased online filing requirements under RTI. It is possible that, even if they could cope with annual filing, more frequent filing obligations (monthly/weekly or even more frequent) may well prove beyond them.
- 1.5. A key illustrative example is the farming industry for which frequency and practicality of RTI reporting will be a significant issue given the greater prevalence of digital exclusion amongst farmers (the majority of farmers are older people - the average farm holder is now 59 years of age<sup>2</sup> and geographical remoteness is a significant issue). A recent survey by the National Farmers Union in relation to VAT online filing requirements for businesses with turnover of less than £100,000 has revealed that 6.5% of respondents would be unable to file their VAT return online or didn't know how they would do it. 27% of respondents had to outsource the online filing aspect of their VAT returns<sup>3</sup>. These problems will be magnified under RTI.
- 1.6. It must also be borne in mind that that digital exclusion issues are likely to become increasingly prevalent as the number of micro businesses increases due to more people being encouraged into self-employment<sup>4</sup>. Such businesses play an important role in providing work for many in the 'margins' of the labour force, such as older people and those with disabilities for whom it has been widely established that incidence of digital exclusion is much greater and levels of digital literacy lower than for the general population.

## **2. 'On or before' requirement**

- 2.1. The impact assessment does not acknowledge difficulties certain groups of micro employers may have in meeting the requirement under RTI to submit information to HMRC 'on or before making payments to employees'. This requirement will impact much more heavily on

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<sup>1</sup> [http://www.litrg.org.uk/Resources/LITRG/Documents/2011/12/LITRG\\_response\\_to\\_RTI\\_Regs\\_consultation\\_9January2012\\_final.pdf](http://www.litrg.org.uk/Resources/LITRG/Documents/2011/12/LITRG_response_to_RTI_Regs_consultation_9January2012_final.pdf)

<sup>2</sup> [http://en.wikipedia.org/wiki/Agriculture\\_in\\_the\\_United\\_Kingdom](http://en.wikipedia.org/wiki/Agriculture_in_the_United_Kingdom)

<sup>3</sup> Draft findings from National Farmers Union survey of members without e-mail addresses across Cumbria, Wales, South West and West Midlands: 2012

<sup>4</sup> Between August and October 2011 166,000 more people became self-employed in the UK raising the total to 4.1 million (Office of National Statistics: Report December 2011)

certain employers who, because of the nature of their business, may have to make payments to employees at more frequent intervals or at weekends. For the smallest businesses this requirement is likely to be totally impracticable given many of them are likely to have limited or no help with their payroll. Online filing will add another dimension of difficulty for digitally excluded employers.

- 2.2. RTI will be a major disincentive to pay people weekly and may spur on a good number of employers who still do so to switch to monthly payroll. We are concerned that this will impact on low-income workers who are used to weekly pay.
- 2.3. For Care & Support employers the practical difficulties around the timing of when they pay their carer and submit the information to HMRC may be a disincentive to online filing. Submitting monthly paper returns will allow them the leeway to deal with the returns at a convenient time and possibly at a time when assistance is available to them. However as at this time there is limited information on how paper returns are to be made available to these employers and other practical issues of monthly filing for this group this is an impact yet to be fully assessed so should be noted in this assessment.

### 3. **Basic PAYE tools (BPT) software**

- 3.1. For employers with poor broadband access, whilst it is welcome that HMRC BPT are designed to submit RTI information using dial-up access as well as broadband, we do have continued concerns about the cost and transaction times of using a dial-up connection. BPT can only help those employers who have access to a computer – it does not address the problems of the digitally excluded, as outlined above. From our own testing of BPT software we also have concerns about its feasibility for those micro employers whose digital literacy skills are low. We would strongly recommend that a number of micro employers using BPT should be included in the RTI Pilot, including those who use dial-up, to enable impacts on this group to be considered.

### 4. **About us**

- 4.1. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes.
- 4.2. The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it - taxpayers, advisers and the authorities.

LITRG

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