

# FINANCE ACT 2012

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## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 225: Paye Regulations: Information*

#### **Background Note**

11. PAYE Regulations set out the basic rules governing PAYE and tax deductions to be made from payments to employees. They also set out how employers should report certain information in connection with those payments to HMRC. Section 684 of ITEPA requires the Commissioners to make PAYE Regulations and sets out what types of provision PAYE Regulations may include.
12. The amendments provided by this section will give HMRC additional powers that will facilitate the introduction of the Real Time Information (RTI) programme. They will allow PAYE Regulations to authorise or require certain persons who make payments that are subject to PAYE by electronic means to insert a cross reference into the information provided to HMRC about that payment and the instruction to the payment service provider to make the payment. This cross reference will enable HMRC to link and check the information submitted to HMRC against payments actually made. The regulations and directions which HMRC intends to make under this power will detail who, and which payment services, are affected.
13. RTI will improve the operation of PAYE by making the system easier to administer. Under RTI, information about tax and other deductions will be collected and transmitted to HMRC every time an employee is paid.
14. HMRC has engaged extensively with employers and other interested parties about the design and introduction of RTI. A discussion paper 'Improving the operation of Pay As You Earn (PAYE)' was published on 27 July 2010. A second stage of consultation 'Improving the operation of Pay As You Earn (PAYE): Collecting Real Time Information' began on 3 December 2010, and a summary of responses to this consultation was published on 30 September 2011. These documents can be found on the HMRC website at: '<http://www.hmrc.gov.uk/rti/index.htm>'.
15. HMRC also sought comments on draft amendments to the regulations dealing with PAYE, National Insurance Contributions and the Construction Industry Scheme, which will provide for the introduction of RTI. The draft regulations were released for comment on Monday 14 November 2011 together with a technical note. The closing date was 9 January 2012.