



NPS – HMRC's new service

The National Insurance and PAYE Service became operational in July replacing the old and inadequate COP system. **Yvette Lamidey, Director of Paris and Parks Consulting** explains its history and what it will mean for HMRC, taxpayers and employers

The Modernisation of PAYE Processes for Customers (MPPC) programme started several years ago, but to deliver MPPC

fully possibly the biggest headache HM Revenue & Customs (HMRC) and their business partners had to overcome was the structure of the PAYE database. This comprised twelve discrete databases that did not, and could not, talk to each other, so no matter what processes were revised, rewritten or introduced until this conundrum was solved the outcome was going to be less than satisfactory for everyone.

The vision

HMRC's vision was to have in one place all of the taxpayers' (employee or pensioner/annuitant or someone receiving unearned income only) information, comprising:

- designatory details
- all employments and P14 information relating to those employments
- all benefits, allowances and deductions, and
- preferably, all of the National Insurance information.

Therefore, whoever was accessing a tax payer's record would see the whole picture and be able to make properly informed decisions. Moreover, automated processes and business rules could be based on a whole and complete record. It would also facilitate more effective working in the processing centres and the use of workflow.

The solution

The PAYE system, COP (Computerisation of PAYE), couldn't support the merger of the multiple databases primarily because it was running on very old – nay, ancient – technology. Accordingly, over time a number of solutions were considered but the most sensible and efficient solution was to move all of the PAYE records onto the National Insurance Recording System (NIRS).

Preparations for NPS

Much work has gone on behind the scenes; apart from testing the transfer of the data from COP to NIRS HMRC were working to clear as many 'open cases' as possible. Open cases are where forms P14 have been received but couldn't be applied to the taxpayer's record because the NINO was missing or didn't match records held and so a team of people match the forms to records. Across twelve databases this was no mean feat as there could be several records on different databases where new records had been opened with a new employer and an old record not closed etc as the P45/P46 was either missing or couldn't be matched to a record.

HMRC have issued NINO notices to employers over the last six months or so as they have tidied up the taxpayer records.

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Unfortunately these had to be issued as individual notices with no provision for an electronic version of the notice.

The amount of correspondence received by HMRC is phenomenal, comprising a mix of responses to enquiries HMRC have sent to taxpayers and employers and of queries raised by taxpayers. A major exercise was undertaken to reduce backlogs of correspondence prior to the data cut-over and during the system closedown as much correspondence was worked as possible that could then be updated on the new system once it was open.

Roll out

The roll out of the National Insurance and PAYE Service (NPS) to HMRC staff was completed on 20 July with normal service for employers, agents and taxpayers resumed on 21 July. Inevitably there was some disruption to the service HMRC provides as the old COP system was locked down and the data moved to NIRS and records updated.

The NPS was rolled out to the HMRC staff in various tranches, some could continue to do their job with view only access to COP whereas others needed to have access to the latest live data and to be able to work on that data so the rollout could be prioritised according to need.

All HMRC staff have received training on the new system but like any new system it will take time to get used to the new screen lay out, the way it works and so on. And it will take a few weeks for people to get up to speed – no different to when there are major system changes in your own organisation.

Glitches

Unfortunately the project hasn't been without teething problems. Primarily issues have been around P6 notices, for different reasons, whether using EDI (electronic data interchange) or internet (either by third party software or the desk top viewer).

One glitch resulted in paper P6 notices being issued requiring HMRC to reset all channel indicators (internet, EDI, or paper) to ensure these are issued in the correct format. Until this was completed the release of P6 notices was halted although P2 notices were still being issued. It's not clear how many coding notices were held up and because the resolution was not completed until week commencing 20 July the July monthly and lunar payroll deadline for many employers would be missed. This meant employees and pensioners may have expected tax code changes to be applied in July when in fact they could not be applied until August (or in the worst cases September where the August payroll is processed before the end of July), thereby potentially causing some issues for employers and pension providers.

Since the holding up of the P6 notices the issues were only just coming to light. So, at the time of finalising this article, the scale of the problem wasn't known and neither were all of the resolutions.

These issues have created a lot of unexpected work for employers, bureaux and agents whether in:

- trying to identify which employer the code is for as certain information is missing (impacting on agents)
- removing duplicate P6 notices (internet users)
- loading duplicate files with corrected data (EDI)
- checking if a tax code is correct (both channels)
- receiving online P6 notices when paper should have been received.



The benefits

So having completed the exercise what benefits will there be for employers, agents and taxpayers?

The combination of the merging of the databases, streamlined processes and the implementation of an intelligent work management system means that even less data will require human intervention and processing will occur more quickly with less risk for error. For example, when a form P45 or P46 is received for someone, who perhaps has more than one job or one source of income, then the system will 'see' a whole record, understand what is the primary employment/source of income and be able to update the record accordingly and ensure that the correct allowances are applied to each source of income.

It should reduce the amount of HMRC enquiry forms employers and agents receive whether it's for pay and tax details or address details. And as more and more information is received online for starters and leavers, including form P46PEN, then there should be a further reduction in forms P43(T).

When an employee contacts one of the call centres the person taking the call will be able to handle the call more effectively and quickly as all the data is available in one place, with improved online guidance and scripts referring to a second tier of support if necessary. Call centres will be able to update some information over the phone plus of course tax payers can email certain changes in circumstances to HMRC <http://www.hmrc.gov.uk/individuals/change-of-circs.htm#5>.

Through the use of workflow any items that need to be worked (i.e. those that cannot be managed automatically by the system) and correspondence received by HMRC can be moved around the country to staff with the capacity at that time, and the progress of the work items can be monitored.

Ultimately there should be less contact between HMRC and taxpayers since the queries can be handled more effectively, the data will be cleaner and more accessible and at less risk of error.

Success?

So has it been successful? As an IT project probably the answer is yes, as there were issues given the volume of records – bearing in mind some 50 million records were transferred to NPS.

Until the latter part of July HMRC had received only a handful of complaints and these were due to the fact that call centres were unable to do more than confirm what was on the taxpayer's record during the close down period. The P6 issues have resulted in more contact with employers and agents.

It will take some time for the benefits of the service to be recognised by employers, agents and taxpayers but the starting principle is a very sound one and the April 2010 release which will further automate data will be a greater improvement still.