

# Payroll: The Key to Universal Credit

The role of hashed RTI payroll information in minimising the employer UC burden

December 2014

## DWP has no visibility of an employee's earnings data without hashing - this means that claimant queries about pay and benefit amounts become a burden for employers

HMRC updated its guidance yesterday on PAYE processes and reporting for employers in its Employer Bulletin (Issue 51). The move comes in advance of HMRC's commencement of automated penalties for smaller employers starting on the 6th of March 2015, and confirms that the use of the BACS hash is best practice for employers. While the use of the RTI BACS payment channel is not mandatory it does offer a number of significant protections for both employers and agents.

### Part of the plan

Welcome as this additional confirmation of course is, clarifying for employers and agents exactly what HMRC considers best practice to be, it does not represent a new direction for the department. HMRC's use of BACS hashing and the use of the BACS payment network to allow validation of employer RTI data has been a part of HMRC's RTI reporting infrastructure since July 2011, long before the commencement of its RTI pilot in April 2012. After all, RTI was always about aligning PAYE reporting with actual payments to employees, so there are no surprises here. What might be less familiar to PAYE agents and employers is the way in which government relies on hashed RTI data to support Universal Credit.



Best practice is best not ignored

The importance of hashing is that it validates employer PAYE data by referencing the BACS payment network's corresponding payment to that employee, helping DWP to eliminate errors (and fraud) in the benefits system. In fact, hashing is directly connected with the operation of Universal Credit which starts an accelerated national roll out from February 2015. The use of the hash by employers gives DWP direct visibility of the net payments each UC claimant has received from their employment, allowing DWP to answer the claimant's query as to why their UC payment has changed. In the absence of hashed data, DWP can only refer the employee query back to their employer to answer: DWP has no visibility of an employees' net earnings payments without hashing. HMRC confirmed this in its October Employer Bulletin (Issue 50), confirming that the correct use of the hash cross reference "mak[es] it easier for Universal Credit claimants minimising contact between employees who claim Universal Credit and their employer".

This is an important consideration for employers and agents as, once fully deployed, as many as one in five of the UK's working population may rely on benefits within the scope of UC. Because eligibility depends on the personal circumstances of claimants (their partners and dependents) an employer cannot know which of their staff are affected by UC.

### Hashing is best practice

Hashing employee PAYE data and net payments allows employers to ensure their employees are always correctly assessed for their UC entitlement because the right net earnings information will always find its way through to DWP. Hashed data eliminates the risk that any errors, however they arise (employer, agent or HMRC systems glitch) might affect an employee's claim, because if they get paid, then the hashed payment will be available to HMRC and DWP via BACS.

## The Payments Council has committed to exploring how additional data can be used to deliver a world class payments system for the UK

Today also saw the announcement by the UK Payments Council that it is working with the Government to explore options for how richer [payment reference] data could be used to provide additional reference information with an electronic payment. As the largest single user of the UK's payment systems, the Government has a clear interest to incorporate richer data into payment systems. The announcement confirmed discussions with a number of government departments including: the Department for Work and Pensions (DWP); HM Revenue & Customs (HMRC); and the Department of Business, Innovation and Skills (BIS) with Cabinet Office leading on commercial arrangements.

### **Towards integration**

It went on to say: "DWP has already identified that richer data could help them more quickly reconcile information it receives in administering the benefits system. It could also offer benefits to individual claimants, making their reporting of financial data to DWP easier." The direction of travel is clear: integration of payments and government tax and

welfare reporting is going to become closer still in the future.

However, these protections and safeguards have already been implemented by HMRC for PAYE and the Universal Credit programme, for which it deserves real credit. The good news is that you don't have to wait to future proof your payroll: CreDec provides access to integrated payments for tax and welfare reporting already.

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