

# Are you prepared for Real Time Information?

HMRC have confirmed RTI is coming to your business soon. Are you ready for the challenge?

Read this essential guide.



## Are you prepared for RTI?

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Are you ready for the challenge?

Real Time Information (RTI) represents the biggest change for payroll since the introduction of Pay As You Earn (PAYE) in 1944. It affects any business operating a PAYE system for its employees and/or directors.

From April 2013 for smaller employers and October 2013 for larger employers, year end returns will be a thing of the past. Instead, employers will supply information electronically to HMRC continually throughout the year, every time they pay their employees. HMRC have recommended that Start-ups are ready by November 2012.

This IRIS Software Group whitepaper discusses some of the challenges that RTI will create for employers and takes a 'state of the nation' look at how UK businesses are currently preparing to comply with HMRC's new requirements. It includes the experience of two companies, Gloucestershire-based Farmplan Computer Systems and Hampshire-based Albany Software Limited, which are participating in HMRC's RTI pilot.



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## Why RTI and why now?

RTI (Real Time Information) is a new system for reporting pay, tax, National Insurance and other details to HMRC.

Employers will still be responsible for all tax deductions and calculations. However, the big change is that instead of collating figures at the end of the tax year through a P35/P14 return, they will have to submit information about PAYE to HMRC on or before the pay date **every time a payroll is run**. This could be weekly, monthly or at another interval of time.

Another big difference is that RTI brings many employees into the PAYE system for the first time. Currently, employees earning below the NICs threshold do not need to be included in a PAYE scheme. Under RTI, any PAYE scheme with one or more employees earning above the NIC threshold must include all employees on the Full Payment Submission (FPS), RTI's regular reporting mechanism, irrespective of whether they earn above the NIC threshold or not.

RTI is being introduced in parallel with the Government's flagship policy, the new single welfare payment Universal Credit. The plan is to have both fully operational from October 2013. The rationale is that people who are looking for work, are casual workers, or on a low income, will receive a monthly payment that reflects their present employment circumstances.

RTI will become compulsory for organisations with up to 5,000 employees by April 2013 and for **all** employers by October 2013. This means that from April 2013 1.4 million SMEs will be legally required to report payroll information in real time.

### HMRC press release...

"Under RTI, employers and pension providers will tell HMRC about PAYE payments at the time they are made – as opposed to only at the end of the year.

Most employers will join RTI from April 2013 and all employers will be using the RTI service by October 2013.

RTI will support the operation of Universal Credit – the Government's flagship welfare programme, which brings together means-tested in and out of work benefits, Tax Credits and support for housing and will improve work incentives and make work pay."

Source: <http://hmrc.presscentre.com/Press-Releases/The-tax-revolution-starts-PAYE-Real-Time-Information-RTI-pilot-begins-67882.aspx>

05

APR  
2013

RTI puts an end to  
end-of-year returns

# How ready is your business?

## Non-compliance is not an option

HMRC confidently states that: "RTI will make it easier for employers, pension providers and HMRC to administer PAYE. RTI will remove administrative burdens of £300 million a year from employers, mainly from the abolition of the end-of-year PAYE returns process – the biggest single contribution that any tax change could make." (source: [www.hmrc.gov.uk](http://www.hmrc.gov.uk))

However, the impact on employers not aware of the implications and fully prepared for the change could be severe.

RTI is mandatory – there is no get-out clause. While fines for late submission will not be implemented before autumn 2013, they are expected to be in place by April 2014.

Not only will HMRC impose penalties for failure to comply, get it wrong and employees could be taxed the wrong amount and be under or over paid throughout the year. Their Universal Credit and State Pension could also be affected, which is unlikely to foster good workplace relations!

A recent All-Party Parliamentary Taxation Group report on RTI says that up to 23% of micro-businesses do not have any payroll software in place and so will be forced to buy new systems that can handle RTI. (Source: 'PAYE at the Crossroads', July 2012)

Even those businesses that are all too aware that RTI is rapidly coming down the line may not appreciate the full implications and the extent to which it will affect their processes and procedures. So far, HMRC has identified over 100 potential pieces of information to be transmitted under RTI. As RTI is still under development, the final list may be longer. There are also other changes being introduced, such as a new process for starters and leavers.

### RTI – the numbers:

- 1,400,000 – the number of SMEs affected by RTI
- 100 – the number of pieces of information potentially required under RTI
- 82% - the number of SMEs who don't think that HMRC have provided enough support through the RTI changes (Source IRIS Customer survey August 2012, based on 93 responses)

Taxing employees the wrong amount could affect their Universal Credit and State Pension, which is unlikely to foster good workplace relations!



**DISGRUNTLED  
EMPLOYEE  
OF THE MONTH**

## How ready is your software provider?

If you already use a payroll package, you may be tempted to leave RTI compliance to the experts. Worryingly, however, the same Parliamentary report quoted above also found that a number of payroll software providers are unable to provide any certainty about how they will help their customers to meet the challenge of RTI and, consequently: "Businesses are hindered in their preparation for RTI migration, particularly in relation to how software will facilitate the new business processes that underpin RTI." With pensions reform hitting at the same time, the issue will be exacerbated, placing pressure on these software providers' training resources and consultancy services.

Faced with the challenge of RTI, some providers have, in fact, already thrown in the towel and decided not to upgrade their software to meet RTI requirements. Their customers are now having to look elsewhere for help to fulfil their new statutory obligations.

**17% of HMRC accredited software providers have told IRIS they are not planning to be RTI ready.\***

\* Competitor survey August 2012 of 44 payroll providers

## The right data in the right format

Data quality is a huge factor in being RTI compliant. As RTI submissions will use the PAYE information, employers will have to check that their payroll data is absolutely correct and in the right format for RTI. Nothing must get in the way of HMRC's ability to match RTI submissions to the right individual record, and in particular to a NINO (National Insurance Number) account to support Universal Credit and administration of the State Pension.

Getting it wrong, with poor quality data and the likely outcome is a rejected submission and a disgruntled workforce. Furthermore, inconsistent data may prompt a further investigation from HMRC.

### RTI key facts summary

- All employers must go through a one-off 'alignment' process in order to synchronise their data with HMRC, by sending the first Full Payment Submission (FPS) or if appropriate, an Employer Alignment Submission
- Where there are adjustments to sum total of deductions on the FPS (statutory payments claimed, CIS deductions suffered etc.), these will be reported on an Employer Payment Summary
- Employers and pension providers will tell HMRC about Tax, National Insurance contributions and other deductions on or before pay day – weekly, monthly or any other period – via a Full Payment Submission
- Payment date to HMRC remains unchanged – 19th or 22nd of the following month or special arrangement if in place (e.g. quarterly payment)
- The year-end process will be different, with no P14s or P35s
- P45s will remain in place for leavers
- P60s will still be issued to all current employees at year-end
- New starters will be reported via the Full Payment Submission
- Leavers will be reported via the Full Payment Submission
- Employer will return year-to-date figures each time they run their payroll
- There will be a single process tying information and payment together, with the employer sending information about the payment to HMRC at the time they pay the employee
- If no adjustments are necessary for items such as Statutory Maternity Pay recovery, an Employer Payment Summary will not be sent to HMRC

## Businesses like yours are already making RTI submissions

Throughout 2012, IRIS and its customers have taken part in the HMRC pilot, an undertaking which required IRIS to have RTI Ready software, closely liaise with HMRC, attend HMRC events for employers and software developers, and recruit and train employers for the pilot from among its customers.

By the close of the HMRC pilot, around three hundred employers using the RTI Ready version of IRIS payroll software will have successfully filed their submissions.

Among the 'early adopters' were Gloucestershire-based Farmplan Computer Systems, suppliers of software and computer equipment to UK farms, estates and rural businesses, and Hampshire-based Albany Software Limited, an award-winning financial solutions developer and the UK's leading supplier of Bacs payments software.



### Farmplan Computer Systems

Gill Caine, who works in the Scottish borders, is a member of the Farmplan Support Team and a bookkeeper for a large, family-owned estate in Northumberland. With help from IRIS before embarking on the process, Gill has found it remarkably straightforward...

"Participating in the RTI pilot in conjunction with IRIS was a very positive experience. It all went extremely smoothly: I sent the first RTI submission in May, received confirmation of receipt from HMRC and that was that – a milestone moment. Other Farmplan customers in the pilot successfully submitted multiple payrolls in June-July. Farmplan customers currently preparing to send in their first RTI submissions are similarly finding it a straightforward experience.

It's all about preparation: prepare well and you should find it painless. One thing I must stress is that it's not enough to submit data in a timely fashion, the data must be accurate. Fortunately, our IRIS payroll software has a report that checks the accuracy of our data for us. All credit to HMRC, too; they've been very responsive on any queries and hosted helpful weekly conference calls on the emerging issues.

RTI has the advantage of not allowing issues to build up during the year. It's a quick job that's possibly added just two minutes to the monthly payroll run that I handle personally, but when you think of the year-end scramble that RTI will help to avoid, this is a very small investment of time.

My own review of the payroll market unearthed worrying evidence that some providers are not at all prepared for RTI. One provider – a HMRC accredited one at that – seems to be gambling on HMRC moving back the mandation deadline! In contrast, IRIS payroll software has been ready way ahead of the RTI deadline and the support provided is quite simply fabulous. We have a very good relationship with IRIS and simply drop them an email for a quick response. In short, for Farmplan and its customers, it's been a case of 'So far so good!'



### Albany Software Limited

Albany Software HR & Operations Manager Athena Davies reports that the collaborative approach IRIS has taken to tackling RTI compliance has all-round benefits...

**Published in July 2012,  
the research found that  
36% of businesses are  
unprepared for RTI**

"We've been involved in the RTI pilot with IRIS right from the beginning, kicking off with a meeting back in the spring of this year, and we made our first RTI submission in May. Naturally, there were bound to be minor glitches with the software at first, but IRIS resolved these with impressive speed, coming up with a solution within a couple of days, which is no mean feat.

I think both parties have gained from this collaborative approach: we feel very lucky to have been involved right from the start; at the same time we've been able to contribute to the development of the IRIS software from our experience of running a 70-employee payroll. We've been able to highlight what worked very well and where there might be scope for improvement. For our company, as a supplier of Bacs payments software, there was the added dimension of being able to assess the potential impact on our own customers.

While general advice is very readily available from HMRC, what's really nice is that we can pick up the phone and talk to someone at IRIS who understands our payroll and our set-up, and can therefore give us informed advice.

It's been an interesting experience all round and we feel confidently ahead of the game. There does seem to be a lack of awareness generally on RTI and I think that some businesses will struggle if they don't get the right level of support from their software provider. For those who have this support, it's a relatively easy process and there are benefits such as receiving notifications on tax codes, quickly and directly, rather than through the post."

As a pioneering developer of electronic payment and collection solutions, Albany Software has conducted its own research into the RTI readiness of UK businesses. Published in July 2012, the research found that 36% of businesses are unprepared for RTI: 33% of payroll and bureaux managers admitted to having heard of the HMRC RTI concept, but were "unsure of how it worked" or what they had to do to accommodate the change and a further 3% of those questioned claimed to have "never heard of it".

Of the remaining 64%, over a quarter (28%) said that they had "done nothing", when questioned, for the upcoming mandated scheme.



## IRIS – leading the field on RTI

### Working closely with HMRC

Aware of the impact that RTI would have on our customers, IRIS started developing its RTI solution back in 2010. Since that time, we have worked closely with HMRC to build the necessary knowledge, tools and processes to help our customers make a smooth transition to RTI. By continuing to consult with HMRC, we are able to keep our customers up to speed on any new developments on RTI.

This means that we have avoided the panics that are now affecting software providers unprepared for the extensive work required in upgrading their software and training users in the few months that remain before RTI becomes compulsory.

“The RTI seminar was very useful and informative.”

Georgina Offord, Wilkin & Son Ltd

“The RTI seminar was well worth attending.”

Jonathan Parsons, Synergy

### The most comprehensive RTI solution on the market

Our solution for RTI goes far beyond providing RTI Ready payroll software. To ensure our customers can confidently make RTI submissions, we are assisting them in the run up to RTI and after with a comprehensive range of RTI support and education services...

- RTI seminars – Over 7,500 payroll professionals across the UK have already enrolled – a figure that's constantly rising
- RTI software training, on customer site and at locations throughout the UK
- A free-of-charge RTI webinar, making RTI knowledge accessible to all
- Complimentary RTI healthcheck and advice line
- RTI Ready payroll software available from April 2013
- RTI telephone support
- RTI consulting services
- An RTI Managed Payroll Service, for employers preferring to outsource their payroll

### Your next steps to prepare for RTI

- Book a place on our three-hour RTI training seminar, being held nationwide
- Book a demonstration of our RTI Ready payroll software
- Consider the advantages of letting us run your payroll for you and request a Managed Payroll quote

### About IRIS

With over thirty years' experience, the IRIS Software Group provides business critical software and services to the UK accountancy and SME sectors. More than 45,000 customers, including over 15,000 accountants and 30,000 small and medium sized companies, rely on IRIS every day to run their business.

We are the No 1 provider of payroll and accounts to GPs (more than 80% of the GP practices in the UK use IRIS) and the No 2 provider of payroll & HR software solutions. Our small and medium-sized customers use IRIS payroll, HR and accounts software to provide payslips to around 10% of the UK workforce.

**0844 815 5700**  
**[www.iris.co.uk/rti](http://www.iris.co.uk/rti)**

IRIS, the #1 RTI Solution Provider