

Real Time Information (RTI) : A practical guide

RTI will come into effect from 6 April 2013, make sure you're prepared for your first submission with our handy guide



What is Real Time Information?

RTI (Real Time Information) is the biggest change to payroll since PAYE (Pay As You Earn) was introduced in 1944. It affects any business running a PAYE scheme for its employees and/or directors.

From 6 April 2013 1.4 million small businesses across the UK will be required to start complying with RTI. Larger employers with over 5,000 staff on their payroll will need to be ready to make the transition by October 2013.

Employers will be required to submit records electronically to HM Revenue & Customs (HMRC) each time a payroll is run (be that weekly, monthly or quarterly), instead of annually at year-end.

It is vital that employers are prepared in order to ensure that the transition in April is as smooth as possible and to avoid any potential penalties from HMRC.

This IRIS Software Group guide will educate you on the legislation and potential technical issues, helping ensure you are fully prepared to make your first submission in April. IRIS has already enrolled over 10,000 employers across the UK on RTI training seminars.

Businesses with fewer than 5,000 employees must be ready to start reporting to HMRC in real time from 6 April 2013, while larger employers must be ready by October 2013.

This guide will cover:

- What is RTI?
- Why is PAYE changing?
- What do you need to submit?
- How will BACS payments be affected?
- When do you need to start submitting your data?
- What do you need to do to prepare your company data?



PAYE in Real Time: Why?

HMRC claim that the introduction of RTI will serve a number of key purposes including:

- To simplify the PAYE process, making it easier for HMRC and employers
- To assist with the introduction of Universal Credits, the government's new flagship welfare policy coming into place in October 2013
- To streamline the employee starter and leaver process for employers
- To reduce the likelihood of over or under payments and allow any errors to be responded to more efficiently
- To provide the Department for Work and Pensions with accurate records about each individual's employment income, reducing the possibility for fraud



RTI Pilot Scheme: Update

IRIS has been participating in HMRC's RTI pilot scheme since April 2012. This required IRIS to have RTI compliant payroll software, work closely with HMRC, attend HMRC events for employers and software developers and recruit and train employers for the pilot from among our customers.

At the last count, IRIS Payroll software users had successfully filed RTI submissions for over 500 PAYE schemes as part of the RTI pilot.

Two common issues which have surfaced throughout the pilot have been employers forgetting to submit their **Employer Alignment Submission (EAS)** and their **Employer Payment Submission (EPS)**.

What's involved in submitting RTI?

Data quality is absolutely vital to ensuring your company's changeover to RTI is as smooth as possible. HMRC has said that 80% of data quality problems they encounter revolve around employers holding incorrect or inadequate employee names, date of births or NI numbers. Registering employees with dummy NI codes or birth dates will no longer be allowed.

There are four new submissions files which will be introduced and all employers will need to understand these and include them in their payroll process.

Employer Alignment Submission (EAS)

This file is a one-off for each PAYE reference and enables HMRC to align the data held by an employer with the data held on their own systems. It is designed to be submitted before any further data is sent to HMRC. Once this has been submitted you have officially joined the RTI scheme. You only need to submit an EAS if the company has 250 employees or more or the payroll system is split into more than one company for the same PAYE scheme.

Full Payment Submission (FPS)

This file includes employee data, year-to-date and employee payment values and is sent every time a payment is made (be that weekly, fortnightly or monthly). Employers can submit multiple files, so these can be sent independently of each other if the payroll system is split into more than one company for the same PAYE scheme or if a single company has weekly and monthly employees.

Employer Payment Submission (EPS)

This file is used to notify HMRC of any reductions it is allowed to make to the monthly tax, NI and student loan values submitted via the FPS e.g. SMP Recovered. If there was no reduction in a particular month to inform HMRC about the user may still submit an EPS if they want to. The EPS can also be used to inform HMRC when there is no payment to be made for a specific period (e.g. a 'NIL Return').

National Insurance Verification Request (NVR)

This file can be sent by employers to trace a National Insurance number or to confirm if a supplied National Insurance number is correct. NVR's can include a bulk of up to 100 submissions per file, meaning companies with a high staff turnover can easily keep track of this information.

Will RTI affect my BACS payments?

How will RTI affect “electronic payments”?

The new RTI legislation will have an effect on how the payments are submitted via BACS. If you use bank software you will not be affected by the changes. However, if you use a BACS Accredited Software Supplier (BASS) or a BACS accredited bureau service you will be affected by the changes.

If you are unsure if you use BACS as a payment method, contact your provider.

What changes are taking place with BACS payments?

All PAYE and pensions BACS files will require an additional four characters entered into field 7 (spare field) in the BACS submission file, which will be used to identify the payment against the online submission.

Any other payments made by BACS will not be affected by these changes, only PAYE and pension’s payments will be affected.

What will you need to do?

Whether you use a BACS Bureau or BACS approved software, you will need to contact your service provider to ensure the BACS software is up to date. Upgrading software can take time so it’s vital to give your provider and bank as much notice as possible.

If you generate BACS files from your payroll software to submit payments, you need to contact your BACS solutions provider to see what format they would like to receive the file in. This will change to incorporate field 7.

Finally, contact your software provider to ensure that they are going to be ready for RTI.

What if you don’t pay your employees by BACS?

If you don’t pay your employees by BACS HMRC are not forcing you to do so. They are currently working on how they will receive payments from none BACS employers, but initial thoughts point to it working in a similar way to the existing government gateway.

BACS approved providers:

<http://www.bacs.co.uk/Bacs/Bureaux/BecomeApproved/Pages/ApprovedSoftware.aspx>

<http://www.bacs.co.uk/bacs/bureaux/resources/pages/approvedbureaux.aspx>

Start dates for RTI and your first Submission

The service will go live at 6am on 6 April 2013. Employers submitting via the Internet should expect to receive acknowledgements from the Government Gateway and the results of HMRC validation as normal on 6 April.



If you need help, just call us..
0844 815 5700

All employers will be required to start reporting PAYE in real time from their first payday on or after 6 April 2013, unless HMRC has specified an alternative date.

The following guidance applies for employers required to start reporting PAYE in real time from 6 April 2013.

RTI returns for 2013/14 should not be submitted before 6 April 2013.

Where an EAS is required, it should be submitted on or after 6 April. The EAS should be submitted at least 24 hours before the first FPS.

If payroll is processed before 6 April for payday on or after 6 April 2013, the following action should be taken

1. Employers don't need to send an FPS containing details of the first payment date in circumstances where the payroll is processed before 6 April. The first RTI submissions for 2013-14 should be submitted on or before the next routine payday. The first submission should contain "this period" details relating to the next routine payment date and include YTD information for payday(s) processed before 6 April for payment on or after 6 April 2013. YTD information should also be included for employees who have left since 6 April 2013.

Or:

2. The EAS and FPS/First FPS should be submitted after 6 April and before the next routine payment date. It is not necessary for these submissions to be received on 6 April.

The following examples are provided by way of illustration:

Payday / payroll processed	When to submit
<p>Payday is 6 April. Employer processes the payroll on 6 April and pays his employees by cash.</p>	<p>Send FPS to HMRC on 6 April.</p>
<p>Payday 12 April. Employer processes payroll on Wednesday, 10 April.</p>	<p>Send FPS to HMRC on or before 12 April.</p>
<p>Employer pays weekly. Payday is 7 April. As this is a Sunday, the employer completes the payroll on Friday 5 April and pays his employees by cash in advance for 7 April. Next routine payday is 14 April.</p>	<ol style="list-style-type: none"> 1. The first RTI submissions should be submitted on or before the next routine payday (14 April). The first submission should contain “this period” details for the 14 April payment date and include YTD information relating to payday 7 April 2013. 2. If (1.) is not possible, the EAS and FPS/First FPS for the payment date of 7 April should be submitted after 6 April and before the submission for the next routine payday on 14 April.
<p>Employer pays monthly. Payday is Monday, 8 April. Employer processes pay on Friday 5 April and instructs bank to pay on Monday 8 April via faster pay. The next routine payday is 8 May.</p>	<ol style="list-style-type: none"> 1. The first RTI submissions should be submitted on or before the next routine payday (8 May). The first submission should contain “this period” details for the 8 May payment date and include YTD information for payday(s) processed before 6 April for payment on or after 6 April 2013. 2. If (1.) is not possible, the EAS and FPS/First FPS should be submitted after 6 April and before the next routine payday on 8 May.
<p>Payday is 18 April: The payroll is prepared on 21 March using 2013/14 software. Payment instructions sent to BACS 15 April.</p>	<p>Submit FPS after 6 April and on or before 18 April.</p>

How are IRIS Payroll users finding the RTI pilot?

“My main advice to prepare for RTI is to ensure you have good quality software in place - we've found no problems with our IRIS package. The software confirms your figures like how much you need to pay HMRC each month. I'd definitely recommend attending an RTI training seminar though, as this helps you understand the legislation and how to prepare. It's just a case of clicking another button really to submit the information each time we run payroll, rather than at year end.”

Barbara Dunn, manager at Horden Youth and Community Centre and IRIS Payroll Business user

Horden Youth & Community Centre



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“The pilot has been very easy so far! After the first reconciliation, which is just like normal year end, everything just falls into place. After the first time it's straight forward every month. It's just an extra click at the end of your usual routine, and you get an email confirming it has all been successfully submitted. You think it is going to be a lot of extra work but in reality it isn't. I'd definitely recommend attending training beforehand though, as we went on an IRIS RTI webinar and it was invaluable. The follow up advice has been a great assistance as we always know we have something to refer back to if we have any questions.”

Diane Jones, practice manager at Yorkshire Street Surgery and IRIS GP Payroll user



“We've had no problems so far with RTI. Thanks to our IRIS software, it has been really easy. The important thing is to get all of your information in order. Without proper data cleansing you'll have issues, but we were prepared prior to our first submission so were fine. If anything, it has made our payroll process a lot simpler, especially with new starters and leavers. The IRIS software confirms all the codes you need so it is pretty difficult to make a mistake!”

Anthony Joint, director at Hattersley Aladdin Ltd and EARNIE Business user



To help you prepare for the transition to RTI, IRIS has developed the number one complete RTI solution including:

- RTI Ready Payroll Software
- RTI Health Check & Advice Line
- RTI seminars and webinars
- RTI Software Platinum Telephone Support
- RTI Consulting Services
- RTI latest news
- Managed RTI Payroll Service

Call us on 0844 815 5700 for more information on how IRIS Software Group can help your organisation

5 steps to getting your company data ready for RTI submissions

If you currently use IRIS Payroll software and are wondering what you need to do to ensure your data is prepared for your first RTI submission, our Platinum Support Team have put together the following software specific guides to help:



[IRIS PAYE-Master](#)



[IRIS Payroll Business](#)



[IRIS Payroll Professional](#)



[IRIS GP Payroll](#)



[IRIS Bureau Payroll](#)



[EARNIE Intro, Business & Executive](#)

About IRIS

With 30 years' experience, the IRIS Software Group provides business critical software and services to the UK SME sector and accountants in practice. More than 30,000 small to medium sized companies and 15,000 UK accountants rely on the IRIS Software Group every day to run their business.

IRIS Software Group is the number one solution provider for RTI and its software pays 14 per cent of UK businesses that operate under PAYE. All customers receive the greatest choice of RTI payroll software and services managed under the brands IRIS and Earnie. The company has over 95 per cent customer retention across its core products.

IRIS Software Group offer "Platinum Support" to customers, with an industry leading customer satisfaction score of +70.

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Contact us for your free RTI health check