Guide to Real Time Information (RTI) for PAYE

IRIS Payroll

April 2017

Contents

How to use this Guide

This guide will give you an overview of what Real Time Information (RTI) for PAYE is as well as how it works within the payroll software. You can read it straight through or just jump to the section you are interested in using the links in the Contents page.

There is a Glossary of Terms towards the back of this guide.

If text within the guide looks like this, it is a link which will take you to more information on that topic.

We recommend you start with What is RTI and how will it affect me? and What do I need to do first?

What is RTI and how will it affect me?

Real Time Information (RTI) is a system for reporting Pay, Tax, National Insurance and other details about your employees to HMRC.

It is thought that by collecting payroll data in real time, individuals' tax deductions will be more accurate throughout the year. This should make the PAYE system easier to operate thus releasing the burden on employers and providing better tax administration to HMRC.

As an employer you are responsible for all tax deductions and calculations. HMRC require you to return year to date figures at the same time as payment is made to your employees, be that weekly, fortnightly or monthly.

What's involved?

- All employers must go through a one-off 'alignment' process in order to synchronise their data with HMRC. This is achieved by sending the first **Full Payment Submission**

- Employers and pension providers tell HMRC about Tax, National Insurance contributions and other deductions on or before pay day, be that weekly, monthly or any other period via a **Full Payment Submission**

- Any adjustments to the expected monthly payment that an employer is making to HMRC are reported via an **Employer Payment Summary**

- New starters and leavers are reported via the **Full Payment Submission**

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What do I send to HMRC and when?

Full Payment Submission (FPS)
- Every pay period on or before pay day
- First FPS contains all current employees plus leavers paid this year

Employer Payment Summary (EPS)
- Only sent in months where you reduce the payment to HMRC for things like SMP recovered
- Because no employees were paid or
- Apprenticeship Levy due has been greater than zero in the tax year
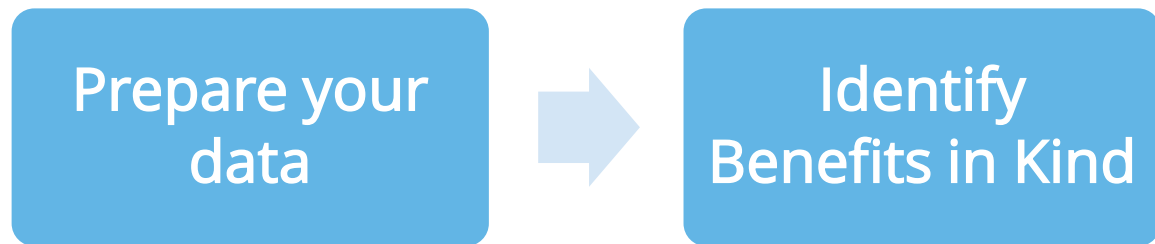
NINO Verification Request (NVR)
- Only if you want to trace an NI number before you pay an employee
- Tracing process is automatic if you include an employee with a blank NI number on the FPS

Earlier Year Update (EYU)
- Used for reporting amendments to an employee's year to date figures in the previous tax year, if the date in the current tax year is on or after 20th April

What do I need to do first?

Prepare your data	→	Identify Benefits in Kind

Preparing your data

HMRC require accurate employee data for RTI. You need to make sure your **Employee Details** include these fields. A report is available, **RTI Missing Data**, which highlights any missing information. To print the report:

1. Select **RTI Missing Data** from **Reports | Report Manager | Employee**

2. Print **RTI Missing Data** via **Reports | Employee Reports | RTI Missing Data** to see if any employees need updating

Mandatory fields that the report checks include:

Company data

- District No *
- PAYE Reference *
- PAYE Accounts Office Reference (Account No) *

Employee data

- Surname
- Forename
- Date of Birth
- **Address** – first two lines and Postcode (this is required if the NI Number field is blank)
- **NI Number** - HMRC will be using **NI Number** as the main identifier for employees, so it's important to complete the field, however it will not stop an FPS from being accepted

* This information can be found on your P30BC 'Payment booklet' or the P30B 'Paying electronically'

Please Note: You need at least **Surname**, **Forename** and **Date of Birth** in all **Employee Details** or you will not be able to send a **Full Payment Submission.**

It is also important to make sure that:

- **Forename 1** field is completed with employees' given names, for example Catherine rather than Kate or Matthew rather than Matt

- Any nicknames should be entered into the **Known As** field

- Where known, include middle names in the **Forename 2** field. HMRC will be using these as a secondary identifier when NI number is not present

- An individual's correct date of birth should always be recorded, not a default or fictitious date

According to HMRC, over 80% of PAYE data quality issues are caused by incorrect information about an individual's name, date of birth or National Insurance number. It is important you ensure the information you receive from your employee is accurate and complete by checking the validity of this information using official documentation.

For further information on checking documentation, a guide '**Check a job applicant's right-to-work documents**' is provided on **www.gov.uk**.
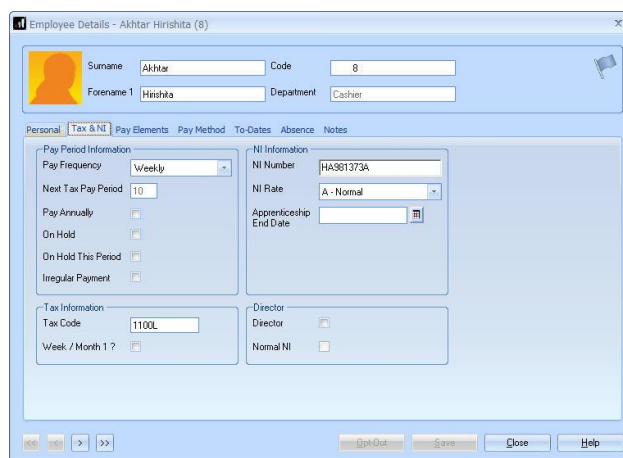
Employee Data

You may need to add certain employee data to the payroll system; **Irregular Payment**, **Hours Worked Per Week**, **Passport Number**, **Receiving Occupational Pension**, **Trivial Commutation Payments**, **Country**, **On Strike**, **Employee Requested Zero Contracted Hours** and **Payment to a Non-Individual**.

Irregular Payment

This field is important to complete for any casual or occasional workers you may have, particularly those who may not work for you for 13 weeks or more. It informs HMRC that the individual is still employed by your company.

If you have employees who have their **Employment Status** set to **Casual** or **Occasional**, the **Irregular Payment** field will be ticked and greyed out by default.
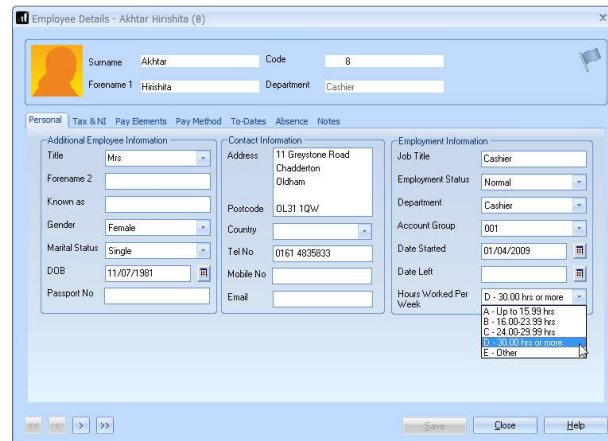
For further information on **Employment Status** options, please see **Help | Manual**.

Hours Worked Per Week

This field should contain the normal hours worked in a week by an employee. Normal hours aren't always the same as contracted hours and need to be calculated.

An explanation of what counts as working hours can be found on the website www.hmrc.gov.uk. Click here for further details. It also provides an explanation of how to calculate average weekly hours. This field will be used by HMRC to calculate eligibility for tax credits, so it is important you complete it.
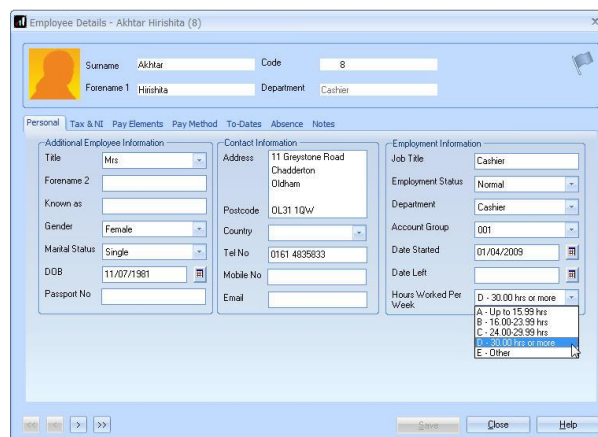
There are bands for **Hours Worked Per Week**. Therefore, if an employee's hours fall within the band width, it is not necessary to keep changing the band unless the hours fall into a different one. The bands available are:

- A - up to 15.99 hrs
- B – 16-23.99 hrs
- C – 24.00-29.99 hrs
- D - 30 hrs or more
- E - Other (for example pension payroll)

Passport No

This only needs to be used for employees who are unable to provide you with an NI number, such as foreign nationals.

Receiving Occupational Pension

If an employee is receiving an occupational pension, this field requires completion. Go to the **Employee** tab, highlight the employee and select **Starter Details**. On the **Pensioner** screen tick **Receiving Occupational Pension**. If the **Annual Pension** field has a value greater than zero, the **Receiving Occupational Pension** will be ticked automatically.

Trivial Commutation Payments

When paying pension payments you may be required to pay a **Trivial Commutation Payment**. These one-off lump sum payments may have a non-taxable proportion. The type of **Trivial Commutation Payment** declared will be included on your FPS together the value of the payment.

Further information regarding Trivial Commutation Payments can be found **here**.

Country

Country needs to be included as part of an employee's address. The drop-down by default contains United Kingdom. You can add new countries by typing directly into the field.

On Strike & Employee Requested Zero Contracted Hours

These fields are available when clicking the **RTI** button in **Enter Variations** and should only be used if the employee is not being paid for one of these reasons:

- On Strike
- Employee Requested Zero Contracted Hours

Reasons for Unpaid Leave will be included on the FPS and will stay ticked for any subsequent pay periods until un-ticked.

Payment to a Non-Individual

This field should only be ticked if you are making a payment to a non-individual on behalf of the employee, for example to a charity. If this box is ticked the information will be included on the FPS and will stay ticked for any subsequent pay periods until un-ticked.

BACS

> If you use Bank software or upload to a banking website your procedure will be unaffected and you do **NOT** need to select the new RTI BACS format, continue as normal.

If you use a BACS accredited software supplier (BASS) or a BACS accredited bureau service, you will need to contact your service provider to ensure the BACS software is up to date.

Switching to the latest software can take time (in some cases weeks), so make sure you give your provider and bank plenty of notice.

If you are not aware if you use a BACS accredited software supplier, click here to view a list.

If you use a BACS accredited software supplier or a BACS accredited bureau service, you need to select the **RTI BACS** layout, based on the Albany v3 layout. To do this click **Reports | Reports Manager | BACS/Payments**, select **RTI BACS *** and click ▶ then **Save**.

This **RTI BACS** format will ensure that a Random Number is created allowing the FPS/BACS to be cross-referenced by HMRC.

* If you use APT, for their correct format you will need to select **Bankline BACSTEL-IP (RTI)**
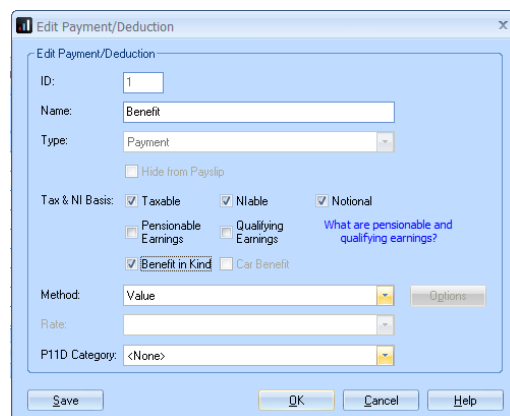
Benefits

Identify Benefits in Kind

RTI also requires any payments which are a Benefit in Kind to be identified. For example, a company may charge the tax on private medical contributions through the payroll.

If you have any of these you will need to:

1. Click on the **Company** tab and select **Payments & Deductions**
2. Select **Configure Payments & Deductions**
3. Highlight the benefit payment in the list and click the **Edit** button
4. Tick the **Benefit in Kind** box
5. Click **OK**
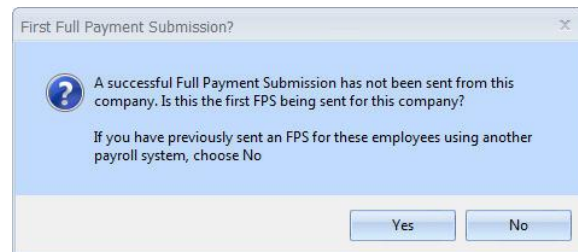6. Repeat for all benefit type payments

Car & Fuel Benefit

Car & Fuel benefits can be processed through payroll and are reported on your FPS. See the Car & Fuel Benefit Guide for further details.
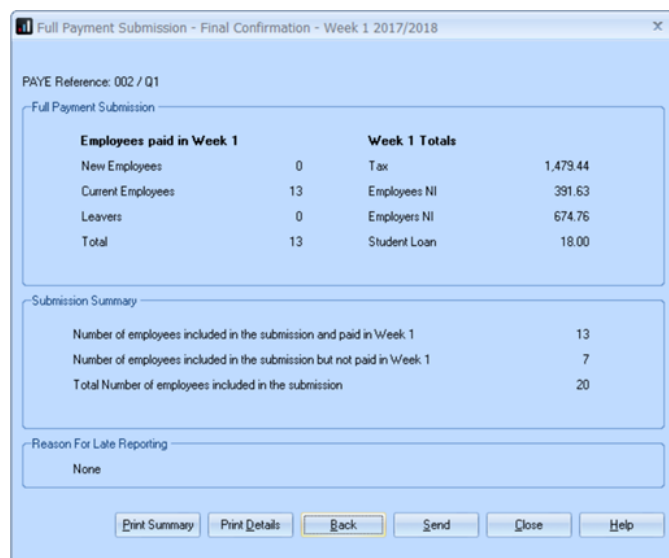
To send the FIRST FPS (after you have run your first payroll):

1. Click on the **Online Services** tab

2. Select **Send Full Payment Submission**

3. You will receive the following message when submitting your first FPS. If this is the first FPS being sent for this company, click **Yes**. If one has been sent previously, click **No**

   First Full Payment Submission?

   A successful Full Payment Submission has not been sent from this company. Is this the first FPS being sent for this company?

   If you have previously sent an FPS for these employees using another payroll system, choose No

   [Yes] [No]

4. The screen will show **This is the first Full Payment Submission**

5. Enter **Pay Period**

6. Who to Include should display **All**

7. Ensure **Submission Type** is set to **Live**

> Under the section Submission, there is 'Reason for Late Reporting'. This is an optional field allowing you to decide if the FPS is late, and if so, what reason to select

8. Click **Next**. The **Final Confirmation Screen** will be displayed

9. Check the details and **Print Summary** or **Print Details** (if required). **Print Summary** gives a report showing the totals due. **Print Details** gives a breakdown of all employees

   Full Payment Submission - Final Confirmation - Week 1 2017/2018

   PAYE Reference: 002 / Q1

   Full Payment Submission

Employees paid in Week 1		Week 1 Totals	
New Employees	0	Tax	1,479.44
Current Employees	13	Employees NI	391.63
Leavers	0	Employers NI	674.76
Total	13	Student Loan	18.00

   Submission Summary

Number of employees included in the submission and paid in Week 1	13
Number of employees included in the submission but not paid in Week 1	7
Total Number of employees included in the submission	20

   Reason For Late Reporting

   None

   [Print Summary] [Print Details] [Back] [Send] [Close] [Help]

10. Click **Send**

What do I need to do each payroll run?

Each time you pay your employees you need to send a **Full Payment Submission** to HMRC via the Government Gateway.
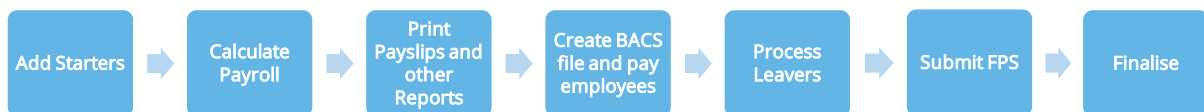
Generally, FPS submissions should be sent on or before the pay date with few exceptions. HMRC allow up to 7 days to report PAYE in certain circumstances:

- Where payments are made on the day of work which vary depending on the work done
- Where it is impractical to report in real time – such as:
  - A crop picker paid in cash at the end of the day, when their pay is based on how much they have picked

Information on Timing of Real Time Returns can be found on the HMRC website.

The **Full Payment Submission** contains employee's pay period and year to date figures, forename, surname, birth date, address, hours worked, details of **new starters** and **leavers**, the **Payment after leaving** indicator and the **Irregular Payment** indicator.

We recommend the following as a payroll process:

Add Starters → Calculate Payroll → Print Payslips and other Reports → Create BACS file and pay employees → Process Leavers → Submit FPS → Finalise

This makes sure that any leavers you have created are marked as such with their final payments.

> If an employee included on the **Full Payment Submission** has an incorrect or missing NI number, HMRC will automatically begin a search for the correct one or allocate a new one.
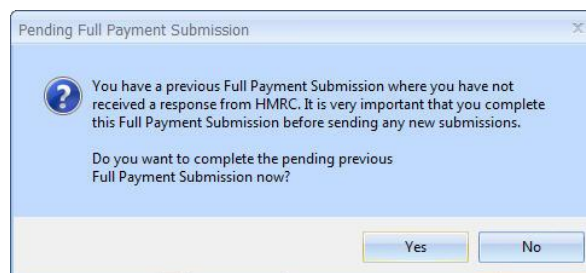
To send an FPS:

1. Click on the **Online Services** tab

2. Select **Send Full Payment Submission**

3. Select **Pay Period**

4. In **Who to Include**, click **All**

5. The screen will show **Last Full Payment Submission was for. …** This is the last **FPS** that was submitted

6. Select **Submission Type** (Live or File only – File only does not send the data to HMRC, it may be requested by Payroll Support if they ever need to assist you with your **FPS**)

> Please note: **Reason for Late Reporting** is an optional field allowing you to select why an FPS is sent after the pay date. Click on the drop-down list for available reasons for late submissions. This could avoid HMRC fining you for a late submission.

7. Click **Next**

8. The **Final Confirmation Screen** will be displayed

9. Check the details and **Print Summary** or **Print Details** (if required). **Print Summary** gives a report showing the totals due. **Print Details** gives a breakdown of all employees

10. Click **Send**

11. If you have a pending **FPS** that has not been sent for the company you will receive the following message

12. Click **Yes** to complete the pending previous FPS or **No** to continue with the current FPS. It is very important that you complete outstanding FPS submissions before sending new ones.

What do I need to do each month?

Payments should be made to HMRC by the 19th/22nd of the following month. You can use the **Month End Summary (P32)** to help you with this.

If there are any changes to the payment that HMRC are expecting, no employees were paid in the current month, or Apprenticeship Levy due has been greater than zero in the tax year, you need to send an **Employer Payment Summary**. For example, you are paying an employee SMP so you have reduced your payment to HMRC by the SMP Recovered amount and by the Compensation amount if you are a small employer. An EPS must also be sent once, when you set the Employment Allowance indicator, if you are claiming **Employment Allowance**.
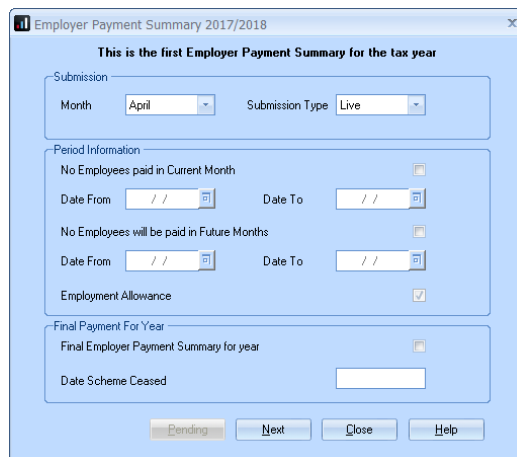
You can do this as part of the **Month End Summary** process, when prompted, or separately via the **Employer Payment Summary** menu item.

Important Reminder: If you are claiming **Employment Allowance**, you must perform '**Month-end processing'** each month in order for the **Employment Allowance** amount to accumulate correctly
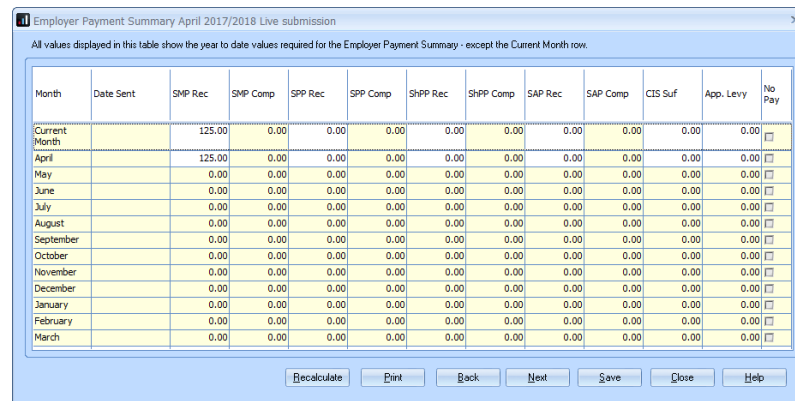
To submit an EPS:

1. Click on the **Online Services** tab and select **Send Employer Payment Summary**

2. Select the relevant **Month**

3. If you are submitting an EPS because you are not paying any employees, under the **Period Information** section, tick the box **No employees paid in Current Month** and enter the **Date From** and **Date To** accordingly

4. If you are submitting an EPS because you are not going to be paying any employees in future months, under the **Period Information** section, tick the **No employees will be paid in Future Months** and enter the **Date From** and **Date To** accordingly. You can enter a period of activity for a period of up to 12 months, it can also span a tax year

5. If this is the **Final Employer Payment Summary for year,** tick the box

6. Click **Next**

7. This screen shows the year to date amounts for each month, as required for the EPS. The **Current Month** row contains the amounts which have been calculated for this month. These will be added to the year to date values and submitted. If you need to alter these figures, for example if you have other payrolls with the same tax reference which are in other Companies on this software, or run on alternative software, you can do so by typing directly into the relevant boxes **
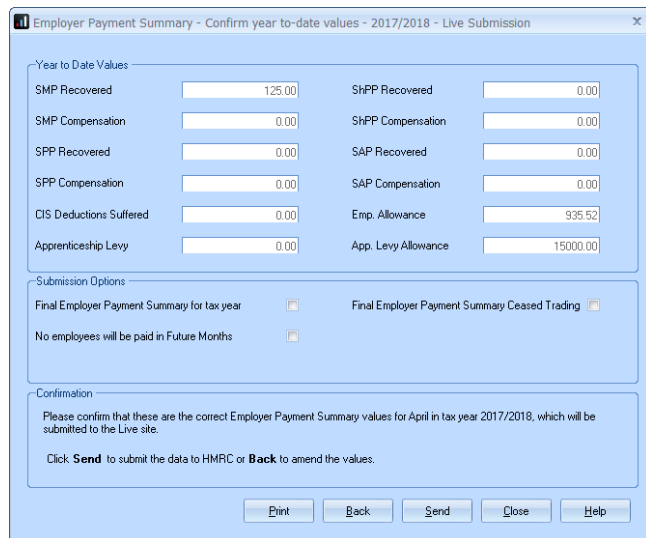

8. Click **Print** if you need a hard copy of the figures then click **Next**

9. Click **Back** if you want to amend anything, **Send** when you are finished

** **Please note**, if you start using the software mid-year, you will need to manually enter any Statutory Payment year to date values. On the **EPS** screen shown, enter the year to date values (inclusive of the current month figures) into the month that you have calculated payroll for. For example, if you start using the software in July and have a year to date value for SMP Recovered in June of £450, then in July SMP recovered of £100, enter £550 as the year to date value in the July row.

You may find that after doing month end processing and sending the EPS, you need to recalculate the payroll. If so, you will need to redo month end processing and manually enter the newly calculated values onto the EPS screen and resubmit

Employment Allowance

Employment Allowance allows an employer to offset up to £3,000 per year of their employer's NI against their liability to HMRC at the end of each month. Employment Allowance is per business and not for every separate PAYE reference.

To set up Employment Allowance

1. Go to **Company | Company Details | HMRC** and tick the box **Employment Allowance**
2. Enter the **Maximum Employer Allowance** applicable
3. Click **OK**
4. If you started using the software part way through the year you need to enter the amount already claimed
5. To do this, from the **HMRC** tab select **Month end Summary (P32)** and in the **Initial Figures** row, **Employment Allowance** column, enter the amount already claimed
6. Click **OK** then **Close**

When you set up **Employment Allowance**, an **EPS** must be sent in that period to notify HMRC accordingly

The tick box **Employment Allowance** on the **Employer Payment Summary period information** screen will be ticked if **Employment Allowance is** selected in **Company | Company Details | HMRC.** For information purposes, **Employment Allowance**, if applicable, will also be displayed on the **EPS confirmation** screen and the **EPS confirmation** report

Earlier Year Update (EYU)

An **Earlier Year Update** is used to send an employee's amended year to-date figures for a previous tax year. HMRC only accept these changes via an **FPS** prior to the 20th April in the current tax year. If the date is on or after 20th April, use the **Earlier Year Update** facility to submit the new details to HMRC.

The **Earlier Year Update** can only be sent for a single employee at a time, you cannot select multiple employees.

To submit an Earlier Year Update

There are different options when submitting an EYU allowing you to use the one that simplifies the process for you; we have detailed two of these options below:

Enter the EYU Value

1. Backup your current year's data following your usual procedure

2. Select **Year-end | Use Last Year's Data** and check the title bar displays the previous tax year

3. Select **Online Filing | Send Earlier Year Update**

4. Click **Yes** to the warning message to continue with the **EYU** or **No** to cancel

5. Tick **Enter EYU Values only**

6. If the employee had more than one NI letter during the tax year, click **Multiple NICs** to enter the relevant breakdown then **OK** to save the changes

7. Click **Sundry** if you need to amend values for Gross pension deductions; Net pension deductions; Trivial commutation payment, Benefits taxed in payroll, or Flexible Drawdown payments, then click **OK**

   The **Sundry | Pension** section has a tick box, **Enable Annual Pension & Recently Bereaved**; tick this box to enable **Recently Bereaved** and **Annual Pension Amount**. **Annual Pension Amount** will display the value held in **Employee Details | Starter Details | Pensioner | Annual Pension**.

   There is also a **Flexible Drawdown** section where you can select **Flexibly Accessing Pension** and **Pension Death Benefit**. Here you can enter the values for **Flexible Drawdown Taxable Payment** or **Flexible Drawdown Non Taxable Payment.**

8. Click **Next**, this will display the **Earlier Year Update – Final Confirmation** screen

9. Click **Print** if you require a copy of the figures

10. Click **Send** to start the submission

11. Once complete, from the **Year-end** tab, select **Close Last Year's Data** to return to the current tax year

Populate EYU Values with last FPS values

This option would primarily be used when the last FPS has not been sent for the last period of the year.

1. Backup your current year's data following your usual procedure

2. Select **Year-end | Use Last Year's Data** and check the title bar displays the previous tax year

3. Select **Online Filing | Send Earlier Year Update**

4. Tick **Populate with last pay period values** (the **Current YTD value** and **Previous YTD value** columns will be greyed out)

5. Click **Next**, this will display the **Earlier Year Update – Final Confirmation** screen

6. Click **Print** if you require a copy of the figures

7. Click **Send** to start the submission

8. Once complete, from the **Year-end** tab, select **Close Last Year's Data** to return to the current tax year

Glossary of Terms

RTI	Real Time Information	Collection of PAYE information as it happens instead of at month end or year end
FPS	Full Payment Submission	Sent every payroll. Also used as an alignment before starting RTI by companies without split schemes or less than 250+ employees
EPS	Employer Payment Summary	Sent monthly to inform HMRC about adjustments made to the monthly payment
NVR	NINO Verification Request	Sends a request for a National Insurance number to HMRC
DPS	Data Provisioning Service	This is the system HMRC uses to send messages to your payroll
YTD	Year To Date	The FPS and EPS always send Year to Date values to HMRC
Irregular Payment		For any Casual or Occasional workers, particularly those who may not work for you for three months or more. It informs HMRC that the individual is still employed by your company
Payment after leaving indicator		This is needed if an employee has appeared as a leaver on an FPS but you need to pay them again
NINO	National Insurance Number	
Split Scheme		Where a company's payrolls are split, e.g. a company runs its own payroll but their Directors payroll is run by a bureau or the company is split across two or more payroll companies.
EYU	Earlier Year Update	Used to send an employee's amended year to date figures for the previous tax year on or after 20th April in the current tax year.

Additional Software and Services Available

IRIS AE Suite™

The IRIS AE Suite™ works seamlessly with all IRIS payrolls to easily manage auto enrolment. It will assess employees as part of your payroll run, deduct the necessary contributions, produce files in the right format for your pension provider* and generate the necessary employee communications.

IRIS OpenPayslips

Instantly publish electronic payslips to a secure portal which employees can access from their mobile phone, tablet or PC. IRIS OpenPayslips cuts payslip distribution time to zero and is included as standard with the IRIS AE Suite™.

IRIS Auto Enrolment Training Seminars

Choose from a range of IRIS training seminars to ensure you understand both auto enrolment legislation and how to implement it within your IRIS software.

Useful numbers

HMRC online service helpdesk	HMRC employer helpline
Tel: 0300 200 3600 Fax: 0844 366 7828 Email: helpdesk@ir-efile.gov.uk	Tel: 0300 200 3200 Tel: 0300 200 3211 (new business)

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls
Tel: 0844 815 5700 Email: sales@iris.co.uk	Tel: 0844 815 5677 Email: earniesales@iris.co.uk

Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0844 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0844 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0844 815 5661	ipsupport@iris.co.uk
IRIS Payroll Professional	0844 815 5671	payrollpro@iris.co.uk
IRIS GP Payroll	0844 815 5681	gpsupport@iris.co.uk
IRIS GP Accounts	0844 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0844 815 5671	earniesupport@iris.co.uk