Guide to Real Time Information (RTI) for PAYE

IRIS PAYE-Master

April 2017

Contents

How to use this Guide 3

What is RTI and how will it affect me? 4

What's involved? 4

What do I send to HMRC and when? 5

What do I need to do first? 6

Prepare your data 6

The report checks the following mandatory fields: 6

Employee Data 7

Irregular Payment Indicator 7

Hours Worked per Week 7

Passport Number 8

Receiving Occupational Pension 8

Trivial Commutation Payments 8

Country 9

Reasons for Unpaid Leave 9

Enabling RTI 10

To send the FIRST FPS (after you have calculated your first payroll with RTI enabled): 10

What do I need to do each payroll run? 11

To send an FPS: 12

What do I need to do each month? 13

To submit an EPS: 13

Employment Allowance 15

Earlier Year Update (EYU) 16

To submit an Earlier Year Update 16

Enter EYU values only 16

Glossary of Terms 18

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 and also an Error! Reference source not found. (Frequently Asked Questions) section.

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. Also 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**

What do I send to HMRC and when?

Full Payment Submission (FPS)	•Every pay period on or before payday •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 → Enable RTI

Prepare 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.

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

The report checks the following mandatory fields:

Company data

- **Tax District ***
- **Tax Reference ***
- **Accounts Office Number ***

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** field is completed with employees' given names, for example Catherine rather than Kate or Matthew rather than Matt. Also, where known, include **Middle Name(s)**. 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

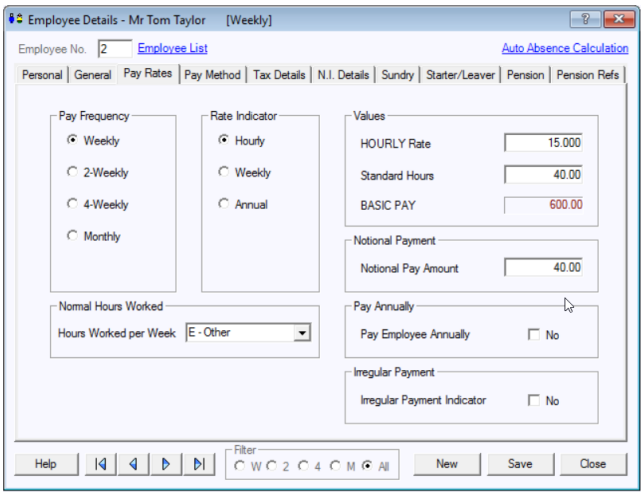
According to HMRC, over 80% of PAYE data quality issues are caused by incorrect information about an individual's name, date of birth or National Insurance number. It is important you ensure the information you receive from your employee is accurate and complete by checking the validity of this information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

For further information on checking documentation a guide is provided on **www.gov.uk.**

Employee Data

You may need to add certain employee data to the payroll system; **Irregular Payment Indicator**, **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 Indicator



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.

This field will only be visible once you have **enabled RTI.**

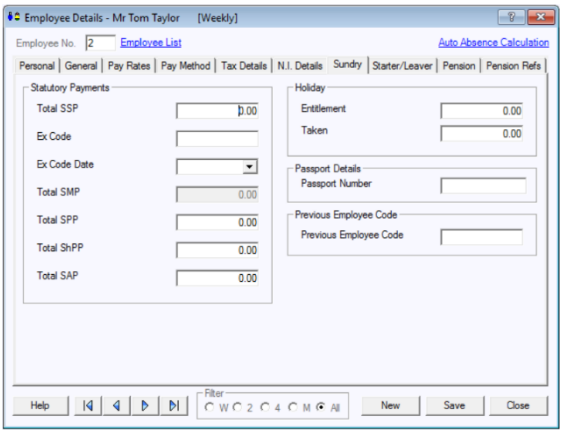
Hours Worked per Week

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**. It also provides an explanation of how to work out usual weekly working 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**. If an employee's hours are within the band width, it is not necessary to keep changing the band unless they fall into a different one. The bands available are:

- A – 0-15.99 hours
- B - 16–23.99 hours
- C – 24.00-29.99 hours
- D – 30.00 hours or more
- E - Other



Passport Number

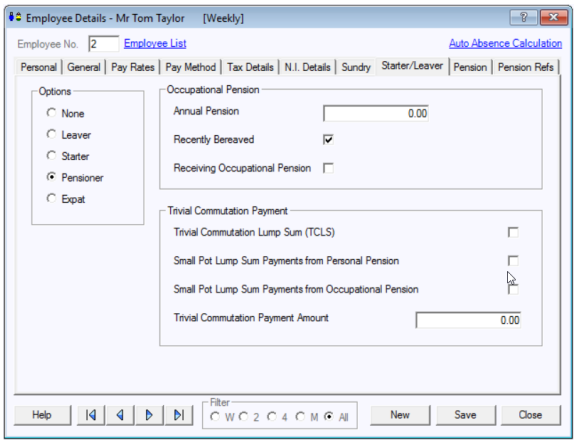
This only needs to be used for employees who are unable to provide you with an NI number, such as foreign nationals.

Receiving Occupational Pension

If an employee is receiving an Occupational Pension the **Receiving Occupational Pension** box must be ticked as HMRC require the information to be included in each FPS.

Trivial Commutation Payments

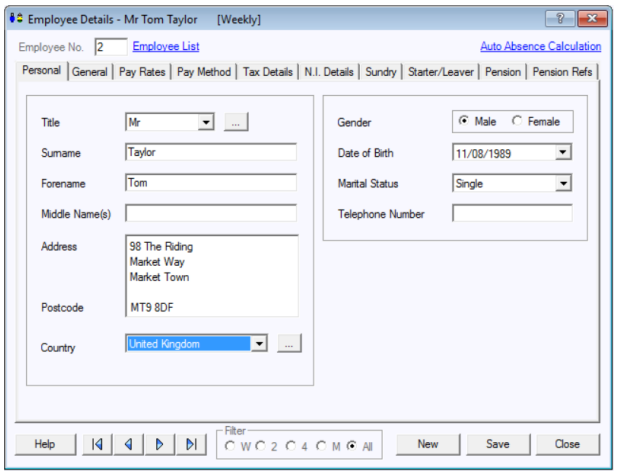
When paying pension payments you may be required to pay a **Trivial Commutation Payment**. These one-off lump sum payments may have a non-taxable proportion. The type of **Trivial Commutation Payment** declared will be included on your FPS together the value of the payment.



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

Country

Country needs to be included as part of an employee's address. The field will default to United Kingdom and you can add new countries.



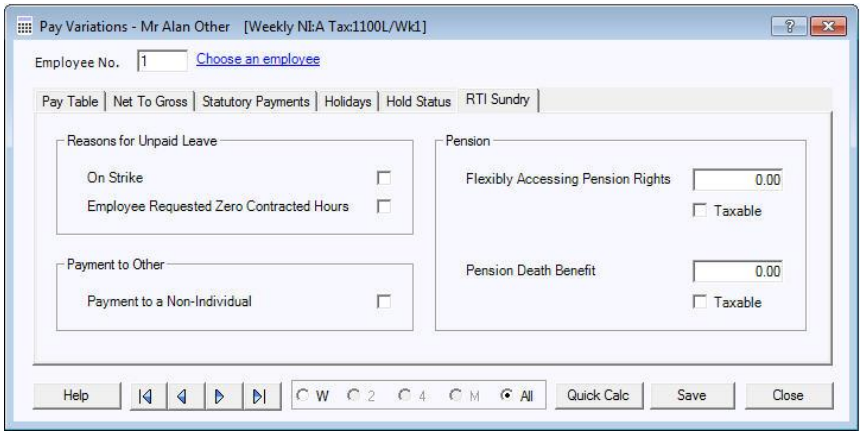
Reasons for Unpaid Leave

On Strike & Employee Requested Zero Contracted Hours

These fields are available from the **Pay | Variations | Enter Variations | RTI Sundry** 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 used 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.

Enabling RTI

To enable RTI

1. Go to **Company | Details**, and on the **General Information** tab ensure that your **Tax District**, **Tax Reference** and **Accounts Office No** fields have been completed
2. Go to **Utilities | RTI Options** and select **Enable RTI Submissions**

To send the FIRST FPS (after you have calculated your first payroll with RTI enabled):

1. Click on the **RTI Online Services** OR the **Pay** menu
2. Select **Send Full Payment Submission** or **Send FPS**
3. The screen will show **This is the first Full Payment Submission**
4. Select **Pay Frequency** and **Period**
5. Click **Next**
6. The **Final Confirmation Screen** will be displayed
7. Check details and **Print Summary** and/or **Print Details**. **Print Summary** gives a report showing the totals due. **Print Details** gives a breakdown of all employees
8. 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.

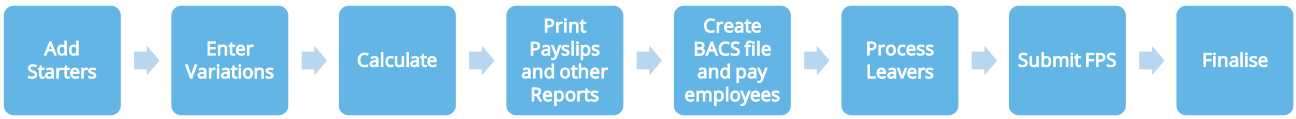
Generally, FPS submissions should be sent on or before the pay date with few exceptions. HMRC allow up to 7 days to report PAYE in certain circumstances:

- 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 changes, 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:



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 **RTI Online Services** or **Pay** menu
2. Select **Send Full Payment Submission** or **Send FPS**
3. Select **Pay Frequency** and **Period**
4. Click **Next**
5. The **Final Confirmation Screen** will be displayed
6. Check 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
7. Click **Send**
8. If you have a pending **FPS** submission that has not been sent for the company you will receive the following message:

   You have a previous Full Payment Submission where you have not received a response from HMRC. It is very important that these are completed before sending any new submissions. Do you want to complete the previous pending submission now?

9. 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.

Reason for Late Reporting is an optional field allowing you to select the reason an FPS is sent after the pay date. Click on the drop-down list for available reasons for late submissions. This could avoid HMRC giving you a fine for a late submission.

What do I need to do each month?

Payments should be made to HMRC by the 19th/22nd of the following month.

If there are any changes to the payment that HMRC are expecting, or 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 to claim **Employment Allowance** to offset up to £3,000 per year off your employer's NIC liability.

Employment Allowance allows an employer to offset up to £3000 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. It can be split across more than one Company

To submit an EPS:

1. Click on the **RTI Online Services** menu and select **Send Employer Payment Summary**
2. Select the relevant **Month**
3. If you are submitting an EPS because you have not paid any employees this month resulting in no payment being due to HMRC, tick the box
4. If you are submitting an EPS because you are not going to be paying any employees in future months then tick **No employees will be paid in future months**

Please note: If you tick the option **No Employees will be paid in future months**, this must start from the following month. For example if you are sending the EPS for June, the **Date From** would be 6th July

5. If this is the **Final Employer Payment Summary for Tax Year**, tick the box
6. Click **Next**

7. This screen shows the values calculated for the current month. These will be added to the year to date values and submitted on the **EPS**

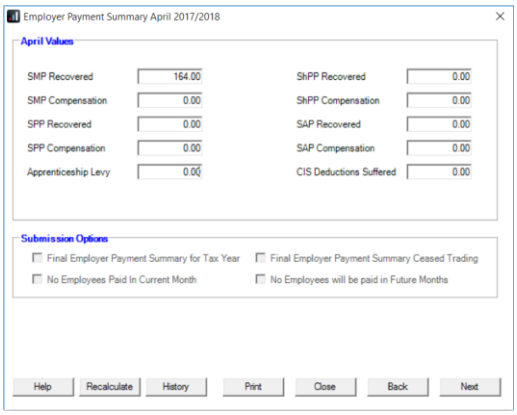
8. If you need to alter these figures, for example if you have other payrolls which are not run on this software, you can do so by typing directly into the relevant boxes

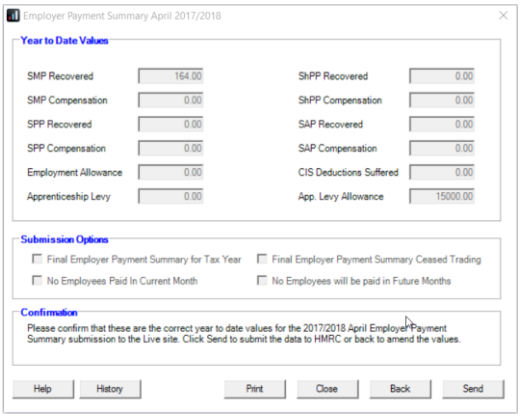
9. When you are happy with the values, click **Print** if you need a hard copy of the figures, then click **Next**

10. **Year to Date Values** are the current month values plus previous year to date values

11. No fields can be amended at this point; if you need to make changes click **Back**

12. When you are satisfied that everything is correct, click **Send**





For instances where you didn't send an EPS on time or it was sent incorrectly, you can send an EPS to HMRC for an earlier month. This is <u>only</u> if no employees were paid in the earlier month.

Please Note: If you have sent a later EPS, you cannot send an EPS for an earlier month if there were Statutory Payment recovered/compensation values.

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 **Pay | Employment Allowance** and select **Yes** from the dropdown
2. Enter the **Amount Remaining** if applicable – this will default to the standard £3,000 allowance and should only be changed if you are setting up the company part way through the year
3. Click **Save** then **Close**

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

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.

Use the **Earlier Year Update** to enter the original year to date values sent via an **FPS**, IRIS PAYE-Master will automatically calculate the difference between previously submitted values and the new year-to-date values.

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 EYU values only

1. Backup your current year's data following your usual procedure
2. Select **File | Year-end Data** and check the title bar displays **Year-end Data**
3. Select **RTI Online Services** | **Send Earlier Year Update**
4. Tick **Enter EYU values only** and highlight the relevant employee
5. Click **Next**
6. Click **Yes** to the warning message to continue with the EYU or **No** to cancel
7. In the **EYU Value** column, enter the difference between the year to-date values HMRC has for the employee and what they should be (the **Current YTD value** and **Previous YTD value** columns will be disabled)
8. 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

9. Click **Sundry** if you need to amend values for **Gross Pension Deductions**; **Net Pension Deductions** or **Trivial Commutation Payment**, then click **OK**

   The **Sundry** screen also 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/Leaver | Pensioner | Annual Pension**

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

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

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

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

Populate EYU values with last period values for tax year

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 procedures

2. Select **File | Year-End Data** and check the title bar displays **Year-End Data**

3. Select **RTI Online Services | Send Earlier Year Update**

4. Tick **Populate EYU values with last period values for tax year**, select the relevant employee and click **Next** (the **Current YTD** value and **Previous YTD value** columns will be greyed out)

5. Check the **EYU values** are correct

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

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

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

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
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
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 indicator		For any Casual or Occasional workers, particularly those who may not work for you for thirteen weeks 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 on IRIS PAYE-Master but their Directors' payroll is run by a bureau or the company is split across two or more IRIS PAYE-Master companies

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

IRIS & IRIS Software Group are trademarks © IRIS Software Ltd 06/2015. All rights reserved