

Accountancy Co-operative

Newsletter - November 2012 (Payroll RTI)

R.T.I. has Landed Are You Prepared?

We are never really prepared for that unexpected flat tyre and you could be forgiven for thinking that R.T.I. stands for **Really-fast Tyre Inflation!** But, from April 2013 every small employer must use R.T.I.

R.T.I. stands for Real Time Information and is already being operated by businesses who joined the pilot scheme earlier this year and by October next year large employers must also be operating it.

- *You may well ask “Should I be concerned?”*
- *The answer is “YES”, because this animal will affect the way payroll operates from the moment the cage is opened.*

You may have, or may shortly receive, a notice from HMRC regarding Payroll Real Time Information and when you must be on-board with it. Only businesses regarded as Large Employers by HMRC have until October 2013 to prepare. Every other employer will need to be compliant and operating it by April 2013 or even earlier if your letter tells you differently.

Where the Accountancy Co-operative processes payrolls on your behalf, we will make this transition automatically for you. However, it is **still extremely important** you understand the new process and the implications of the new requirements. You will have to change the way you communicate payroll information with us and visa-versa.



Don't be caught out flat! – Prepare now!

R.T.I. (Real Time Information) means sending HMRC up to the minute Employee/Employer information for each payroll run, notifying *before the employees are actually paid* and not after. The information has to be transmitted electronically to HMRC and must include the hours worked (which is a new requirement).

This information will be passed to DWP Benefits systems e.g., to feed live information into the new Universal Credit system which will eventually replace Job Seekers, Housing Benefit, etc., which you can read about at <http://www.dwp.gov.uk/policy/welfare-reform/universal-credit/>

In all, the RTI system should help HMRC to distribute the correct tax codes to Employers, ensuring Employees pay the right tax, receive the correct state benefit, and tell HMRC how much money they can expect to receive into the treasury.

For customers paying employees with BACS, the clearing office will notify HMRC of the exact pay sent to each employee as an extra check that should match the payroll transmission under RTI.



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The New RTI Transmission Types

1. EAS Submission – The Employer Alignment Submission

This is the first submission to be transmitted on or after your go-live 'on board' date (but before the next payroll run), which enables HMRC's records to synchronise with your payroll records to date. As the Employer, therefore, you need to ensure all your details held on the payroll system are correct, and that your employees details are also correct before this submission is made.

Note: If we process your payrolls, please let us know immediately if your 'On Board' date is *earlier* than April 2013, so we can begin RTI processing sooner.

Note it is common for people to move home and not let us (or you) know, and to ensure we have the correct personal information for each of your employees we will issue you with prepopulated "Employee RTI Check" forms to complete and send back to us. It is easier for us if you return them as a complete batch rather than one at a time.

2. FPS Submission – The Full Payment Submission

This is the details of payments you are about to make to employees, including the Tax and NI deducted. This submission must be made on or before the day you actually pay your employee – each time you pay them, AND the date of the payslip must be the date you actually pay your employee(s).

If you make multiple payments to the same employee in the pay period then that will constitute multiple payrolls and require multiple submissions. It is not currently possible to do more than one payment in a tax period. So monthly payrolls can only have one run with one payment.

Any more, and weekly payrolls may have to be run! To help you to keep your costs down, you may need to review your payment frequencies now and keep payroll runs to a minimum.

Expense payments only (that are not subject to PAYE rules) are not part of this process and can be ignored for RTI purposes, however, bear in mind that an Employee on Monthly Payroll cannot be paid more than once through the payroll mechanism in the same tax month. Likewise, a Weekly employee cannot be paid more than once in a tax week.

HMRC are holding a review of the rules to try and address the 'real world' issue of multiple physical payments of a single calculated payroll run.

If you have a mixture of monthly and weekly payrolls, an FPS has to be sent for each type separately!



Don't slip up - there is no margin for re-runs!

This is really important, only one FPS can be made in the same pay period, and the transmission cannot be made *after* the pay date. There is no margin for re-runs. A payroll cannot be run after-the-fact.

If an error has been made on any payroll run, then an adjustment must be made to the following run to re-align it. This is where initial accuracy and good communication between us will be absolutely crucial to help us both get it right first time, hopefully every time!



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3. EPS Submission – The Employer Payment Summary

When the tax period has ended (either the 5th of the month following the payroll, (or quarterly, depending on when you normally are due to pay over to HMRC all the PAYE Tax and National Insurance deductions etc.), an EPS needs to be transmitted if there is any reason why you will be withhold part or all of the payment. For example, you may be authorised to claim the “Employers Regional National Insurance Holiday”, or you may be reclaiming sick pay, etc., then an EPS must be transmitted. Otherwise, HMRC will expect a full payment to match the FPS’s already transmitted.

An EPS must also be used to indicate if NIL PAYE Tax or NI is due, or indicate a long period of inactivity (which parallels the CIS system for inactivity in the building trade). The latter will mean transmissions can cease until PAYE starts to be operated again with the next FPS.

New to this submission is the inclusion of CIS Suffered (only for subcontractors in the building industry), which must be reported at this time instead of at the Tax Year End on the old P35.

4. NVR Submission – National Insurance Number Verification Request

A National Insurance number is a vital piece of information, which uniquely identifies an employee. An NVR submission allows employers to validate an employee’s National Insurance number or request one where a new or existing employee does not have one.

New Considerations

There are other changes to the PAYE system that you also need to be aware of.

Young Workers under 16 years of age (for example, those doing paper rounds etc) do not presently need to be declared under PAYE. However, if their income in the year rises over the Personal Allowance, or at their 16th birthday, may have to be included in PAYE runs.

Student Workers (signing a P38(S)) working for you only during a holiday period, at the time your payroll is switched to RTI, must be made ‘leavers’ with tax code ‘NT’ at the date they were last paid. Then you must re-employ them as any other employee on the RTI payroll.

Casual Workers (for example, One off or Therapeutic Workers) who work low hours and are paid below the Lower Earnings Limit (LEL) are not normally run in day to day payroll, and instead, recorded on a P38A Supplementary Return at the end of the tax year.

This will no longer be the case! When you go live with RTI, all employees must be run through the day to day payroll so that their income records at HMRC are updated with the FPS. This is because their benefits may be affected if HMRC do not know all amounts being paid.

If we process your payroll, we will require employment information for all your workers to be provided, and our payroll software will decide when an employee should be included in the FPS using built-in rules.

Adding Employees to your Payroll

We have prepared a new form ‘Coop NE1’ (our New Employee form) which will provide all the information we need to set up your new/existing workers on your payroll, ready for processing their next pay on both RTI and the current system.

Changes to Our Payroll Process Flow

‘Hours Worked’ will be part of the FPS. Before you are due to pay your employees, we will need the hours worked, along with either an hourly rate (to calculate their gross pay) or a fixed monthly/weekly rate of pay plus the contracted hours for the same period. This means we will not be able to use Daily Rates.

If no pay is due for an employee during a process run, you must inform us that the employee is to be retained on the payroll. These employees will be classified as being ‘**on hold**’ for that specific run, and that information



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will be sent to HMRC so they understand they do not receive pay on every run, but are still employed by your business and your business is retaining their Tax Code (a portion of their annual personal tax free allowance).

Holiday pay for Employees paid by the hour (not on a fixed salary) will be required in hours as and when it is to be paid.

An Approval to Transmit FPS will be required. We will produce everything up to the moment before we produce the monthly P32 (i.e., before we 'Update' the payroll and make the record permanent). We will require you to check the payroll and return an email indicating 'Approval to Transmit FPS'. When we get that, we will mark the payroll as correct, update it and transmit the FPS to HMRC. After this we can continue and finish any other reports you may need and sent those off to you.

The transmission of the FPS must occur before you actually pay your employees.

If an error has been made the adjustment to the employee's pay must be incorporated into the following payroll run. The last run cannot be redone and no FPS for the same payment date can be sent.







Due to the extra steps and extra time involved this could well mean an increase in payroll fees for your Business, and this should be factored into your operating budget.

Transferring an existing payroll to us

If you have (or intend to) transfer a current payroll to us to take over the processing on your behalf, apart from the agreement to any Letter of Engagement, we will need you to complete a new Employer form 'Coop ER1' and then a 'Coop NE1' for every employee you have had on your books for the current Tax Year. You can obtain these forms from our website at www.accountancy.coop/payrollprocessing where you will also find links to other useful tools to help you.

We hope this newsletter information will prepare and assist in a more confident transition to RTI.

Steps for you to take now:

-  Review your Payment Frequencies: Would your business benefit by reducing weekly payrolls to a single monthly run? Should you change the physical payment date to a single date each pay period instead of making multiple payments? Should you move expenses or employee reimbursements outside the payroll if these are paid at another time?
-  Review your Employees Contracts: We need to update our systems with the Contracted Hours per week/month for each employee and their basic contract rate (per hour / week / month / annum) and NOT on a Pro-Rata basis but in-line with what they would physically be paid. Check your employees personal details, National Insurance Number, Date of Birth, Home Address etc., are all correct. To help you, we will supply an Employee RTI Check form for all customers where we run your payroll from our office.
-  Review your Details as an Employer: If you run your own payroll, check your Employer Reference and Payment Office References are correct along with the address HMRC write to in respect of payroll. If WE run your payroll that office may be our office address, and we will send you an Employer RTI Check form to help verify these details shortly.
-  Please return any completed RTI Check forms to us as soon as possible in a single batch so we can verify your details in one go against our computerised database.

Then we can say "We're RTI Ready!"



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