

# SUPERPAY GUIDE TO REAL TIME INFORMATION (RTI)

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<b>1</b>	<b>Overview</b> .....	<b>2</b>
<b>2</b>	<b>RTI Submissions</b> .....	<b>4</b>
<b>3</b>	<b>Starters and Leavers</b> .....	<b>7</b>
<b>4</b>	<b>Run payroll</b> .....	<b>9</b>
<b>5</b>	<b>Amendments</b> .....	<b>10</b>
<b>6</b>	<b>Employee data</b> .....	<b>12</b>
<b>7</b>	<b>Split payrolls</b> .....	<b>16</b>
<b>8</b>	<b>BACS</b> .....	<b>17</b>
<b>9</b>	<b>Agents</b> .....	<b>18</b>
<b>10</b>	<b>Sundry items</b> .....	<b>21</b>

# 1 Overview

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## 1.1 General

From 6<sup>th</sup> April 2013 HMRC will introduce major changes to the way you file PAYE returns. In Superpay you will still run payrolls and produce payslips as you do now, but before you pay your employees you will need to file your payroll information with HMRC. The new filing regime is called Real Time Information (RTI).

RTI is being introduced by HMRC in order to:

- Improve the accuracy of PAYE deductions (e.g. by making sure employees are always on the correct tax code, even when they have multiple jobs or pensions).
- Provide DWP with up to date information on employees' earnings. This will facilitate the introduction of Universal Credits in October 2013.
- Allow HMRC to track employers' PAYE liabilities throughout the year, making it easier for HMRC to chase up late payments as soon as they occur. This should ensure greater employer compliance with the PAYE monthly or quarterly payment schedule.

## 1.2 Changeover date

Most employers will be required to start RTI filing on their first pay day on or after 6<sup>th</sup> April 2013, although some large organisations may be delayed until the summer of 2013. HMRC will let you know your exact start date closer to the time.

HMRC are still allowing some employers to join HMRC's RTI pilot before it becomes mandatory on 6<sup>th</sup> April. We have already enrolled a range of Superpay users to be part of this pilot and we will not be enrolling any more companies at this time.

2012/13 is the last year for P35's/P14's which have a filing deadline of 19<sup>th</sup> May. So, you may need to start RTI filing even though you have not yet closed off and filed your 2012/13 returns.

## 1.3 Getting ready for RTI

RTI does not start for most employers until next April but we are writing to you at this time so that you can start preparing now. You will need to update your payroll records and you may also need to change some of your payroll procedures to fit in with the new RTI regime.

RTI is the biggest change to payroll reporting since PAYE was first introduced. If you wait until April to prepare for RTI, you may find that you don't have enough time to implement all the required changes before you need to pay your employees

These notes do not describe in detail how you file your RTI submissions. For now you should focus on the changes your organisation will need to make. As long as you ensure that you have complete and accurate information for all employees before they are paid, RTI filing will be straightforward.

If you want more information on RTI, you can visit HMRC's site at <http://www.hmrc.gov.uk/rti>. The RTI section of the HMRC site has been recently updated so even if you have visited the site before, you might want to have another look now. We will supply more detailed Superpay RTI instructions closer to 6<sup>th</sup> April.

## 1.4 RTI enabled updates

Superpay will be updated shortly to Version 4.4.0. This version and subsequent updates will have changes to the format of some Superpay screens and extra RTI menus and reports. Those employers on the pilot who are registered as early adopters will be able to submit RTI returns. For everyone else, you will be able to get your data ready for RTI but you will not be able to file RTI returns until HMRC confirms your RTI start date.

Superpay's current 2012/13 maintenance year runs up to 31<sup>st</sup> January 2013. There will be no additional charge for RTI on top of the standard 2013/14 maintenance fee.

## 1.5 Small employers with P38A employees

Under RTI, there will no longer be a P38A form. Instead, you will need to set up any employees who earn less than the NI limit on Superpay and submit their pay details in the same way as your standard employees. If you use a small company version of Superpay (e.g. SP1-10 for up to 10 employees) you may need to upgrade your licence to include these low paid P38A employees.

You do not need to set up employees under 16 on Superpay unless their earnings exceed the income tax personal allowance.

## 1.6 Filing on HMRC site

If you have less than 10 employees and currently file in-year forms and/or end of year returns on HMRC's site - i.e. not through Superpay - you could continue using HMRC's site for RTI returns. However, we do not recommend this because you will need to file much more frequently than under the current system. We also do not provide support for this so we won't be able to help you with queries.

If you have more than 9 employees in a year, HMRC will not allow you to use the HMRC site for RTI filing.

## 1.7 Split pay

Split net pay has been an option on Superpay for many years but under RTI it will no longer be available. As part of Superpay's changes for RTI, the split pay section of the Employee record will be removed. If you currently use split pay for your payroll you should not update your Superpay program until you have resolved the issue. However, you will not be able to continue with split pay when you go live on RTI.

# 2 RTI Submissions

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## 2.1 General

There are three main types of RTI submission.

- Employer alignment submission (EAS) - before you start, you need to provide details of all your active employees to HMRC.
- Full payment submission (FPS) – before you pay your employees you will need to provide HMRC with your employees’ payment details, every time you pay them.
- Employer payment submission (EPS) - you need to inform HMRC of any recoverable amounts which reduce your PAYE liability at the end of each tax month or quarter.

The way you will file RTI returns will be similar to the way you currently file in-year forms and end of year returns in Superpay – i.e. you file a submission and you then check if it has been successful. You will have full control over your RTI submissions.

E.g: You will be able to run a payroll, check the payslips, make any corrections and re-run payslips if needed, and only then file your RTI submission. You will also be able to run payrolls in advance and only file them when they are due to be paid.

In addition to the submissions described above, at the end of the tax year you will file a special EPS submission which indicates that you have finalised your payroll for the year.

## 2.2 Employer alignment submission (EAS)

When you first join RTI, you will need to file an EAS so that HMRC can match their records to your records. This is done outside of the normal payroll cycle.

The EAS contains details of all the employees employed by you during the current tax year, including leavers and those employees who will not be paid for some time. If you start RTI at 6<sup>th</sup> April, your EAS will not need to include leavers from the 2012/13 tax year.

You submit an EAS once only, so it is important to get your data correct at the start of RTI. Once your EAS has been accepted you cannot file another EAS or amend your existing EAS.

HMRC will consider any employee not on your EAS as not employed by you. If you later want to pay them, HMRC will treat the employee as a new starter. It is important that you include all current employees on your EAS, even if they are not going to be paid for a while.

**If you run a split payroll you must take special care with the EAS as the process is more complex. The Split payroll section below describes the extra steps needed.**

## 2.3 Full payment submission (FPS)

You need to file an FPS every time you pay your employees. On or before the date you pay your employees you need to file an FPS which includes payment data plus some personal data. As

long as you file your payments before or on the day of payment, you do not have to file your FPS submissions at the same time as you run your payroll.

You need to submit an FPS for each payslip in your payroll. The individual FPS's can be combined into one submission but it is not required to combine them. As long as HMRC receives your FPS submissions by the date of payment you can combine or split your FPS's how you wish.

Examples:

- If you have 10 weekly paid employees you will normally submit one FPS each week.
- If you run both weekly and monthly payrolls you will need to file at least one FPS each week and file the monthly FPS before the monthly employees are paid.
- If a monthly paid employee leaves and needs to be paid mid-month, you can run their payroll early and submit their individual FPS prior to the main run later in the month.
- If a new employee starts after the payroll is run but before the payment date, an FPS can be submitted for just that employee for the same period.

An FPS must be successfully filed on or before the date of the payment it refers to. You are not allowed to pay an employee and then submit an FPS for that payment at a later date. There is no exception to this.

For your FPS to be successful, you must have accurate, RTI compliant payment and personal data before employees are paid. If you send all your FPS's together and one employee's FPS fails, the whole submission will fail. In that case, you can either correct the employee's data and re-submit the batch or you can remove the employee from the payroll run and submit the remaining employees. It is important that you do not pay an employee who is awaiting corrections. If you do not hold valid information and cannot file that employee's FPS successfully, you cannot pay that employee.

It is important to note that an FPS is expected for every payment made to an employee. If an employee is owed additional money from a previous period and is to be paid that money outside of the normal payroll cycle they will need an additional payslip to reflect the additional payment. You cannot wait until the next normal payslip to inform HMRC of the additional payment. This does not apply if you pay any additional money as part of the next normal payroll.

## **2.4 Employer payment submission (EPS)**

HMRC will use the grand total of your FPS submissions to calculate the amount of PAYE you owe. If you have any reclaims (or similar) that reduce your PAYE liability you will need to file an EPS.

### **2.4.1 Reclaims**

If you have:

- paid any Statutory Parental Pay
- paid any recoverable SSP
- suffered CIS deductions
- NIC holidays

at any time during the current tax year, the amount you pay can be reduced, as long as you inform HMRC using an EPS submission. The EPS contains details of all the above items and is the only way you can inform HMRC of a reduced PAYE liability.

### **2.4.2 Timing of EPS**

If, at any time during the year, you have any of the items listed above, you must file an EPS by the 19<sup>th</sup> of the month following the relevant month (or quarter). If you pay your PAYE monthly, you must file an EPS by the 19<sup>th</sup> of the following month. If you pay quarterly, you will need to file an EPS by the 19<sup>th</sup> of the month following each quarter. The EPS consists solely of year to date totals and does not identify which period the EPS is for. Instead, HMRC will determine the period to use solely by the date you submit the EPS.

If you file your EPS after the 19<sup>th</sup> - i.e. late - HMRC will calculate that you owe the full FPS amount for the period. Your late EPS return will correct your totals to date for the following month but it will not affect the period that was missed. You will then need to either pay the full amount or contact HMRC about an apparent underpayment for the month.

### **2.4.3 Split payrolls**

If you run a split payroll you must take special care with an EPS. The Split payroll section below describes the extra steps needed.

### **2.4.4 Nil returns**

HMRC will expect a company to file at least one FPS or EPS per tax month or quarter. If you have filed at least one FPS in the period you will not need to make a nil return, even if there is no tax or NI to pay. However, if you have paid no employees or subcontractors you must file a nil return. This is done using a nil EPS.

If you know that you will not be paying any employees or subcontractors during a period of up to 6 months, you can set that up in advance so that you will not need to file nil returns during the period.

### **2.4.5 Year end and ceased trading**

At the end of the tax year you will need to submit an additional EPS with a checklist and declarations similar to the current P35. Under RTI, there is no equivalent to the submission of the year end P35 and P14's. All your payroll figures for the year are calculated from your normal RTI submissions throughout the year.

You will still give your employees P60's for their own records but there will no matching P14's.

If a company ceases trading during the year you use a year-end EPS to notify HMRC.

# 3 Starters and Leavers

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## 3.1 General

Under RTI there are no special submissions to notify HMRC of starters or leavers. You may need to change some of your procedures but the P45 and P46 will still exist as paper forms. However, you will no longer submit the forms to HMRC.

## 3.2 Starters

### 3.2.1 Filing

The details of a new starter are only submitted to HMRC when you file an FPS at the time of their first payment. When you enter a new employee, Superpay will add the starter information to the employee's first FPS automatically. You do not need to file starters' details separately from normal FPS submissions.

### 3.2.2 Employee statement

All new starters will need to declare their employment status from a list of options which are the same as the Employee statement on the existing P46 form. This Employee statement indicates whether they have had another job, benefits or pension this year.

Employees who bring a P45 will also need to complete this declaration. You may want to ask them to check their personal details on their P45, write any changes on the P46 form and complete the Employee statement on that form. The P46 (Short) form is available from HMRC's site at <http://www.hmrc.gov.uk/forms/p46.pdf>.

### 3.2.3 Collection of starters' data

It has always been important that the employee data which you send to HMRC is accurate. However, under RTI, not only must the data be accurate; it is also now mandatory to collect all of a starter's details before you pay them.

You must not set up enough details to produce a payslip and pay a starter and then enter the remainder of their record later. If you don't have enough information to meet RTI submission requirements when the payroll is run, the employee's FPS submission will subsequently fail and you are not allowed to pay the employee until the error is corrected.

## 3.3 Leavers

### 3.3.1 Filing

When an employee leaves, you will no longer file a leaver P45. You will still give the employee a 3 part paper P45 but the details of the leaver will be submitted to HMRC during their last FPS submission.

### 3.3.2 Pay after leaving

If you need to pay an employee after they have left – e.g. accrued holiday pay or a bonus – you must run an additional payslip and FPS submission for the employee. You will need to indicate

that the payment is a 'Payment after leaving'. You must not simply undo and re-run the employee's last payslip for the extra pay.

### **3.3.3 Employee decides not to leave**

If an employee decides not to leave after you have filed their leaving date on their last FPS, you will need to inform HMRC, either in writing or via the hotline.

### **3.3.4 HMRC automatic leaver setting**

Under RTI, HMRC will flag a regularly paid employee as a leaver if you have not paid them for a period of 3 months or three times their pay interval, whichever is longer. For example HMRC will set as a leaver:

- a weekly paid employee after 3 months of no payments.
- an annually paid employee after 3 years of no payments (3 x 12mths).

If HMRC sets an employee who has not really left as a leaver, you cannot simply file an FPS for the employee on Superpay if you later want to pay them. Since HMRC has flagged the employee as having left, any subsequent submission will be treated as a new employment. If this happens, you will need to contact HMRC to resolve the situation.

To avoid this, before RTI begins it is important to select the correct pay interval for your employees or set them up as irregularly paid– see Employee data section below.

Please note: this automatic deletion by HMRC does not remove the requirement for employers to file leavers' information on the employee's last FPS.

# 4 Run payroll

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## 4.1 Pay date

Under RTI, most employers will run payroll and produce payslips in the same way as you do now. However, it will be essential to know exactly when the employees will be paid before you run your payroll.

Even though Superpay currently asks for the pay day, many users enter a variety of dates. For example, monthly employees are often run with the last day of the month even if they are not being paid on that day. Under RTI, you must enter the correct pay day. This is the first time that you will need to submit the date of payment for each payroll and it is not permitted to use incorrect dates.

## 4.2 Payments on account

If you make a payment on account which you intend to offset against the next pay run, you must produce a payslip for the payment on account and file an extra FPS. Under RTI, every payment to an employee must be recorded in a separate FPS.

## 4.3 Benefits in kind taxed via payroll

You will need to submit to HMRC the value of benefits in kind taxed via the payroll. To accommodate this, Superpay will have a new payslip headings flag to indicate that this heading is a benefit in kind. All payments made against this heading will be calculated as a benefit in kind for submission purposes.

Before April, you will need to set up this flag if you have any payments that are benefits in kind. This flag does not apply to standard taxable benefits; it only applies to benefits in kind taxed through the payroll. This arrangement requires the prior agreement of HMRC before it can be operated and most Superpay users will not have such arrangements in place.

## 4.4 DWP information

HMRC will collect some additional information through RTI submissions on behalf of the DWP. These relate to Universal Credit and could affect an employee's entitlement to benefits if set incorrectly. For each payslip, HMRC wants you to identify if the following situations occur:

- Employee on strike - if pay has been reduced because the employee was on strike.
- Unpaid absence – if an employee has had any unpaid absence, for any reason, during the period covered by the payslip. HMRC has not specified exactly what kinds of absence are covered by this requirement, simply stating that the presence of any unpaid absence in the period needs to be reported. This could be long term sickness or it could be an hour's unpaid absence for an appointment, there is no minimum time period that must elapse before it is unpaid absence.

# 5 Amendments

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## 5.1 Amendments before filing

If you have not yet submitted your payroll's FPS you can undo and redo payslips as often as you wish. If a payslip has been already filed when you discover an error, you need to follow the advice below.

## 5.2 Adjust next pay cycle

Amendments are straightforward under RTI, as long as you carry corrections of any under- or over-payments to the next payroll cycle.

If there is an error on a payslip you have already filed, you must undo and re-run the payslip and make a positive or negative after-tax adjustment to make the Net pay on the new payslip equal what was originally paid. You then submit a revised FPS to HMRC. Then, when you next run your payroll you add or subtract the adjustment as an after-tax item on the employee's next payslip.

## 5.3 Corrections paid outside normal pay cycle

If you don't want to wait until the next pay cycle to correct an under-payment to an employee the procedure is more complex. You cannot simply undo and redo a payslip with a new net pay which represents two payments – the original net pay, and the value of the correction. The fundamental principle of RTI is that each payslip represents one payment and this also applies to amendments.

If an amendment results in an underpayment that will be paid outside the normal payroll cycle this is an 'extra' payment. So, you will need to follow the existing rules for 'extra' payments in the same pay cycle. See <http://www.hmrc.gov.uk/payee/payroll/paydays/extra-payments.htm> for more details. You must not re-run the old payslip and simply pay the additional money to the employee. Under RTI, every payment to an employee must have an accompanying RTI submission; i.e. in this case, the original payslip, and an amendment payslip. The amendment should not replace the original payslip.

For this reason, we recommend carrying forward correcting payments to the next payroll cycle if at all possible.

## 5.4 Amendment of FPS data with no extra payment

In cases where an FPS contains incorrect data which does not result in an extra payment to the employee – e.g. you forgot to flag a Benefit in Kind paid through the payroll - you must submit a corrected FPS at some point in the tax year to update HMRC's record.

If the employee will not be paid again this tax year, and the amendment does not require an extra payment, you can re-submit the employee's last FPS with the correct totals making sure that the net pay agrees with what was actually paid.

## 5.5 Employer PAYE payments

If you amend a payroll after filing the original FPS submission, what you pay to HMRC for the month (or quarter) will depend on the timing of the amendment.

### 5.5.1 Amendment before EPS is due

- If you make an amendment **before** the 19<sup>th</sup> of the following month you can re-submit the corrected FPS and/or EPS (if there is one) before the 19<sup>th</sup>, and you can then pay the corrected total to HMRC that month.
- If you pay your PAYE quarterly and make an adjustment at any time within the quarter or **before** the 19<sup>th</sup> of the following month, you simply correct and re-file the employee's FPS and pay the corrected total to HMRC that quarter.

### 5.5.2 Amendment after EPS is due

- If you make an amendment **after** the 19<sup>th</sup> of the following month, you must pay HMRC the amounts that were filed at the time – i.e. the pre-amendment figures. You then file the revised totals as part of the employee's next FPS and any change(s) will be added to or deducted from your next payment due to HMRC.
- If you make an adjustment to a quarter **after** the 19<sup>th</sup> of the month following the quarter, you must pay the pre-amendment figures as described above.

### 5.5.3 Amendments to earlier months (or quarters)

Amendments to earlier months (or quarters) do **not** change the amount of PAYE due to HMRC for earlier months (or quarters). Instead, amendments to previous months (or quarters) will adjust the payment to HMRC for the current month (or quarter).

E.g. You pay monthly. In Month 6 you amend an employee's Month 3 payslip, and re-run their payslips up to Month 6. You file the employee's revised year to date totals in the employee's Month 6 FPS submission. The difference will either increase or decrease your Month 6 payment to HMRC as appropriate. Your liability at Month 3 is unchanged but not relevant to determining the liability of later periods.

E.g. You pay quarterly. In Month 6 you amend an employee's Month 4 payslip, and re-run their payslips up to Month 6. You simply file the employee's revised year to date totals in the employee's Month 6 FPS submission, and pay the corrected total.

E.g. You pay quarterly. In Month 6, you amend an employee's Month 3 payslip. The difference will either increase or decrease your 2<sup>nd</sup> quarter payment to HMRC as appropriate.

# 6 Employee data

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## 6.1 General

Under RTI it is essential that your employees' data satisfies RTI validation before you run your payroll. The data requirements for RTI are more rigorous than for P14's and there are extra fields. You will need to check and update all your existing employees' records not only for the new RTI fields listed below, but also for some existing fields.

We list below the main changes that will affect Superpay users. All the fields are mandatory, except for the Passport number which is optional. In addition, you must have an NI number or address. Superpay Version 4.4.0 will include an RTI employee data report for you to send to your employees for them to verify and update their personal details in readiness for RTI.

### 6.1.1 P38A employees

As mentioned earlier, there will no longer be a P38A. You will need to set up P38A employees on Superpay and submit their pay details in the same way as everyone else.

## 6.2 Number of hours normally worked (new)

This is a new concept for PAYE and is needed by DWP for Universal Credits. It is the hours an employee normally works or is expected to work in a week, so it should not need updating each pay period. You must enter this field for all employees, even those on piecework or a salary whose earnings are not defined by the number of hours worked. This also includes directors.

For each employee you will need to select a band from the following list:

- Up to 15.99 hours
- 16 to 29.99 hours
- 30 hours or more
- Other - this option applies to pensions, for example, where the number of hours worked does not apply. It can also be used if the number of hours worked varies significantly.

HMRC strongly encourages employers to find accurate information for this field and you should not select 'Other' unless absolutely necessary. Inaccurate information could result in an employee's Universal Credit benefit claims being incorrectly processed.

## 6.3 Pay interval

The current range of regular pay intervals has been expanded. Under RTI you will be able to select 3 month, 6 month and 12 month pay intervals. In cases where an employee is paid on one of these intervals it is important that you change their record before RTI begins.

## 6.4 Regularly or irregularly paid (new)

You need to specify whether an employee is paid Regularly or Irregularly.

- **Regular** - An employee is regularly paid if they are paid in accordance with the pay interval you have selected for them. This applies to most employees. It does not matter if the employee is full time or part time, just that they are paid at pre-defined regular intervals. For example, a regular weekly employee is paid every week and a regular monthly employee is paid every month. If an employee is paid once a year they are not irregularly paid, they are paid regularly on an annual basis. It is important to distinguish between a long pay interval and irregular employment.
- **Irregular** –The employee does not work regularly. They work inconsistently and may not be in every payroll run. Employees who are currently set up as casual in Superpay and skipped during payroll run are likely to be irregularly paid and should have this indicator set. If an employee takes a leave of absence for 3 months or more (i.e. is not going to be paid) they should also be set as irregular.

Under RTI, HMRC will flag a regularly paid employee as a leaver if you do not pay them regularly. It is essential that you select the correct pay interval for your employees before RTI begins and determine who is regularly paid and who is irregularly paid.

#### 6.4.1 Held or casual employees

Before 6<sup>th</sup> April, you will need to check all your Held and Casual employees and decide whether they should be set as leavers in 2012/13 or carried forward to RTI. HMRC does not want employers keeping casual staff on their books indefinitely if they are not getting paid.

- **Seasonal workers** – Currently, if you have seasonal employees who are paid regularly when in work you simply use the Held field to exclude or include employees in Run payroll. If you want to keep seasonal employees on your books, during the off-season you will need to set the employees as irregularly paid with their correct pay interval (weekly, monthly etc.). If you leave them as regularly paid, HMRC will set them as leavers when they are not paid during the off season.
- **Casual employees** – Casual employees differ from Seasonal employees in that they are not paid regularly at all – i.e. Run payroll displays them every week for you to pay or skip. These should be set as irregular employees.
- **Other Held employees** – You should determine whether any other ‘held’ employees should be set as irregular employees or as regular employees who have a pay interval longer than one month.
- **Employees on extended maternity leave** - should be set up as irregular if they intend to take 13 weeks of unpaid maternity leave after their SMP ends. They can then be set back to regular when they return to work.

### 6.5 Directors’ NI calculation method (new)

Directors’ NI is calculated on an annual basis, which results in uneven NI deductions even when the pay is the same each pay period. To spread a director’s NI more evenly throughout the year, HMRC permits an alternative calculation of NI on a non-cumulative basis as long as the final payslip for the year is calculated cumulatively.

In Superpay you currently run the alternative method by setting the director as a normal employee throughout the year and then changing them to a director before the last payroll. This is acceptable because you only file a director's details at year end and it doesn't matter if his Superpay record shows him as a non-director for most of the year. However, under RTI, you cannot do this; a director must have his Superpay record flagged as a director each time he is paid so that his FPS submissions will always be correct.

Superpay will have a new field to indicate that you want to use the alternative rules for a directors' NI. This way, both the NI calculation and the director's status will be correct throughout the year whether you use the standard or alternative method for directors' NI.

## 6.6 Name

Until now, Superpay has allowed names to be entered in one free-format field which is then automatically split into parts for submission. Under RTI, the employee's name will be split into four fields for title, forename 1, forename 2 and surname. Each employee must have at least one forename and a surname. Initials, short and familiar names are not acceptable.

E.g. William Smith is acceptable but W Smith and Bill Smith are not.

You will need to check all your existing employees to ensure that you have full and accurate names for them.

## 6.7 Gender and Date of birth

Employees who have recently started will already have these fields on their records since they have been required for on-line P45/P46 filing. However, you may need to add the gender and date of birth to the records of long serving employees since, if you have an NI number, neither field has been required for P14's. Under RTI, even if an employee has a valid NI number you must record their gender and date of birth. You must not use a default date of birth.

## 6.8 NI number or address

HMRC urges employers to obtain NI numbers for all employees. However, there will always be young or overseas employees who don't yet have NI numbers, so the field is not mandatory.

For RTI, HMRC will introduce an NI number verification system which will inform employers of incorrect or missing NI numbers on the FPS submissions which you have filed. If you have submitted an FPS for an employee with no NI number or an incorrect NI number, if HMRC can establish a valid NI number from the information you have supplied, HMRC will notify you of the NI number that should be used for that employee. This notification may be some days after the FPS submission and can be downloaded by Superpay with your normal HMRC notifications.

This does not mean that you can avoid collecting accurate NI numbers. HMRC's verification system will be a final validation step and should not be used as a primary means of determining accurate NI numbers for employees. HMRC strongly urges employers to obtain accurate NI numbers, since storing an incorrect NI number could mean that an employee will not qualify for certain benefits or pensions which they should be entitled to.

If the employee's record has no NI number, you must enter an address for the employee. If an NI number is entered, the address is optional. If an address is included, it must contain at least two lines which are not a postcode.

## **6.9 Passport number (new)**

HMRC only asks for passport numbers if you routinely collect this information as part of your personnel records – e.g. to determine eligibility to work in the UK, or check dates of birth. If you do not currently collect this data you do not need to change your procedures to start collecting passport numbers now.

If you do collect this information you only need to enter passport numbers on Superpay for employees who start after RTI begins. You do not need to add passport numbers to your existing employees.

# 7 Split payrolls

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## 7.1 General

A split payroll is a single PAYE scheme where the payroll is divided into separate parts – e.g. different branches – and each part is processed separately. It is essential that you identify such schemes before you start RTI. For Superpay, a split payroll is a payroll where the company is split over multiple Superpay databases or where part of the payroll is not run on Superpay.

Under the current P14's/P35 regime, each section of a split payroll runs its own payroll throughout the year, and the P14's are brought together and combined at year end for filing.

Under RTI, companies with such schemes must co-ordinate their initial EAS submission and any EPS submissions throughout the year.

## 7.2 Employment alignment submission (EAS)

At 6<sup>th</sup> April, if you are a split payroll, you must not send a standard EAS. Instead, before filing, you will need to work out how many part EAS's you will submit, and what number each part will be; e.g. part 1 of 4, part 2 of 4 etc. Then HMRC will be able to track each part and see when all the part submissions have been received and your EAS is complete. This should not take much time or effort, but you must be aware that there is a different process for split payrolls so that no part of the payroll is submitted as a standard EAS in error.

If one part of the payroll submits its employees' data as a standard EAS, HMRC will assume that the sent EAS is a complete payroll. Since you cannot amend or file another EAS, all the remaining employees would have to be submitted as starters.

If other parts of the payroll are not using Superpay, you will need to check with them that their payroll software is capable of sending split payroll EAS submissions.

## 7.3 Full payment submission (FPS)

There are no special procedures for split payrolls to file FPS submissions. Each part of the payroll submits its employees' FPS's in exactly the same way as a standard payroll.

## 7.4 Employer payment submission (EPS)

A single PAYE scheme can only have one EPS per tax month, even if you split your payroll. If each part submitted its own EPS each subsequent EPS would override the previous one and only the final EPS's figures would be recorded. If you are required to submit an EPS it must contain the combined figures for the entire scheme's recoveries, in the same way as you currently combine your P35 totals and calculate any recoverable SSP. Since this will now need to be done at the end of every month (or quarter) you may need to change your systems to accommodate the increased number of submissions.

## 8 BACS

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Using RTI, HMRC will match FPS submissions with BACS payments where possible. If you pay employees directly into their bank accounts via BACS, using your own Service User Number, you will need to submit a cross-reference hash with your FPS. Your BACS payments will include the same hash, allowing HMRC to match the FPS report of the payments with the actual BACS payments.

If you currently use BACS software and have a Service User Number issued to you then you will be affected by the change. If you are not sure if you will be affected, contact your BACS supplier and ask them if they will require a cross reference hash for their submissions. We cannot tell you if you require this reference.

Employers who pay staff using internet banking or their bank's own software and do not have a BACS Service User Number are not affected by this change.

The technical details of the cross-reference hash will be entirely taken care of by Superpay and your BACS software. You may need to make some one-time changes to indicate that you are using the hash but you will produce your payment link files in the same way as you currently do.

If you have your own Service User Number and you do not use the standard BACS 18 format, you must inform us as soon as possible so that we can arrange an update to the format of the payment link file you are using. You can check your file format by going to the Company record and checking the Bank link file in the Bank details section.

# 9 Agents

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## 9.1 General

Agents will need to check all their clients' existing Superpay data and collect extra information needed for RTI. Agents may also need to change their payroll procedures and client agreements.

Preparing for RTI is not simply a case of data cleansing and gathering new information. The most challenging aspect of RTI for many agents will be persuading clients to change their procedures to provide RTI compliant employee and payment data at the correct time.

## 9.2 Company data

The PAYE Accounts office reference is a mandatory field for RTI. This field is already in Superpay's Company Record but since it is not needed for current filing, many agents have not completed this field. Before April you will need to check this field for all your clients and update it if necessary.

## 9.3 Employee data

Before 6<sup>th</sup> April, you will need to have complete and accurate information about all your clients' existing employees. Superpay Version 4.4.0 will have a new RTI employee data report which you may wish to send to each client for them to give to their employees to verify and update their personal details in readiness for RTI.

After 6<sup>th</sup> April, your clients must give you timely and complete information about starters, leavers and all payments to employees. You will need to file a client's FPS's before employees are paid. The client cannot make any payments until you have filed an FPS on their behalf with the final pay figures. It is not unusual for clients to inform agents of payments after the payments were made. This is not permitted under RTI.

Your clients must also ensure that the payment details they provide to you are accurate and will not change before the payments are made. You will still be able to run payrolls and provide reports to clients before filing their returns for confirmation but the client must not pay employees until you have filed the return.

We expect this to be the most challenging part of RTI for agents. You must inform your clients of their new responsibilities before RTI begins so that they have time to make any necessary changes to their procedures before RTI starts.

### 9.3.1 Starters

From 6<sup>th</sup> April, clients must provide the following information about starters:

- P45 plus employment declaration or P46
- expected hours of work (in bands)
- pay interval
- if they are regularly or irregularly paid

before they pay an employee for the first time. You will no longer be able to set up just enough details to produce a payslip and then enter the remainder of the record later when the employee supplies a missing P45, for example. If your client doesn't have enough information to meet RTI submission requirements when the payroll is run, the employee's FPS submission will subsequently fail and your client must not pay the employee until the error is corrected.

### 9.3.2 Leavers

When an employee leaves, you will still supply your client with a paper P45 but the details of the leaver will be submitted to HMRC on the leaver's last FPS submission. This means that your clients must tell you when an employee is leaving before you run their last payslip. Agents are often told after the fact that an employee has left. This will no longer be acceptable under RTI.

## 9.4 Pay day

Under RTI, it is essential that you enter the correct date in run payroll. Even though Superpay currently asks for the pay day, many agents enter a variety of dates.

A common reason for not entering the correct date is that agents do not always know exactly when their clients pay their employees. This applies particularly to monthly paid employees where many agents consistently enter the month end date as the pay day. This approach gives the correct tax and NI but will not be acceptable under RTI. You will now be filing the pay day with every FPS. This date has not previously been submitted to HMRC so you and your clients may need to adapt your procedures to know exactly when each client will pay the payslips that you produce.

**Example:** You run a client's December payroll with a pay date of 31/12 but the client actually pays the wages early on 21/12. The Tax and NI etc. will all be correct, but the pay day will be incorrect. This is not acceptable to HMRC.

## 9.5 Additional payments

If a client wants to make an additional payment to an employee outside the normal pay run, they will need to tell you in advance so that you can process the payment and file an FPS – before the employee is paid.

### 9.5.1 Payments on account

If a client makes a payment on account which they intend to offset later against the next pay run, they must tell you so that you can produce a payslip and file an FPS. Under RTI, every payment to an employee must be recorded.

### 9.5.2 Amendments

If a client has not paid his employees and you have not already filed the employees' FPS's, you can make as many amendments as you wish. Similarly, under RTI, amendments to payslips that have already been filed are straightforward, as long as you carry corrections of any under- or over-payments to the next payroll cycle.

Since the process is more complex for corrections which result in extra payments outside the normal payroll cycle, you may wish to encourage clients to keep all payments and amendments to the regular payroll cycle. Obviously, there will be cases where such an approach could cause

hardship to an employee, so there will always be cases where extra payments because of prior errors will need to be made.

## 9.6 Client's responsibilities

You may need to change your procedures to accommodate the increased frequency of filing under RTI. Currently, before filing P35's, many agents send completed paper P35's to clients to check, sign and return. We do not think that it will be practical to have clients physically sign off every RTI submission that needs to be filed. Since you will now be filing every payroll rather than just year end returns, you may need to change your client agreements.

## 9.7 Shared payroll processing

Currently, many agents file the P35 and P14's for clients who have run their own payroll during the year – perhaps using HMRC's site. Under RTI, data must be filed as payments are made, so either the client has to submit all their own data throughout the year or you must start receiving payroll data in line with the payroll cycle instead of the current annual filing cycle. You cannot split RTI filing between client and agent.

## 9.8 BACS

Before RTI begins, you must find out if any of your clients pay their employees through BACS using their own Service User Number. If so, they will need to tell you so that you can produce link files from Superpay which will provide the hash numbers they need. The changes needed are covered in the general BACS section above. Please note: employers who pay their employees through Internet banking are not affected.

If you are a BACS bureau you should have already received information from your BACS software provider about changes for RTI. If you are not using the standard BACS 18 format then you must find out what file format is required and inform us of any changes needed for your link files.

There will be an additional field to indicate that you are producing RTI-compliant BACS files as an agent. If this is set, Superpay will produce a link file in the correct format.

## 9.9 Pilot

We have already enrolled a range of Superpay users to be part of HMRC's pilot. The next opportunity for new employers to join the pilot will be in March 2013. If any agent wishes to join the pilot then, you will need to register your interest with us by 1<sup>st</sup> December. You can enrol up to 4 clients, and for each client we will need:

- Employer name
- PAYE reference
- Accounts office reference
- Agent contact name + number

You cannot enrol split payrolls on the pilot. If your clients agree to be part of the pilot, please send any requests to [rtipilot@superpay.co.uk](mailto:rtipilot@superpay.co.uk) along with your agent name and licence number.

# 10 Sundry items

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## 10.1 Accounts office reference

The PAYE Accounts office reference is a mandatory field for RTI. This field is already in Superpay's Company Record but since it is not needed for current filing, many companies have left the field blank. Before April, you will need to check this field and update it if necessary.

## 10.2 Coding notices

Under RTI, employers will still be able to choose how they receive coding notices. We recommend that you use Superpay's HMRC notifications option to download your codes and update your employees' records, but you can still receive notices on paper and update your employees' records manually if you wish.

## 10.3 Penalties

HMRC's objectives for RTI will only be achieved if all employers file RTI returns on time. There will be penalties for employers who do not file in a correct and timely manner. Currently, PAYE filing penalties for late P35/P14's accumulate slowly. However, under RTI, you will be required to file returns throughout the year and if you do not file at the right time, penalties may quickly accumulate.

HMRC has not yet publicised what the penalties will be for incorrect, late or missing RTI returns.