

**Get on  
top of RTI**

**UK's No.1  
Payroll  
software  
provider**



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# Introduction to RTI

## Background

The Pay As You Earn (PAYE) system has changed very little since it was introduced in 1944. PAYE is the way that employees pay Income Tax and National Insurance Contributions (NIC). Employers deduct the payments from employees' pay each week or month.

PAYE, on the whole, is an effective system. However, it is prone to fraud and this makes it difficult for HMRC to identify errors or help either employers or employees to resolve problems quickly and efficiently, which is why RTI is being introduced.

## What is RTI?

Real Time Information, or RTI, is a new system that HMRC is introducing to improve the operation of PAYE. PAYE information will be collected more regularly and more efficiently as employers submit their regular payroll submissions, rather than with their end-of-year tax return.

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**RTI means that employers will send data about PAYE, NIC and student loans every time they pay their employees.**

**RTI will be introduced from April 2013 and will become mandatory for all employers from October 2013.**


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HMRC will notify employers 4 to 6 weeks prior to when they must begin RTI submissions.

## Why is HMRC introducing RTI?

**HMRC is introducing RTI for a number of important reasons.**

- 1 To enable a more efficient response to PAYE errors such as under or over payments.**
- 2 To support the introduction of Universal Credits, which will streamline benefits into one payment.**
- 3 To reduce fraud and ensure people receive the benefits they're entitled to.**
- 4 To provide the Department for Work and Pensions with up-to-date information about each claimant's employment income more efficiently.**



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It's vital that you familiarise yourself with RTI now and make sure you understand its impact on your payroll processes.

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## Preparing for RTI

RTI means that instead of sending information once a year to HMRC, you will send it every time you pay your employees. Information including PAYE details, NIC and student loans will be submitted electronically.

### Make sure your data is accurate

RTI is fast-approaching. Now is the time to make sure the information you hold on your employees is accurate.

Under RTI, the information you submit to HMRC every time you pay your employees is matched against records HMRC stores on its National Insurance and PAYE Service (NPS).

Under RTI, employers submit information to HMRC every time they pay their employees.

The information is matched against HMRC records stored on the National Insurance and PAYE Service (NPS).

If there's a mismatch between your information and HMRC's records, duplicate or inaccurate records may be created, resulting in incorrect tax calculations or HMRC compliance checks.



## Avoid a mismatch: prepare your data

To make sure you have the correct details for your employees, wherever possible, check the information you need against an official document such as:

- HMRC and/or Department for Work and Pensions documentation
- Passport documentation
- Birth certificate

If the employee cannot locate their National Insurance number, they can download Form CA5403 from the HMRC website, or they can phone the Registration Helpline on 0845 915 7006.

If the employee has never been issued with a National Insurance number, they should phone Jobcentre Plus on 0845 600 0643.

**For more information about getting your employees' information correct in preparation for RTI, please visit [hmrc.gov.uk/rli/dip/get-payroll-right.htm](http://hmrc.gov.uk/rli/dip/get-payroll-right.htm)**

## Mis\_g or incorerct data

HMRC says that over 80% of data quality problems are connected to employers holding incorrect or inadequate information on employees' names, birth dates or National Insurance numbers. Currently, HMRC has on its records:

- 824 employees with the surname 'Unknown'
- 507 employees called A.N Other
- 160 surnames of 'Test' and 100 with 'do not use'
- 128 staff entered Mr,Ms or Mrs 'Dummy'
- Over 3000 employees with an NI number of AB123456 or AA111111
- 40 employees over the age of 200 years!

## The Dos and Don'ts of Employee Information

Dos	Don'ts
✓ Enter the Accounts Office Reference	
✓ Enter the full Company Name and Address	
✓ Enter the correct Tax District and Reference Number	
✓ Enter the correct date of birth and ensure it's in the format DD/MM/YYYY	Enter a default date of birth such as 01/01/1901 or make one up ✗
✓ Enter employees' full forenames and surnames	Use 'known as' names, for example if an employee is known as Bob, you are still required to use his name in full – i.e. Robert ✗
✓ Enter a double barrelled forename or surname in full	Enter an initial in either the Forename or Surname boxes ✗
✓ Only enter an employee's correct National Insurance number	Make up an employee's National Insurance number ✗





# RTI - The Big Four Submission Types

There are four main RTI submission types. Follow our map to decipher what each one will mean to your business, how you can prepare and when you need to submit.



## What is it?

## What type of information is submitted?\*



### Employer Alignment Submission (EAS)

EAS is a one-off submission that will be used by HMRC to match and align company and employee records against the data it holds. Only businesses that employ more than 250 employees must submit an EAS but small and medium sized employers can volunteer to submit EAS.

- Company PAYE Reference
- Accounts Office Reference
- Tax Office number
- Employee name and address
- Employee NI number and tax code
- Employee payroll ID
- Employment start and end dates



### Full Payment Submission (FPS)

FPS is the main and most common submission type. It covers the employee payments and deductions made each time an employer pays an employee. HMRC will use this submission to calculate how much PAYE and NIC liability is due from your business each tax month.

- Starter and leaver information
- Employee initial, forename and surname
- Employee NI number, tax code and gender
- Employee address
- Employee payment information
- PAYE and National Insurance contributions



### Employer Payment Summary (EPS)

HMRC will know via your regular FPS submissions how much your PAYE and NIC liability is. The EPS is only submitted where you need to advise HMRC of any alteration to this liability (such as when reclaiming statutory payments) or where you're advising of a nil payment.

- Whether no payment is due
- Statutory Payments Recovered
- NIC Compensation on Statutory Payments
- Advance funding obtained from HMRC for tax refunds and statutory payments
- CIS Deductions Suffered
- NIC Holiday



### National Insurance Verification Request (NVR)

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.

- Employee's name
- Employee's date of birth and gender
- Employee's address



### When do I submit it?

EAS will be your first submission. You will submit when HMRC invite you to do so.



### What should I do to prepare?

Ensure that you've checked the accuracy of your employee data before submitting for every employee (including those who have left or haven't been paid yet) from the start of the tax year.



### HMRC



You must make a Full Payment Submission every time you make a payment to an employee. The submission must be made on or before the date the employee is paid. If you process a mixture of weekly and monthly payrolls for your business, you must submit an FPS for each one.



If you're a large employer employing more than 250 employees, you must make sure you have already submitted an Employer Alignment Submission.



If you're a small employer and this is your first FPS submission, you must ensure that you've checked the accuracy of all your employee data before submitting.



You should make this submission when or before the relevant monthly or quarterly liability payment is made to HMRC.



Firstly, you must identify whether you need to make this submission i.e. whether you need to inform HMRC of any adjustments to your monthly or quarterly PAYE and NIC liability. If you DO need to make the submission, be sure to make it on or before the date the monthly or quarterly liability payment is due.



You can make an NVR submission at any time you need to validate, confirm or request an employee's National Insurance. HMRC will either confirm the National Insurance number is correct or advise that the number should not be used.



Ensure that the information the employee has provided, including their name, date of birth, gender and address, is accurate. Do not make up or enter an invalid National Insurance number.





We're RTI ready!

## Changes to Payroll Year End

RTI will change the way Payroll Year End works. Although you will still be required to provide your employees with P60s and complete P11D and P11D(a) forms for taxable benefits and expenses, there will be some tasks you no longer need to complete:

- P14 and P35 submissions
- P38A returns for casual employees

## Are you an Accountant?

If you're an accountant you'll know that your work is integral to ensuring your clients' employee information is accurate. Inaccurate information could mean your clients' employees don't get paid on time.

We recommend that you familiarise yourself with RTI and review the processes you use to help clients perform key tasks such as taking on new employees or updating existing employee information. It's essential that you ensure your clients are providing you with accurate information and that you educate your clients on RTI and how to manage it.



# RTI: We've got it covered

Sage has provided simple and easy to use payroll software for over 30 years, consistently meeting HMRC's stringent payroll standard. We will ensure that all customers with a valid SageCover support contract will receive software updates that will make the transition to RTI straightforward and hassle free.

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Over 485,000 employers in the UK choose Sage Payroll software to pay over 7.5 million employees.

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## Sage and HMRC: working together for RTI

We've worked very closely with HMRC, investing significant resource in ensuring our Sage Payroll solutions are RTI-ready for the HMRC pilot, which began in April 2012. As a result, we're pleased to say Sage Instant Payroll and Sage 50 Payroll have been officially recognised by HMRC as RTI-ready.

The Chartered Institute of Payroll Professionals (CIPP) was just one of the high profile clients to take part in the pilot using Sage.

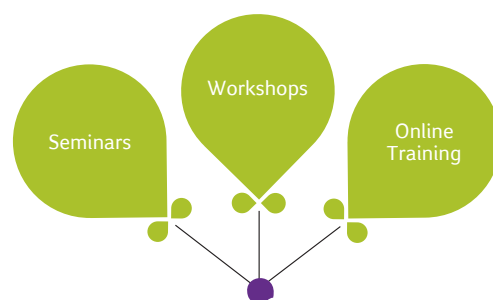
“With help from Sage, our experience on the RTI pilot has gone very smoothly and it has given us the confidence and practice to report our PAYE data in real time going forward.

We support all of HMRC's ambitious efforts to introduce RTI as seamlessly as possible by April 2013.”

Lindsay Melvin, Chief Executive of the CIPP

## Expert advice and training

To make sure you're RTI-ready we've developed training and support to guide you through everything you need to know. Whether you use Sage Payroll software or just want to know more about RTI, you can choose from interactive online training or a range of local seminars and workshops with our RTI experts across the UK.



We've received some great feedback on the seminars we've already run:

“The seminar has given me confidence to engage in RTI.”

“This has been a brilliant seminar. The product manager and business analyst were thorough and I feel confident for future submissions of FPS and EPS in April 2013.”

Want to learn more?

Visit [sagerti.co.uk](http://sagerti.co.uk) for details.

# Get ready... all systems go!

Preparation is key to success.

Make sure your business is prepared as RTI comes into force. Tick off each of these tasks as you complete them.

- I have read the RTI guidance and understand what information I'm expected to provide ☐
- I have RTI-ready software from my provider ☐
- I've checked my company details are correct, including: ☐
  - Name
  - Tax District and PAYE Reference
  - Accounts Office Reference
- I've checked my employee details are correct, including: ☐
  - Name
  - Address
  - Date of birth
  - National Insurance number
  - Gender
- I've entered the hours normally worked by my employees into my software ☐
- I've added all new employees to my payroll, including casual and infrequent employees ☐
- I've processed all leavers in this tax year ☐

You're now ready to  
make your first RTI  
submission.  
Blast off!

## The RTI Process, step-by-step

So, you're ready to make your first RTI submission, but what exactly does the process involve? Use this checklist to stay on top of RTI.

1. You've checked your company and employee data.
2. HMRC confirm your migration date, giving you 4-6 weeks' notice.
3. You make sure your payroll software is RTI-ready.
4. Migration day – Submit your Employer Alignment Submission (EAS).
5. Add any new starters who've joined your business since your EAS. Process and update your payroll. Process leavers.
6. Submit your Full Payment Submission (FPS).
7. Month end – Check if an Employer Payment Submission (EPS) is required.
8. Ongoing Full Payment Submissions and Employer Payment Submissions (if required).
9. End of Year process.

# Take the RTI test!



## Do you use Sage to process your payroll?

Great, in that case, so long as you have a valid SageCover support contract you can be confident that you'll be RTI compliant.

**Yes**

**No**

It's really important to prepare for new legislation changes. Take a look at our preparation success checklist to ensure you're fully prepared.

How do you currently process your payroll?

**HMRC**



If you currently use HMRC's free online return and forms PAYE service you will need to consider how you submit RTI as this service will not be RTI-ready.

**In-house software**



Has your payroll software provider let you know if your software is RTI-ready? It's essential that you make sure you're using a product that lets you stay legally compliant.

**Outsourcing**



RTI could mean an increase in the cost of outsourced payroll processing. Sage payroll can cost as little as 50p per employee, per month.

**Whatever size or type of business you run, there's Sage Payroll software for you.**

**Sage One  
Payroll**

**1 - 15 employees**  
Online solution

**Sage Instant  
Payroll Annual  
Licence Plan**

**10 or under employees**  
Software and support

**Sage 50 Payroll  
Annual Licence  
Plan**

**10-25 employees**  
Software  
and support

**Sage 50  
Payroll**

**Over 25 employees**  
Software for medium  
and growing businesses

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**Call 0800 694 05 61 or visit [sage.co.uk/smallbusinesspayroll](http://sage.co.uk/smallbusinesspayroll)**

**For a FREE trial of Sage One visit [uk.sageone.com/payroll](http://uk.sageone.com/payroll)**

**Trial our small business software for free online,  
visit [sage.co.uk/testdrive](http://sage.co.uk/testdrive)**




## Find out more

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