Intuit® ACCOUNTANTS

Don't Panic about RTI

What does RTI mean for your clients?

RTI stands for Real Time Information. It's a new system for submitting payroll information to HMRC. Under RTI, businesses will be required to submit payroll information every time they pay employees. RTI replaces in year forms and year-end payroll returns.

What does RTI mean for you?

RTI is generating a lot of fear and uncertainty among businesses. It is a major upheaval in payroll processes, but as an accountant, regulatory change should be your bread and butter. Neither you or your clients should lose sleep over the issue, but you should be in a position to bring comfort to your clients and advise them on the best way forward. This Intuit briefing is designed to help you:

- Understand what's involved in RTI
- Get clients to understand the issues
- Ensure clients are organised to tackle the efiling and data quality requirements in good time
- Make sure clients have payroll software in place to handle the task

Page 5 of this guide includes a checklist to help both you and your clients track preparations to ensure a smooth transition to RTI. If after reading this guide you have any further queries, more information is available through the [QuickBooks ProAdvisor Programme](#).

RTI is the biggest change to PAYE in over 44 years. The current system of reporting income annually worked when individuals typically had one job or received one pension. Annual reporting does not work in the modern day, where a lot of people have more than one job or pension. In these circumstances, the incorrect amount of tax is deducted during the tax year. Under RTI, HMRC will receive information in real time, and will be in a position to adjust the individual's tax code accordingly. It should be noted that this benefit will not be realised immediately. The aggressive timetable for RTI is driven by government's timetable for Universal Credits, the new welfare benefit which is being introduced from 1 October 2013. Income reported from RTI submissions will be used by the Department of Work and Pensions to calculate the correct amount of benefits to be paid to claimants who also work. Not having correct details and payment data could delay their benefits.

What are the main changes for payroll?

- **RTI will become part of the payroll process.** Whenever a payroll run is carried out, RTI data on the payments will need to be submitted before or when employees are paid. This includes information about starters, leavers, who has been paid, what was deducted and how much they were paid.
- **Employers won't have to complete annual returns.** RTI will simplify end of year payroll paperwork as it eliminates the need for annual payroll returns, because employers will supply HMRC with up to date information each time a payroll is run. The obligation to produce a P60 for employees will remain.
- **Less paperwork when employees leave or join the business.** RTI will submit details of employees who have started or left, so P45 & P46 forms will no longer need to be submitted to HMRC. However employers will still have to pass on a P45 to leavers.
- **PAYE data will need to be "aligned" with HMRC.** RTI is being used as an opportunity to cleanse this database by ensuring that the information held by employers on their employee's matches that held by HMRC. Most employers will need to go through a separate alignment process before they run their first RTI payroll. The next section of this guide, on Data Quality, will help you prepare for this.
- **PAYE payments to HMRC will need to balance to the actual amounts deducted.** HMRC will expect monthly/quarterly payments to agree to the amounts reported via FPS submissions. Any adjustments in regards of statutory payment recoveries, CIS and/or NICs payment holiday will need to be reported via an EPS submission. (Employer Payment Summary)
- Where you offer a payroll bureau service, you will need to ensure that your clients include the new data item fields for all new starters. You should also relay the importance of accurate data.

Data quality - the key to RTI success

In spite of its quirks, PAYE was designed to make it relatively easy for employers to take on and pay new staff. But with little more required than a name, tax code, bank details and NI category, HMRC has been left with a legacy of records for taxpayers such as AN Others, Mr, Ms or Mrs 'Dummy', Mr. Freelance and the like, many of whom were also provided with bogus or "temporary" national insurance numbers. All of this made-up data needs to be corrected; a number of data fields will need to be completed accurately, and some additional types of data will be requested.

Mandatory data

- Full name (not just initials)
- Date of birth (particularly important to check pension entitlements for the auto-enrolment regime and for benefits paid under the Universal Credit)
- National insurance number (NINO) – This is mandatory if it is available. This is used to cross reference employee data with both HMRC and DWP's records. Employees who do not have a NINO should be directed to contact their local Job Centre Plus office to arrange one.

New data fields

- Contracted hours – This is the number of contracted hours only. You will **not** need to update this each pay run based on actual hours worked.
- Passport number - This will be required for new joiners, and is a sensible identity check for employers to confirm the joiner's date of birth and that they are entitled to work in the UK. There is no requirement to collect passport numbers for existing employees
- Seconded/ex-pat employees - A separate P45 (Expat) will no longer be required; just set an indicator in the relevant RTI submission field

Different paths to data alignment

Depending on the size of your company, there are alternative routes to aligning your employee data with HMRC's.

- Companies with less than 250 employees:
  - Will be able to align on the First FPS (Full Payment Submission).
  - The First FPS sends details of employees employed from 6th April, including starters and leavers PLUS payment details of the payroll run.
  - Subsequent FPS submissions will only include the employees paid in a payroll run
- Companies with 250+ employees:
  - Will align on the EAS (Employee Alignment Submission)
  - Send details of employees employed from 6th April, including starters and leavers

5 Steps to prepare for RTI

1. **Start getting prepared now. Whilst some business may opt to join RTI early, the majority of businesses will need to start reporting under RTI from April 2013. HMRC will be moving larger companies onto RTI between May–September 2013.**   It is recommended that the required changes to payroll processes and procedures, including assessing current and/or introducing new payroll software, be implemented as soon as possible.
2. **Check employee details are accurate.** It is really important records match up with those held by HMRC as information will be submitted much more frequently
3. **Check if they can accommodate RTI in their existing payroll procedures.** You need to establish how easy it will be to slot RTI into their current payroll solution. This is where an RTI ready payroll system like QuickBooks Payroll, will make it really easy.
4. **How can clients submit payroll data to HMRC?** RTI payroll data must now be sent to HMRC electronically. It is no longer possible for businesses to manually enter the data into the HMRC website. QuickBooks Payroll software can send your information directly to HMRC.
5. **What happens when clients first start using RTI?** HMRC will align its records of employees with the businesses' own payroll records. This is important, because it ensures the data submitted gets recorded correctly by HMRC. QuickBooks Payroll software has a step-by-step wizard that will walk clients through this process, helping them to identify and fix any issues quickly.

No need to panic

There is no change to the way tax and national insurance are calculated, or to the way deductions are made. There is no need to change payment dates or payroll calculations. The only thing that's changing is how and when information is sent to HMRC. QuickBooks Payroll can help you be RTI compliant with every payroll run. It is easy to use and makes RTI and PAYE simple.

RTI Checklist

Task	Timing	Who?	Notes	Complete?
Confirm transition date	Now!	Finance/payroll manager*	You will need to apply with HMRC if you wish to file via RTI before April 2013. Check that your payroll software will have the RTI functionality available ahead of April 2013. Split PAYE schemes will not be able to join RTI before April 2013	
Check software functionality	3mos out	Payroll manager & payroll supplier		
Review & update payroll processes	3mos out	Payroll manager		
Review & update current data	2mos out	Employees & Payroll manager	See HMRC data quality guide	
Correct data	6wks out	Payroll manager		
Alignment Run	When you join RTI	Payroll manager	Remember this will either be a First FPS or an EAS submission, depending on the employer size	
Payroll manager* = the individual who administers the payroll function. This includes accountants who offer a payroll bureau service.				

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