iProCon White Paper

Real Time Information (RTI) With SAP Payroll UK

June 2012

Abstract

For most UK based organisations using SAP HR the start of the new tax year in April 2013 will bring a significant change: the old e-filing solutions, will be replaced by RTI (Real Time Information). This is not just switching from annual to monthly data transfer. The technical solution is basically changing completely and requires action in SAP HR configuration as well as XI / PI – and most notably thorough testing. This document provides valuable information for UK based employers (including UK subsidiaries of overseas organisations), who plan to implement RTI in SAP PY-UK to comply with HMRC regulation.

We hope that you can find this document helpful for your own planning. We are happy to arrange a call or meeting for client organisations, who are looking for more help in RTI deployment.

Real Time Information - Background

Under the current PAYE system employers tell HMRC what deductions they have made from employees pay after the end of the tax year. Only then are HMRC able to review whether the correct deductions have been made under PAYE. Real Time Information (RTI) is being introduced by HMRC to improve the operation of PAYE. It will make the PAYE system easier for employers and HM Revenue & Customs (HMRC) to operate.
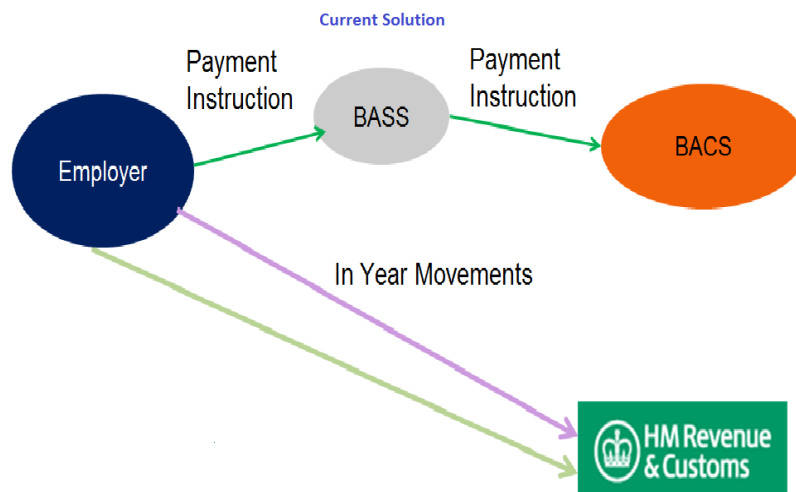
RTI Operational Changes for Employers

- Employers and pension providers will send details of all payments made through the payroll irrespective of the amount of pay or pension.

- Under RTI employers will not have to complete a P46 form and send it to HMRC. They need to obtain the P46 information from the employee instead and use it to complete the starter information, which will be sent as part of the RTI payment submission together with details of the employee's first payment, when the payroll is run.

- Employers and pension providers will not need to complete an end of year return (P35 and P14) or P38A supplementary return, as the SAP system tells HMRC about all payments made each time their payroll is run.

- Hardcopies of P45 will be issued to employees, but the submission to HMRC will no longer will be required.

- At the end of the tax year employers and pension providers will be expected to:

  - indicate on their last payment submission on or before the 5 April that this is the final RTI submission for the tax year

  - provide each employee and pensioner with a form P60

  - complete and file any forms P11D and P11D(b) due under the existing PAYE arrangements

HMRC High-level Roadmap for RTI

HMRC is piloting the RTI, with volunteer software developers (SAP is one of them) and employers for a year, starting in April 2012. HMRC and Newcastle University are two of the five pilot customers and have gone live already April 2012 as far SAP is concerned. I was Functional Lead for one of the pilot customers (HMRC).

A review will be carried out after the first live HMRC gateway postings for RTI and any missing/wrong data items identified during pilot will be notified to the payroll vendors and to pilot customers. So by April 2013 we have evolved solution

Employers and pension providers will begin to use the RTI service in the period April 2013 to October 2013. All employers will be using the RTI service by October 2013.

RTI Submission to HMRC

An RTI file should be sent to HMRC for each payroll run after the payment file has been sent to BACS
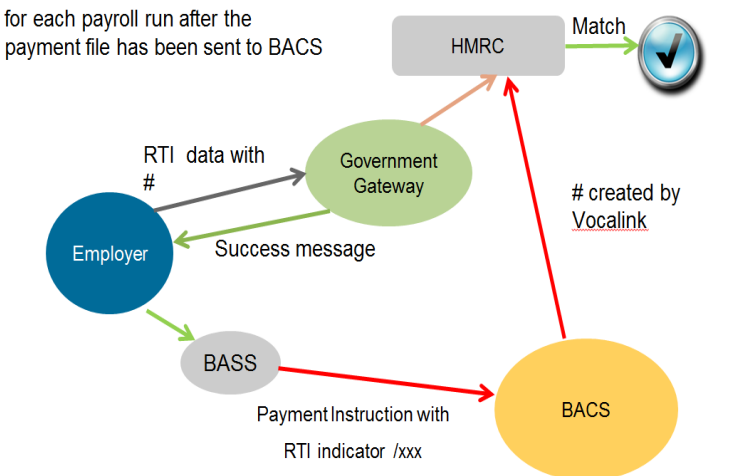
RTI Submission in Detail

All employers will be required to send their Real Time Information data to HMRC every time they make a payment to an employee/pensioner in a Full Payment Submission (FPS). However, prior to the first RTI FPS submission, it will be necessary for all employers to synchronize their employee data with HMRC in an Employer Alignment Submission (EAS). The National Insurance Number (NINo) will become the primary identifier for all. Once a month, employers are required to align the data reported on the FPS files with the amounts paid over to HMRC by sending to HMRC an Employer Payment Summary file (EPS). The adjustments made to your PAYE remittance in respect of items such as the reimbursement of statutory absence payments need to be reported to enable HMRC to reconcile the amounts returned on your FPS report with the amounts paid over to the Collector of Taxes

There are three different types of submission to be sent to HMRC:

File Type		
FPS	Full Payment Submission	The main RTI submission type giving a breakdown of the PAYE calculation for each employee/pensioner on each pay day
EPS	Employer Payment Submission	A monthly opportunity for an employer to adjust the amount of Tax, NI etc. due, to take account of changes applied at an employer level (NI Compensation etc.)
EAS	Employer Alignment Submission	A means of sending details of active employments to HMRC so that HMRC and Employer data can be aligned

Business practice to submit FPS to HMRC from SAP

There will be a requirement for all employers to review their business practices and in preparation of HMRC's strategic solution of sending RTI data in the same file as the BACS data, it might be prudent to consider this requirement when introducing RTI.
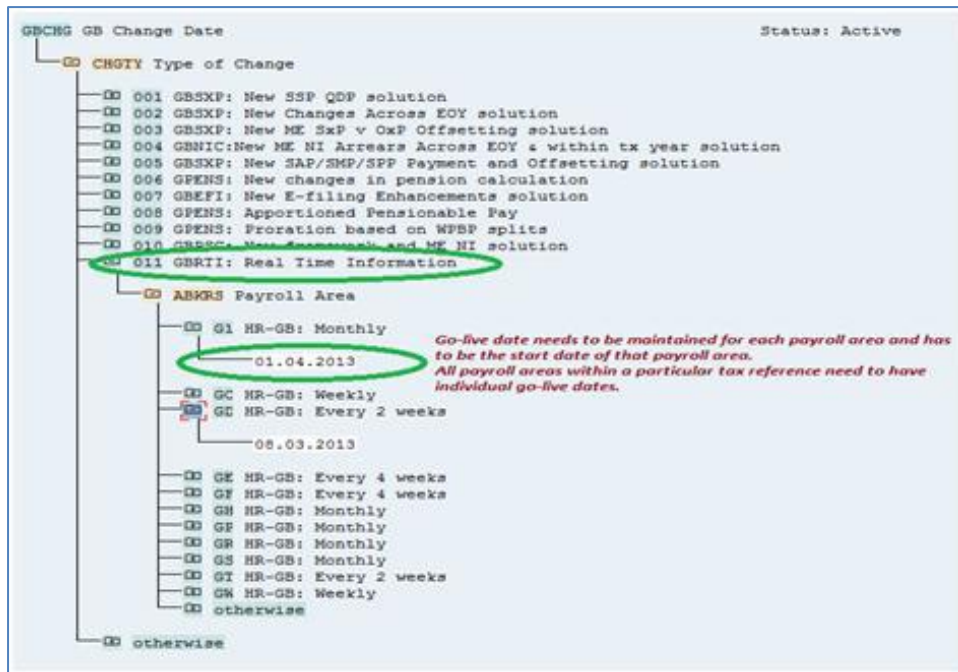
1. Whenever possible, all payments should be made using BACS as this will enable HMRC to reconcile the payment made to the employee with the reported values from the FPS report.

2. Where an employee does not provide bank details, some employers hold any payments due. Where an employee has no infotype 0009 maintained, the record will be rejected in the payroll run.

3. The Pre-DME program MUST be processed prior to the RTI submission being generated as this generates the RTI random value.

4. RTI random value will be stored in the payroll results in table RTI by the Pre-DME program and is required by the RTI program to create the hash.

5. The new RTI report RPCFPSG0 handles the RTI submission process, but does no complex Processing

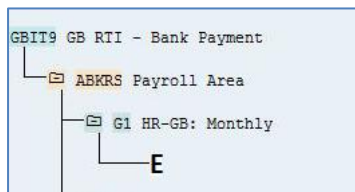## SAP Payroll Solution for RTI – Configuration Highlights

The following elements of system configuration comprise the SAP solution together with the XI/PI connection.

Feature: GBCHG

Node 11 of GBCHG feature will return the go-live date of the RTI solution. RTI must be activated for the whole of the tax reference.
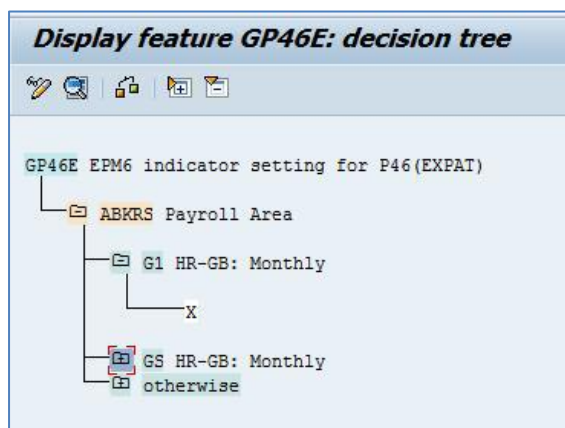
```
GBCHG GB Change Date                                    Status: Active

    └─ CHGTY Type of Change
         ├─ 001 GBSXP: New SSP QDP solution
         ├─ 002 GBSXP: New Changes Across EOY solution
         ├─ 003 GBSXP: New ME SxP v OxP Offsetting solution
         ├─ 004 GBNIC:New ME NI Arrears Across EOY & within tx year solution
         ├─ 005 GBSXP: New SAP/SMP/SPP Payment and Offsetting solution
         ├─ 006 GPENS: New changes in pension calculation
         ├─ 007 GBEFI: New E-filing Enhancements solution
         ├─ 008 GPENS: Apportioned Pensionable Pay
         ├─ 009 GPENS: Proration based on WPBP splits
         ├─ 010 GBSSC: New Agreement and ME NI solution
         ├─ 011 GBRTI: Real Time Information
         │      └─ ABKRS Payroll Area
         │           ├─ G1 HR-GB: Monthly        Go-live date needs to be maintained for each payroll area and has
         │           │    └─ 01.04.2013          to be the start date of that payroll area.
         │           │                           All payroll areas within a particular tax reference need to have
         │           ├─ GC HR-GB: Weekly         individual go-live dates.
         │           ├─ GD HR-GB: Every 2 weeks
         │           │    └─ 08.03.2013
         │           ├─ GE HR-GB: Every 4 weeks
         │           ├─ GF HR-GB: Every 4 weeks
         │           ├─ GH HR-GB: Monthly
         │           ├─ GP HR-GB: Monthly
         │           ├─ GR HR-GB: Monthly
         │           ├─ GS HR-GB: Monthly
         │           ├─ GT HR-GB: Every 2 weeks
         │           ├─ GW HR-GB: Weekly
         │           └─ otherwise
         └─ otherwise
```

Feature: GBIT9

```
GBIT9 GB RTI - Bank Payment

   └─ ABKRS Payroll Area

        └─ G1 HR-GB: Monthly

             └─ E
```

This feature is used to configure which pay methods are acceptable. The decision parameter is payroll area only.

Feature: GP46E

```
Display feature GP46E: decision tree

GP46E EPM6 indicator setting for P46(EXPAT)

   └─ ABKRS Payroll Area

        ├─ G1 HR-GB: Monthly

        │    └─ X

        ├─ GS HR-GB: Monthly
        └─ otherwise
```
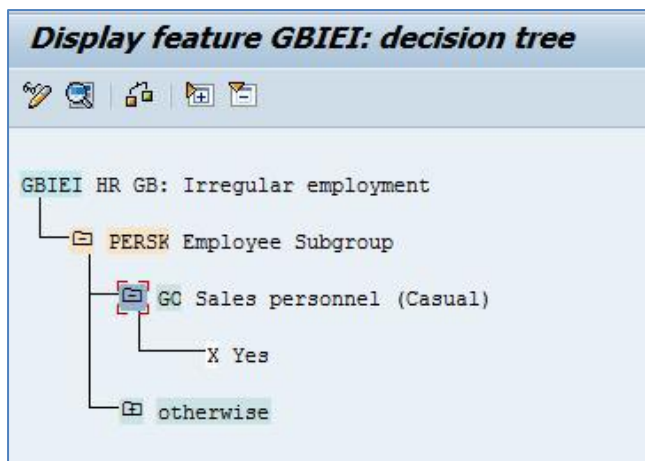
This is an existing feature, and is used to configure which employees have the EPM6 indicator set. The decision can be made only the payroll area level.

Feature: GBIEI

This feature is used to configure, which employees have an irregular payment pattern.

Those employees, who are on a term-time contracts and are not paid for every period in the tax year are employees with irregular payment pattern.

Staff with a regular Employee Group, who take extended period of unpaid leave or on long term sick without payment should also be returned as 'Irregular' during this period.

Processing Class 48

This processing class for wage types in T512W has been introduced to distribute pension contributions. These are the specifications available:

- 0 Pass on unchanged
- 1 Pension contributions under net pay arrangements
- 2 Pension contributions not under net pay arrangements

Those pension contribution wagetypes to be classified as contributions under net pay arrangements need to have the specification set to 1, while those that are not under net pay arrangements are to have the specification set to 2.

PCR GRTI

This rule is used to generate /520 – RTI Net Pay. It is determined as follows:

/520 = /550 – 171 + /172

i.e.: Statutory Net – Net additions + Ben Payroll

The rule is placed at the very end of the schema in sub-schema GEND.

PCR G048

This rule is used to distribute the pension contributions. Those contributions, which have processing class 48 and specification 1 will be added to /172 wagetype and those that have specification 2 will be added to /171.

RTI Implementation Tips and Pitfalls

Due to the critical nature of this change clients should allow enough time to implement and test the new RTI solution. A typical deployment schedule would require 3 month, though it can certainly be pushed through faster or may take longer depending on resources, procedures and the size and structure of the organisation.

Some tips and possible pitfalls to watch out for are:

- Most public sector organisations especially the Local Government (County Councils) have Term Time employees with irregular payment patterns. Feature GBIEI sets the return value as irregular payment (Value X) if you have classified the employees on a particular Employee Subgroup (ESG) Groupings. If you don't separate those employees through groupings yet, it is advised to do this now in order to get the correct return value using standard configuration options.

- SAP introduces new processing class 48 in the wagetype characteristics, all the pension contribution wagetypes to be classified as contributions under net pay arrangements and non-net pay arrangements. It is better to engage with your pension experts beforehand to avoid any last minute surprises.

  - The new wagetype NHWK is used to override the number of hours worked. The RTI file requires the number of hours worked by the employee to be reported (Data item 54 as per HMRC Guideline). By default the value is read from IT0007-WOSTD. However if the value thus read from IT0007 is not the desired one to be reported, then this wagetype can be used to override the same. A typical example could be your irregular payment employees. A detailed data migration plan is required to load this wagetype as part of the Go-Live plan. It can be entered via either IT0014 or IT0015

  - Employers using AVC (Additional Voluntary Contributions for Pensions) via IT0014 or IT0015 need to make sure the wagetypes are classified under the net pay arrangements or non-net pay arrangements. Also your RTI data item 61 and 65 it might have issues in that case, unless you write some PCR (Personnel Calculation Rule) to adjust wagetype /520.

  - SAP standard Statutory Recoverable and non-recoverable wagetypes (SMPN,SMPR etc.) are required for RTI. Some employers using custom wagetypes instead may have to change to the standard solution for RTI purposes.

  - Feature GBCHG (Node 11) will return the go-live date of the RTI solution. RTI must be activated for the whole of the tax reference. By default the feature will be delivered with the return value as 31.12.9999 for node 11. The go-live date must always be the start date of the payroll period for each of the payroll areas within the tax reference. This feature allows for activation at the payroll area level. Therefore it needs to be ensured that all the payroll areas within in a particular tax reference are activated with the RTI Go-Live date individually.

  Note: Transfer of employees from Tax reference A where RTI is active to another tax reference where RTI is inactive is not supported. The Person will be rejected in payroll with the Error message stating "Transfer to non-RTI tax reference, Hire afresh with different personnel number to process without errors".

  - The screen of infotype 0065 has changed with only one tab called "Tax Details". Employers who have written user exits for this infotype will need to

TAX DETAILS

Tax Details

Tax Code Source | P46
Tax Code | 647L

Tax Basis
◉ Cumulative ○ Week1/month1

Starter Declaration

Starter Declaration | 1

Previous Earnings

Taxable Pay | 0,00   Tax | 0,00

Pensioner Details

Annual Pension Amount | 0,00

☐ Recently Bereaved Indicator

Incoming XML Process ID |

Note: Although the above screen does not show the P45 issue details (Check box), SAP delivered a new screen with P45 issue details as part of the RTI solution.

- The Pre DME Program – RPCDTAG0 has been changed as part of the RTI solution. Employers using a custom Pre-DME program require code changes in their bespoke program. The new program generates random four character code, the first character always being "/":

```
Settlement Result
Personnel No.    19112011 Miss Early payment Test - Great Britain
Sequential No    00001 - accounted on 13.11.2011 - current result
For-Period       01.2011 (01.04.2011 - 30.04.2011)
In-Period        01.2011 (Fin.: 30.04.2011)


Table RTI - Real Time Information - Great Britain

Leaving Dt  Hire Dt     P46 Class  SL Ind  SL YTD           SL TP              ExPatP46  Res Status Ind  EPM6 Ind
Pen Brvd Ind  Annual Pens Amt       EE net pen dedn     EE Pre-tx pen dedn    Irr Pymt Ind  No.Hrs.wkd
Taxable pay YTD      Tax YTD              Taxable pay TP       Tax TP               No. of earn. per  Late pymt Ind
Net additions       Net dedns/ben        RTI Net pay          All Payrolled Ben    Ben Txd+NI
Ben Txd only        Ben NI only          SSP YTD              SMP YTD              OSPP YTD
SAP YTD             ASPP YTD             Dir's NI calc method  Pensioner  RTI Ind  XML ID


         01.04.2011  0                          0,00            0,00  0
                          0,00          0,00            0,00                   39,00
        3.000,00              600,00        3.000,00              600,00  1
            0,00                0,00        2.112,24                0,00                  0,00
            0,00                0,00            0,00                0,00                  0,00
            0,00                0,00                         /2D8
```

If you are interested in further information on SAP HCM or Payroll, we can arrange a meeting or a bespoke workshop. Please get in touch via email (info@iprocon.com) or phone (+44 7920 840 590).