

PAYE: RTI

Payroll Alignment

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Change Log

Version 1.0	December 2011	
Version 2.0	6 January 2012	Section 1.4 expanded to clarify FPS requirement if EAS has already been submitted

1. Summary of Payroll Alignment

1.1 What is Payroll Alignment?

Payroll Alignment is a data alignment process that every PAYE Scheme must pass through as the first step of moving onto Real Time Information (RTI). Where an employer operates multiple PAYE Schemes, each PAYE Scheme will need to undergo a separate Payroll Alignment. There are two possible routes to complete Payroll Alignment – depending upon the employer's circumstances. (See [1.4 below](#).)

1.2 Why is Payroll Alignment necessary?

Payroll Alignment is needed to ensure that HMRC and the employer hold a consistent view of the employees on the employer's PAYE scheme. This will help ensure that payment information can be matched efficiently to the correct employee record, once the employer starts sending RTI payment submissions.

1.3 How will Payroll Alignment be completed?

An employer will complete Payroll Alignment by providing HMRC with an extract from their payroll(s) for each PAYE Scheme that they operate. This extract must show all the individuals employed in the PAYE Scheme since the start of the tax year (see below for how this extract should be provided). Employers will be asked to do this separately for each PAYE Scheme they operate.

HMRC will then compare the information in the extract to the information that they hold on our NPS system for the PAYE Scheme. Where differences are identified, HMRC's records will be updated to reflect the information in the extract. For example, where HMRC holds an employment record that was not provided with the employer's payroll, the HMRC employment record will be closed down. Where the employer's payroll shows an employment record that is not currently held by HMRC, a new employment record will be created by HMRC.

1.4 What type of submission must I send for Payroll Alignment?

Employers will receive a separate invitation to join RTI for each PAYE Scheme that they operate. Each invitation will contain an "on-boarding date" – this is the date after which the employer is requested to send their first RTI submission for a specific PAYE Scheme. The first RTI submission must contain the extract of payroll to be used for Payroll Alignment.

Two types of RTI submissions will be utilised for the purpose of Payroll Alignment – the type required by HMRC will depend upon the circumstances of the employer's PAYE Scheme. HMRC has worked closely with the payroll software industry to ensure that these submission types are included in the latest payroll software releases.

First "Full Payment Submission"

In most instances, HMRC will complete Payroll Alignment using the information provided by the employer the first time they send a Full Payment Submission (FPS). This is the electronic RTI

submission that employers will complete and send each and every time that they pay their employees to advise HMRC which employees they have paid and how much.

The key difference between the first FPS and a normal FPS is that, while the latter will normally only provide information for employees who have actually been paid in the period, the *first* FPS must show *every individual employed since the start of the tax year* (even if they have left at that point or have not been paid in that period) to ensure that Payroll Alignment is completed correctly. If an EAS has been submitted, employers can submit a first FPS for each 'part' of the payroll for example, one First FPS for weekly pay, one for monthly and a separate FPS for leavers, if they prefer to do so.

Further information is provided in the answer to Q3.11 on our [Frequently Asked Questions for Developers Internet page](#) and shows how the FPS should be completed for employees who are not paid in the period covered by the first FPS (for example, because they have left).

“Employer Alignment Submission”

In certain circumstances, HMRC will require the employer to complete a submission specifically designed for Payroll Alignment, the “Employer Alignment Submission” (EAS), before the first FPS is sent. There are two scenarios where an EAS will be required:

1. **PAYE Scheme containing more than 25 employees:** Due to the additional complexity of Payroll Alignment for larger PAYE Schemes, HMRC will need to separate the Payroll Alignment processing from the processing of payments information. Therefore an EAS is needed before any FPS can be processed.
2. **PAYE Scheme needing to be submitted in parts for Alignment:** Where a PAYE Scheme meets HMRC's strict criteria for “Alignment in parts” (see below), Alignment cannot be completed using the FPS form. Therefore EAS forms must be completed and sent for Payroll Alignment. **However, please note that the functionality for Alignment in parts will not be available until April 2013 and so EASs covering part of the PAYE scheme should not be sent in 2012/13 i.e. the first RTI submission must cover the whole PAYE scheme.**

Where an employer falls under either of the above scenarios, they *must* send an EAS before any FPSs are sent. However, if an employer *does not* fall under either of the above scenarios, but still wishes to send an EAS for Payroll Alignment, they may do so.

As with the first FPS, the EAS(s) must show *every individual* employed since the start of the tax year – even if they have now left or have not been paid.

In addition, once an employer has sent an EAS, they **must also send a FPS(s) showing the pay and deduction information for any individuals who have been paid in the tax year and will not be paid again in the first month.** Details need to be included for:

- Individuals who have left since start of tax year
- Individuals who are irregularly paid where the “Irregular Payment Indicator” is set
- Individuals who are paid less frequently than monthly

The FPS(s) for all of the above employees must be sent within one month of EAS. Separate FPS(s) for current and departed employees are acceptable if that is easier for the employer to handle.

1.5 Why does my First FPS or EAS need to show every individual I have employed in this tax year?

It is very important that the RTI submission used for Payroll Alignment (either the First FPS or EAS) shows *every individual* who has been employed in the PAYE Scheme since the start of the tax year. This includes employees who have now left or who have not been paid in the period. This is because HMRC will assume any employees not provided on the First FPS or EAS have now left the organisation. Therefore, any individuals accidentally omitted by the employer will have their corresponding HMRC record closed down. This could result in inaccurate taxation for the employee, and additional administration for the employer to resolve the issue.

Please also remember that, even where Payroll Alignment is completed against an EAS, information for every individual who has been paid in the tax year will need to be included on a FPS to ensure that their pay and deduction information is captured by HMRC.

1.6 When should I send my first FPS or EAS?

If an EAS is used for Payroll Alignment, this should be sent *as soon as possible* after the on-boarding date provided in the PAYE Scheme invitation.

If a First FPS is used for Payroll Alignment, this should be sent the next time a payment is made after the on-boarding date to any of the employees in the PAYE Scheme.

1.7 Can I send my submission for Payroll Alignment in multiple parts?

Alignment in parts will not be possible in 2012/13. From April 2013, employers should only send multiple EAS parts for Payroll Alignment where it is impracticable for the employer to consolidate the payroll information for a PAYE Scheme into a single EAS or FPS. Acceptable scenarios include:

- A single PAYE Scheme operated on separate instances of payroll software and/or operated by separate payroll bureaux.
- A single PAYE Scheme containing employees with different payment frequencies (for example, some monthly, some weekly) where these are maintained in such a way as to make consolidation impracticable.

The infrequent and very specific situation where an alignment submission to be sent via the internet would exceed 23.8Mb in size, is unable to be compressed, and must be partitioned into smaller pieces because of bandwidth restrictions.

Where a PAYE Scheme meets either of the above conditions, the employer may send in multiple EASs for the same PAYE Scheme. For Payroll Alignment, submission in parts cannot be accommodated through the first FPS.

Important Note: Alignment in parts will not be possible until April 2013 because the data items that will be used to control part submissions will not be added to the EAS until April 2013.

Summary Table

	Payroll Alignment to be completed against the <u>First FPS</u>	Payroll Alignment to be completed against an <u>EAS</u>
Who do I include on my EAS?	Not Applicable When the PAYE Scheme does not meet the criteria for an EAS, an EAS does not need to be sent.	All individuals employed in the PAYE Scheme since the start of the tax year. Includes employees who have left since the start of the tax year or have not been paid in this period.
When do I need to send my EAS?		As soon as possible after the stated on-boarding date.
Do I need to send my EAS in a single submission?		Yes, in nearly all instances. Where the PAYE Scheme meets HMRC's criteria for Alignment in parts, such submissions may only be made from April 2013.
Who do I include on my first FPS?	All individuals employed in the PAYE Scheme since the start of the tax year. Includes employees who have left since the start of the tax year or have not been paid in this period.	Any individuals who: <ul style="list-style-type: none"> • Have been paid in this period (must be sent on or before payment date) • Have left since the start of the tax year (within one month of EAS) • Have been paid within the tax year but who will not be paid within the first month (within one month of EAS) These FPSs can be sent via separate submissions or included in combined submissions.

	Payroll Alignment to be completed against the <u>First FPS</u>	Payroll Alignment to be completed against an <u>EAS</u>
When do I need to send my first FPS?	On the first payment date after the on-boarding date.	<p>All individuals, who have been paid in the tax year, must be included on a FPS within a month of sending the EAS.</p> <p>Where the payment date falls on the same day that the EAS is sent, the FPS should be sent the following day.</p>
Do I need to send my first FPS in a single submission?	Yes	<p>No</p> <p>Where Payroll Alignment is completed against an EAS, the first FPS can be sent in multiple parts. For example, it may be easier to send one FPS for the individuals who are being paid at that pay date, and a separate FPS for the individuals who have left.</p>

1.8 What do I do once I have sent in my first FPS or EAS?

Once an employer has sent their first FPS, or EAS, they are considered to have joined RTI for that PAYE Scheme. They no longer need to send P45 or P46 forms. They should start sending the following RTI submissions as their own payment cycles and circumstances dictate:

- Full Payment Submission (FPS) – employers should send this each time that they pay their employees to advise HMRC which employees they have paid and how much
- Employer Payment Summary (EPS) – employers should send this to report the amounts of recoverable Statutory Payments, NICs compensation on Statutory Payments, CIS deductions suffered and NICs holiday deductions. HMRC uses this information to reduce the charge calculated from the FPS submission. The EPS can also be used to notify HMRC that no payment of Income Tax, NICs, CIS deductions and / or Student Loan deductions is due for a particular tax period.
- NINO Verification Request (NVR) – employers will send this to validate or obtain a National Insurance number (NINO) for an employee. HMRC will use the information in the NVR to provide you with the correct NINO to use for your employee.

However, if an EAS is sent and some employees in the PAYE Scheme are due to be paid on the same day, the employer should wait until the following day before sending the first FPS for those employees.

Every first FPS or EAS sent in for alignment will be checked for quality by HMRC. In some circumstances HMRC may need to contact the employer to discuss the first FPS or EAS and, exceptionally, may request a new FPS or EAS submission. Any FPS sent by the employer relating to payments made in the interim will not usually need to be resent. HMRC will contact the employer to discuss any other data that needs to be resent.