

10 things to consider when purchasing Payroll Software

Selecting the right software for your business is vital to your success and growth. The software providers which make up BASDA's membership have been through thousands of software purchasing cycles. Our set of best practice software selection guides distils this experience to help your business make the right purchasing decisions and can be found at www.basda.org/bsg

This guide focuses on Payroll Software. We suggest you read it in conjunction with either our [Selecting Business Software Guide \(for medium and large organisations\)](#) or our [Selecting Business Software for Small Business Success](#). These provide tips and tricks relevant to selecting all types of business software. You may also find our [10 things to consider when purchasing Accounting Software](#) useful.

1 Payroll Software will not make you a payroll expert

Payroll tends to be quite a specialised role in many businesses and correspondingly, software tends to be very configurable. It is up to you as a purchaser and user to decide what's applicable to your own company. For example which elements of pay are taxable; NIC-able (i.e. relevant for National Insurance Contributions); pensionable; the qualifying earnings for auto-enrolment; student loans; bonus for Gender Pay Gap Reporting etc.

Employees get sick, have children, take holidays, receive court orders, leave. All these events require specific actions to be performed with the software – and you need to be clear how your business will handle these processes.

2 Type of business – employer/bookkeeper/accountant/payroll bureau

Depending on the type of business you are purchasing payroll software for, check that the system is designed to cater for this specific business category; this may well also impact the costs of that software – especially if operating on behalf of other companies/business units.

3 Cloud or On-Premise?

Should you be looking for an On-premise or a Cloud solution?

Note that some Cloud solutions have fewer features and configurability than systems installed locally on-premise – but benefit from being hosted and upgraded for you and may offer more capabilities for collaboration with others.

4 Give yourself enough time

Allow plenty of time to analyse and test systems and, if moving from another payroll solution, produce a migration plan. This needs to fit in with your own business cycles, resource availability, financial years and legislative changes.

5 Data transfer

If you are moving from an existing software or manual system, what processes will be needed to transfer the data? Are data transfer capabilities provided by the software or does the provider work with a partner to achieve this? What types of data need transferring and what are the volumes? Will manual re-input be required?

6 Try before you buy

Many payroll software providers offer free trials. It may be appropriate for your business to utilise these. However, be aware that some software may automatically submit RTI (Real Time Information) data to HMRC, because of this and to meet data protection requirements, you should never use real-world data for set-up and testing. For example, use dummy PAYE references.

7 Understand the costs

What is included in the software pricing? Are support costs extra and are there different support packages? What are the costs of upgrades if the business grows? Is the type of support you need available when you need it, e.g. specifically at the end of the tax year; during your own office hours; 24/7 etc? Also, On-Premise and Cloud options often feature different commercial models – with On-Premise costs often being more 'upfront-loaded' whereas Cloud solutions have costs more distributed over the lifetime of that solution. Consider which model best fits your finances.

8 Pension interfaces

Does the software support interfaces to the Pension Provider(s) you will be using? If the interface(s) are through .csv file uploads this will increase the time taken to complete your payroll process as opposed to interfaces via API links, which provide direct connectivity enabling your pension information to be passed across at the click of a button. Some Pension providers only accept a single upload of information each month which requires payroll software to accumulate data for weekly paid employees.

9 HMRC needs

All payroll software needs to submit timely payroll information to HMRC via RTI (Real Time Information). It should be noted that the payroll software listed on HMRC's website www.gov.uk/payroll-software/paid-for-software does not necessarily allow submission of all RTI documents. You should consider which features you need and make sure the software you choose includes these.

10 Special requirements

Do you need your payroll software to handle less popular pay frequencies such as daily, 2-weekly, 4-weekly and annual pay frequencies? Will you be paying Directors? Make sure the payroll software will handle Directors NIC calculations.

If you are paying employees who are also taxed abroad you will need payroll software that handles 'Appendix 5' – the rules covering the deduction of foreign tax in addition to UK PAYE tax from payments made to employees sent to work abroad.

About BASDA

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