PAYE Modernisation
ISME
21st November 2018

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Background & Design Principles

Why modernise PAYE?

Changing nature of:

- Employments
- Payroll
- Information and communications technology
- Expectations

PAYE Modernisation

EMPLOYER

Seamless integration into payroll

Minimize employer cost to comply

Abolition of P30s, P45s, P46s, P60, End of Year Returns

Right tax paid on current due dates

Time savings

EMPLOYEE

Simplified online services

Maximise use of entitlements

Automatic end of year review

Real time accurate data

Transparency

Revenue
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Statutory in-year employer return

Making compliance easier

Accurate up to date income details

Reduced customer contacts

Timely targeted interventions

Context

Employee/Employer Statistics Oct 2018

- **Employees**
- 2.9m active employments (includes pensions)
- 292,000 employees >1 live employment
- Multiple employments with the same employer

Employers
- 179,00 employers
- 111,000 employers with ≤ 5 employees
- 98% File through ROS

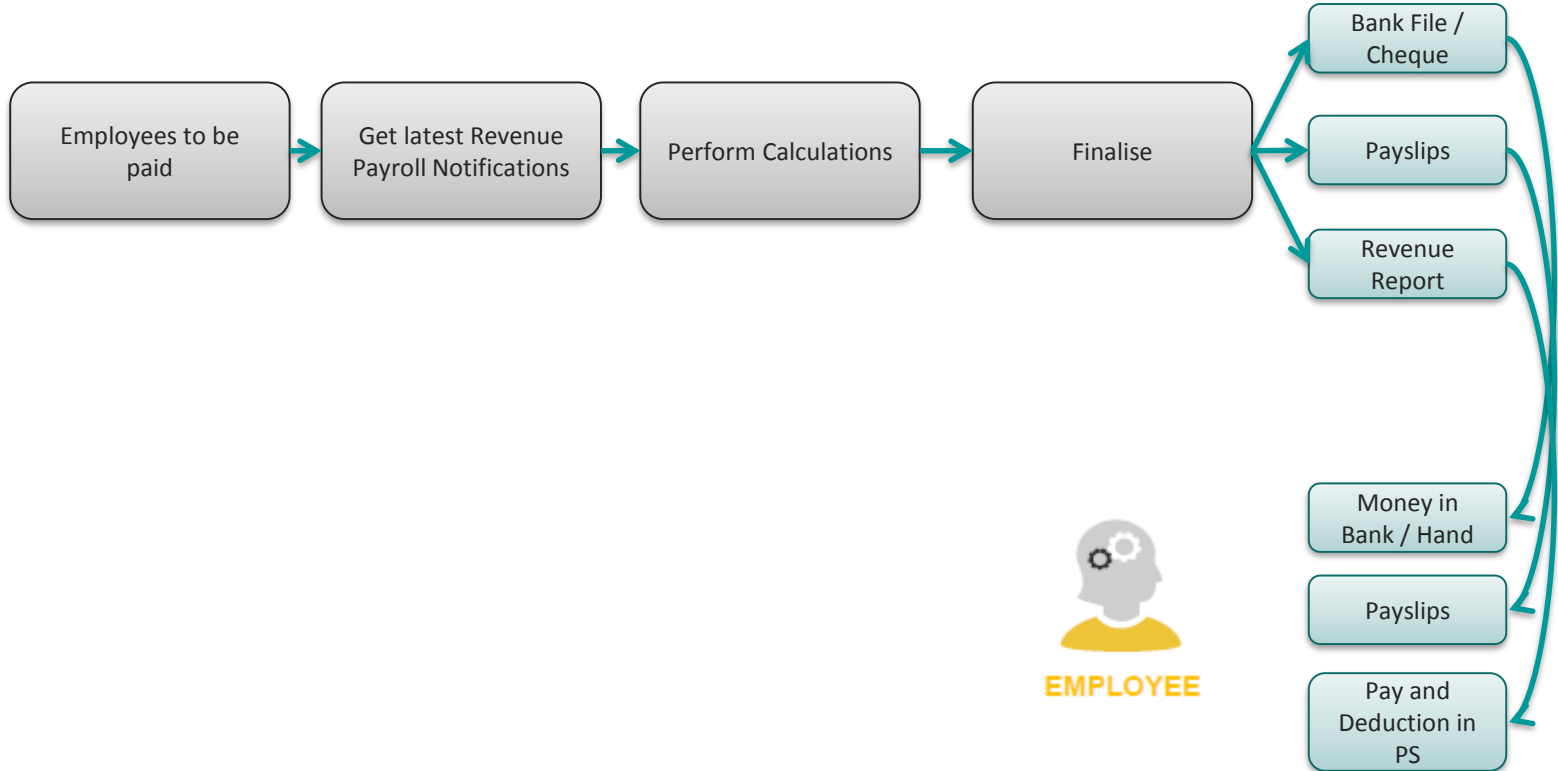# PAYE: Current Employer Obligations

Paying Employees & Reporting

1. Apply the latest P2C
2. Calculate tax to be deducted (IT, USC, PRSI & LPT)
3. Provide the employee with a payslip that shows the pay and deductions made
4. P45 / P46 for every employee starting or leaving employment with them
5. Each month / quarter submit a P30 and payment
6. By February of the following year complete a P35 with the associated listings for all employees

High Level Design and Process Flows

Seamless integration of reporting into the payroll process

EMPLOYER

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Employees to be paid → Get latest Revenue Payroll Notifications → Perform Calculations → Finalise
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Finalise →
- Bank File / Cheque
- Payslips
- Revenue Report

EMPLOYEE
- Money in Bank / Hand
- Payslips
- Pay and Deduction in PS

Abolition of P30s, P45s, P46s, P60, End of Year Returns

- Statement issued to employer each month with total tax due based on submissions

- Statement deemed as **Statutory Return** if no corrections made by return due date – **14th of following month**

- New employees (P45/P46) set up in payroll and Revenue Payroll Notification requested will commence the employment

- Payroll submissions by employers will include commencement and cessation dates

- End of Year Returns (P35) - each month stands as a statutory return. No option to tidy up at year end

- For 2019 there will no longer be an obligation on employers to provide P60 to employees

Payroll Reporting Options

Payroll Reporting Options

Payroll Software

- Direct Payroll Reporting- payroll software communicates with Revenue seamlessly

- ROS Payroll Reporting- Upload files created by payroll software through ROS

No Payroll Software

- Employer must request RPNs and complete an online form to record pay and payroll deductions for employees through ROS

Stakeholder Engagement – Business Process

Operation of Payroll

- It is clear from the consultation to date that for some employers the focus on the end of year reporting may have contributed to in year payroll processing practices that are not fully in line with PAYE regulations. ***The end of year tidy up is gone***

- The real time reporting regime will make these visible and such processes will need to change.

- Employees must be easily able to reconcile their payslips with the data submitted to Revenue on their behalf.

Net pay arrangement

- Net pay arrangements should not be agreed, they can leave the employer exposed to an additional liability due to reallocation of credits by the employee.

- If incorrect tax credits and rates are already allocated – you as the employer could be liable for any shortfall with the possibility of the amount being re-grossed

- Always deduct tax based on the Revenue Payroll Notification (RPN)

- Ensure that correct tax deductions are applied

- The RPN is available in real time –credit and rates available for that employee at payment time.

Corrections

- While it is recognised that errors in payroll will occur, every effort should be made to ensure that submissions to Revenue are accurate and timely.

- If the information contained in the statement issued by Revenue is incorrect, there is a <u>legal obligation on the employer to fix the relevant payroll submissions</u> to ensure that the return reflects the correct liability for the month.

- This may require the employer to fix incorrect submissions or submit any outstanding payroll submissions.

- All data received, including corrections and the timing of submissions, will feed into Revenue's risk analysis systems.

Preparing for PAYE Modernisation

External Change Management

- Two Letters have issued to all employers advising of the PAYE Modernisation changes.
- Ongoing Revenue presentations at outreach events focussing on employers and agents
- Employer customer service visits by District staff commenced in May and will continue to end of 2018
- 115 Revenue regional seminars delivered to employers and agents during September and October
- Media and advertising campaign currently live

Getting Ready

- Have you the right Personal Public Service (PPS) number for all your employees?
- Have you registered your employees with Revenue?
- Have you an up-to-date tax credit certificate for all your employees?
- Have you completed the P45 process for any employees who have stopped working for you?
- Have you adequate controls in place to ensure that benefits/notional pay are being accurately calculated during the year?
- Are you aware of your duties as an employer at the end of the year?

Information

Information

- Regular updates on revenue.ie

- National Employer Helpdesk: 01-7383638 or 1890-254565

- MyEnquiries - for complex queries.