

Our ref: FG/KK

PAYE Modernisation
Revenue Commissioners
Bishop's Square
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Dublin 2
payemodernisation@revenue.ie

12 December 2016

Subject: Public Consultation Paper on PAYE Modernisation

Dear Sir / Madam

We refer to the public consultation paper in relation to PAYE Modernisation where views have been specifically sought on the proposed modernisation of the collection of income tax through the PAYE system.

Mazars is a leading professional services firm specialising in audit and assurance, consultancy, corporate finance and tax in Ireland and internationally. We are making this submission in relation to the proposed PAYE modernisation in our capacity as a tax advisory firm, a payroll service provider and also as an employer.

Our observations and recommendations

We would like to make the following observations and recommendations:

- Firstly, Mazars welcomes the purpose of this consultation to modernise the collection of tax through the PAYE system.
- The availability of real time reporting should lead to savings for the Exchequer by hopefully reducing fraud, errors and overpayments in tax credits.
- We agree that regular collection and submission of information should lead to improvements in the timeliness and accuracy of payments from employers to the Revenue Commissioners. However, it is important that the design of any new real time reporting system reflects the way that payroll operates in the real world. The operation of payroll and the collection of information via a real time reporting system must not further complicate the current PAYE system for employers.
- It is clear that a new real time reporting system would help the Revenue Commissioners to improve its enforcement and compliance activities. However, it is important that the new system does not lead to additional costs and administrative burdens for employers.

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- It is important that the new system makes it easier for employers, pension providers and the Revenue Commissioner to administer the collection of tax. For example, if the new system makes the leaver and joiner process smoother, this should mean that those who change jobs frequently are more likely to pay the correct amount of tax at the right time.
- We welcome the proposal that employers would no longer be required to provide information to the Revenue Commissioners using forms P30, P35, P45 and P60s under the new system, as this should help reduce the amount of paperwork.
- We welcome that there is no proposal to change the due dates for employers to pay over the tax deductions and contributions to Revenue. This is important as if a real time deduction was introduced in addition to a real time reporting requirement, the real time deduction could have an adverse cash-flow impact for some employers.
- We anticipate that there may be some operational practicalities and an administrative burden for employers of operating any new real time reporting system. We have identified below some issues and questions we think that employers may be concerned or thinking about in relation to the proposed introduction of a new real time reporting system:
 - Employers will need to change current payroll processes;
 - We note from the Consultation Paper that *“Revenue will carry out periodic reconciliations throughout the year of employees tax deductions, based on actual pay and tax details, to ensure that employees optimise the full benefit of their tax credits and rate bands across employments during the year.”* Employers will have concerns about how many reconciliations might take place during the year and the impact of these from a time and cost perspective.
 - The possible need to check and amend data held about existing employees;
 - Training staff on the new system;
 - Updates required to payroll software and processes;
 - The employer will still remain responsible for the actual payroll matters such as calculations, payments and preparation of personal records.
 - The real time reporting system must also cater for multinational companies operating in Ireland. The operation of actual payrolls and shadow payrolls is already challenging for these companies in terms of tracking the movement of their internationally mobile employees, therefore, any new real time reporting system must be flexible and not further complicate the operation of the PAYE system for these companies in Ireland.
 - Will employers be required to capture more information from employees, than they currently have to do, in order to meet their PAYE obligations under the new system?
 - Will small employers be given more flexibility than larger employers in relation to the new system?
 - In addition to the potential administrative burden that real time reporting may bring, the above issues may also lead to additional costs for employers, some of which may be one-off but others may become on-going, which could make the new system more difficult for employers to comply with.
- Given that the HMRC already operates a real time information (RTI) system in the UK, the Revenue Commissioners should ensure that any lessons learned from the roll-out of the system in the UK are factored in to any future roll-out of a similar system in Ireland.
- There is likely to be some employers which will encounter challenges or problems moving to or reporting in real time. We recommend that the Revenue Commissioners works closely with software developers, payroll services firms, employers, tax practitioners and representative bodies to ensure a smooth transition to the new real time reporting system. Hopefully, the benefits of real

time reporting will build over time as employers gain confidence and familiarity of what they need to do.

- We recommend that any timetable for the introduction of real time reporting is reasonable and takes into account the degree of change facing employers and the time required for software developers to build and test new systems which can help employers meet their new PAYE compliance obligations.
- Given that PAYE modernisation will be the most significant reform of the administration of the PAYE system in over 50 years, we think that a phased introduction of real time reporting should be implemented in order to help with a smoother migration for employers to the new system. Once each phase is bedded down and evaluated in practice, then further phases can be rolled out, as appropriate.

We trust you will find the above observations and recommendations useful. If you have any questions, please contact Frank Greene (01 449 6415) or Ken Killoran (01 – 449 4451).

Yours faithfully



Mazars