

PAYE Modernisation  
Revenue Commissioners  
Bishop's Square  
Redmond's Hill  
Dublin 2.

12<sup>th</sup> December 2016.

**Re: Public Consultation Paper**

Dear Sirs,

I refer to your invitation to submit observations on your Public Consultation Paper re PAYE Modernisation dated 11/10/2016.

This paper states that “the objective of PAYE Modernisation is that Revenue, employers and employees will have the most up to date information relating to pay and tax<sup>1</sup> deductions”. As noted, this reference to tax includes “tax, PRSI and USC” – presumably LPT was an inadvertent omission here. It states that this “will ensure that the right tax deduction is made”. It also suggests that this process will “improve the accuracy, ease of understanding and transparency of the PAYE system for all stakeholders”.

My experience in providing software systems and support to employers since 1980 suggests the following steps are involved in ensuring that “the right tax” is deducted:

1. Employees have sufficient general knowledge to know that they can claim certain tax credits and allowances, and to know how to claim those allowances
2. Employers upload the latest P2C data from ROS on a regular basis
3. Revenue check that the latest P2C data is being used by employers.

Revenue can certainly assist employees with their general knowledge and provide online facilities for employees to access their Revenue details, using the “myAccount” online option. Revenue statistical data such as RVA11 can help identify whether most qualifying employees actually claim various allowances.

In the case of employers' use of current P2C data, I believe that additional work could be done by Revenue to achieve better compliance in this regard. This could have a significant impact on achieving the stated goal of this project.

Separately, with regard to an overall improvement in the transparency of the PAYE system, I believe that Revenue could take more pro-active action to improve the payment options of and control over PAYE/PRSI/USC/LPT paid by employers.



## Cross-Check P2C Data

In the course of a separate presentation by Revenue on “Smart PAYE”, it was noted that one of the key drivers of this project is the significant number of instances where employees have more than one employment (over 200,000) and also the number of multiple employments with the same employer. The prevalence of casual labour market conditions and its consequences will, no doubt, increase these statistics. This makes a heavy demand for P45 and P46 forms, over 1m of which are currently being processed by Revenue.

It is suggested that Revenue can be pro-active in trying to assist employees with dual employment having an appropriate allocation of credits and allowances so as to maximise their use of same, and thereby reduce the instances where employees would need to submit a claim for a tax/USC refund after year-end. It would, of course, be useful if employees were more informed on their need to interact via their myAccount services in this regard, thereby availing of the benefits of their allowances themselves.

However, I believe that this ambition within the project presumes that all or most employers interact accurately with ROS in availing of P2C updates. I submit that this presumption needs to be tested by gathering appropriate statistics on the prevalence on the correct downloading of current P2C’s from ROS, and the subsequent uploading of those P2C’s to the employer’s payroll system. In my experience, many small employers fail to either download current P2C data from ROS or fail to upload that data into their payroll software system. I do not know how many such employers are processing their payroll calculations with out-of-date P2C data – but it should be possible for Revenue to determine this key statistic.

I submit to you that it should be possible for ROS to cross-check the annual P35L returns that contain the employees’ respective P2C details as processed by an employer with the actual P2C that ROS has on file for that employer. If there is a difference (let us call it a “mis-match”), then there is an instance where the chain of data transfer has not been carried out. I submit that the number of instances of difference should be counted and verified and reported.

Given that if one of the purposes of the project is to “ensure that the right tax deduction is made”, then the first item of raw data that should be analysed is this number of mis-matches.

Once identified, these “mis-matches” can put a series of automatic steps in motion, such as:

1. Notification by Revenue to the employer that employees are being processed without applying the latest P2C’s
2. Notification by Revenue to the employee that their employer is not processing their current P2C data.

Of course, this applies to ALL employees, and not merely those in dual or multiple employments.

If this was to be brought further, Revenue could require errant employers, or all employers, to return a P2C file back to ROS, advising ROS of the P2C settings that the employer is using for all its employees. This might be done on a regular, perhaps quarterly basis. It would also alert Revenue of employees for whom no PPSN is logged, Emergency Tax usage, etc.

**Note:**

Paragraph 2.1, “Implications for Employers”, state that “Employers will report to Revenue pay, tax and other deductions ... at the same time as they run their payrolls”. Several people have pointed out the impracticality of this, given the multiple draft runs that many payrolls go through before its confirmation. Therefore, we will have a separate process to carry out, after the payroll-run confirmation. But the reporting of non-P2C information such as pay, PAYE tax, USC, PRSI, LPT is not an implication of your earlier-stated objective. Therefore, Revenue or the Dept. of Finance may have another separate objective which is to be notified of every payment that is made to an employee, with the relevant details of pay, PAYE tax, USC, etc. included in the employer’s submission.

In Paragraph 2.2, the paper states that an employee’s P2C details “are based on estimated income and information available to Revenue for the employee”. Other than PAYE and/or USC exemption, it is not clear how much “estimated income” effects an employee’s P2C. However, if Revenue requires an employer to submit a detailed return for every payroll run, then that can be made a new requirement of employers to so comply.

**Improve Compliance**

In modernising the PAYE system, I suggest that the absence of any alteration of the options to payments by employers of their P30 monthly or quarterly liability would be an opportunity missed.

I respect the need to leave unaltered the existing payment due dates for employers, given that business plans and cash-flows and procedures are already in place for most, if not all employers. However, I recommend that Revenue introduces additional options for employers to make payments of PAYE/PRSI/USC/LPT sums on a pay period basis. This would have a number of potential benefits:

1. It could be of help to employers who do not want to delay payment of only part of their true payroll cost – thereby building up a liability for a later payment when, perhaps, the cash flow would better suit an employer discharging all payroll cost at the same time as paying their employees. In other words, it could be deemed more convenient for some employers to do so.
2. It could act as a control option for Revenue to require employers who have poor prior payment records to make full payment of their PAYE/PRSI/USC/LPT deductions without many days credit.

Such an added option would require addressing an extra SEPA payment possibly being included in the standard SEPA file that employers typically generate for employee nett pay purposes.

I suggest that to ignore any development of further payment options for employers, either for convenience or for control, would be a missed opportunity in the context of PAYE Modernisation.

Yours sincerely,

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