



# SAGE RESPONSE TO REVENUE PUBLIC CONSULTATION ON PAYE MODERNISATION (SMART PAYE)

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## Disclaimer

As a member of the Payroll Software Developers Association (PSDA) Sage are also party to the PSDA response to this consultation. However, that submission is not fully reflective of Sage's position on the matter of PAYE Modernisation but was deemed necessary that as group PSDA has a remit to respond and as a member we should contribute. This document forms our more comprehensive response to the consultation.

## Preamble

PAYE Modernisation is a critical step in the evolution of the Irish taxation system as business, private citizens and government become increasingly digital first in terms of publishing and consumption of data. Movement to modernised digital systems will allow for the greater data security, processing efficiencies and higher levels of usable, actionable data for all parties.

We view PAYE Modernisation as a positive move in support of wider trends towards a digital first economy and norms, making tax more accessible and ensuring greater employee participation in self-serving their taxation needs. It should also reflect user requirements for how services are accessed as a matter of course in a modern economy.

## About Sage

Sage is the market leader for integrated accounting, payroll and payment systems, supporting the ambition of the world's entrepreneurs. Like many of the businesses we serve, Sage began as a small business and has grown beyond what seemed imaginable. Today over 14,000 colleagues support millions of entrepreneurs across 23 countries as they power the global economy.

Sage has been present in the Irish market since 1999, making a number of significant acquisitions in the market since that time and also growing share of the market through organic customer acquisition. Today, independent market research indicates that Sage holds a market leadership position with regards to Accounting and Payroll software in SME's in Ireland. Sage Payroll solutions currently process almost 900,000 unique payrolls per month in Ireland. In Ireland Sage offers payroll solutions from the smallest employer to some of the largest. Current product range extends across Cloud and On Premise solutions and includes,

- Sage One Payroll
- Sage Quickpay
- Sage Micropay
- Sage Micropay Professional
- Sage Snowdrop KCS Payroll

Sage Payroll products are also commonly used in the outsource payroll market via Accountants and also in specialised bureaux where Sage has a high level of market share.

## Overarching Goals & Future State Aspirations

In response to the consultation document, we (at Sage), have aimed to frame our response in terms of what we believe to be a desirable future end state in terms of the experience for all end user “consumers” of the modernised PAYE eco-system. This future end state will dictate required solution design.

### For the Irish Economy

SMART PAYE represents an opportunity for greater level of accuracy and certainty of data in the economic insights around employment. This will enable insight lead decision making in key areas of policy formulation in particular in the areas of

- Employment trends
- Taxation collection
- Salary / Wage rates
- Sectoral insights
- Geographical insights

Further it will enable greater efficiency and clarity in taxation services and the resulting improvements in economic outputs.

### For the Employee

SMART PAYE should enable better visibility, accessibility and control over personal tax affairs for the tax payer. It should facilitate a better ability to self-serve and provide a clear and accurate picture of personal taxation position at any time via the normal channels utilised.

### For the Employer

SMART PAYE should simplify and remove ambiguity for employers in the payment of their employees. It should reduce the level of single employee level queries to Revenue, and help to ensure that tax collection is predictable and straight-forward. SMART PAYE should remove or reduce need for paper based forms and the resulting manual data entry or transposition, reducing error risk and eliminating need for corrective actions and calls to Revenue. It should also not introduce any significant overhead in terms of incremental effort and also be consistent with the approaches taken and needs of other governmental bodies requiring outputs from Payroll.

### For Revenue

Accurate, timely data for decision making, reduced requirement for manual processing, and reduced requirement for minor queries to be handled from employers / employees based on inaccurate data. Better end user engagement in management of personal tax affairs. Less duplication of data entry and data capture.

## Development and Delivery Considerations

### Recognised impacts at software provider level

#### Improvements

- Better fit with customer expectations in terms of technology platforms utilised.
- Enhanced user experience and greater ability to offer the fully rounded experience within the software for all touchpoints in the payroll process from employee onboarding to year end reporting
- Better use of web centric technologies

#### Challenges

- Supporting customers through significant process redesign and ensuring this is intuitive and easily adopted yet not inconsistent with existing solution
- Re-assuring customers in the adoption of the new processes that the right actions are being undertaken
- Increased Customer Support overhead in terms of higher propensity to call from a customer profile that has a high propensity to call.

### High Level Technical Needs

#### Roadmap

A roadmap outlining detailed implementation plans and key milestones should be made available to software developers as soon as possible, even if this is in draft form and subject to change.

#### Developer engagement and iterative development

As early as possible in the process, SMART PAYE (PAYE Modernisation) teams working for Revenue should collaborate directly with developers who will program against the software service APIs, in short iterations (< 1 month). There should then be an easy, online, way to provide feedback on sandboxes, betas, early adopter programs, workshops (that allow easy remote collaboration), design and tech spec documentation.

#### Reliability and uptime

- Downtime for any services that Revenue expose must be kept to a minimum.
- Clear Service Level Agreements should be in place with reasonable guarantees for this.

#### Clear status reporting

- The status of submissions must be reported clearly and unambiguously.
- Status reporting would ideally be specific to this task, and not piggy-back on other feedback methods already in use.

- Status reporting should be machine parse-able, and not require our systems to attempt to understand messages intended for humans to read.

#### Detailed and complete specifications

There is a requirement for Revenue to provide specifications alongside all new APIs and message payload changes. At a minimum new services should aspire to provide:

- Detailed, complete, and accurate specs.
- Public availability of API specs online. Easy to obtain.
- Ideally, a full Software Development Kit, with documentation, and worked examples.

#### Test servers

The following non-production test services must be provided, with similar stability and up-time guarantees as live services:

- An **as-live version for testing**: up-to-date, accurate, analogue of the currently live service, in both semantics and behaviour.
- A **pre-production** replica of any version of the service due to go into the production in the near future. This should be provided in good time to allow developers time to get through full development and QA cycles before going live.

#### Backwards Compatibility Guarantees

Before going Live, establish a scheme under which developers have a guarantee of backwards compatibility, for a given period, for new versions of a service/API. E.g. semantic versioning (see [semver.org](http://semver.org)). Include that in Service Level Agreements. It should cover both semantics and behaviour.

#### Architecture and Design

##### Confidentiality of credentials

There is a particular challenge for web based client services, with managing credentials for 3<sup>rd</sup> party systems:

- Payroll Service Provider systems should not store any Revenue user credentials in any decryptable form in their data stores.
- Depending on design, this can result in users being repeatedly prompted for credentials to the Revenue systems.
- If a design can be found that makes it easy for client systems to avoid this, it would be very beneficial in terms of usability.

##### Full cross-checking of identifying information & access control

Related to credential-handling, there's a challenge that comes up, especially, in the case of agent users, with responsibility for payroll submissions on behalf of multiple clients from a single browser:



- Revenue's systems should fully and properly check the provenance of all submissions. That is, they should check that whatever credentials they require belong to the entities identified in the submission, and that all relevant identifier in a submission belong to the same entity.
  - In other words, if A's credentials are accidentally used in a submission for B, Revenue must not blindly accept the submission, but report the error.
  - While software service provider clients should make every effort to avoid this scenario, Revenue's systems should not assume that they will always be bug-free, that usability issues relating to browser credential management don't exist, or that basic user-errors are not a possibility.

### Consistency

Protocols, standards, message structures should be consistent between all API calls. Please avoid CSV in one payload, XML in another, fixed-width text in another.

### Consistent use of Terminology

For consistency and clarity ensure good use of ubiquitous language when describing SMART PAYE and Payroll related domain entities.

For example, when describing "Net Pay", throughout the SMART PAYE specifications, ensure the terminology used is consistent and well defined.

### Simplicity

When choosing protocols and message payload structures for service APIs, prefer simple, easy-to-use, concise solutions, where they do not compromise the security or integrity of the information transmitted.

The simpler the protocols and formats, the less likely Payroll software developers are to make mistakes when implementing them. Simpler technologies also reduce the likelihood of misunderstandings developing between Revenue's developers and those of Payroll software developers, and reduce the burden on Revenue to document them.

E.g. SOAP, WSDL, and XML & complex namespacing schemes may not be the most usable options.

### Open Source, Security through peer review, Transparency

In the interest of security and transparency, Revenue should consider making the source code for any new services openly accessible. All but sensitive secret keys should be made available for peer review. Licensing schemes can still be put in place to restrict use of the code, in whatever way Revenue deem appropriate. Revenue may or may not also wish to consider taking submissions for code changes from the public, or from non-Revenue software developers, subject to Revenue engineer approval, of course.

## Insight on the implementation of Real Time Information in the UK

As a leading player and key participant in the rollout of the Real Time Information systems in the UK we aim in this section to share some of the outcomes and learnings of both the rollout and subsequent day to day functioning of that solution.

The purpose of this section to highlight some of the successes and challenges experienced in this implementation that may provide some learnings for the Modernisation of PAYE in Ireland. It is not however, intended to pre-suppose future solution design architecture selected by Revenue in its PAYE Modernisation implementation.

### Employee Challenges and Improvements

#### *Pilot Scheme*

Any employer types that need to be excluded from the pilot must be identified, documented and communicated as early as possible. An example of this from the UK was employers that processed CIS.

#### *Data Schema*

The data schema must not contain more data items than absolutely required and should not create new data items that are difficult to implement, support and may not be used.

The data schema must be clear regarding compulsory and optional items. The HMRC had a concept of 'mandatory optional' fields which was extremely confusing for Sage and employers.

#### *Reconciliation*

There have been issues with reconciliation. Even though Payroll software submitted information to HMRC, there have been differences over what HMRC believe to be the outstanding Tax/NIC liability to what the payroll software contains.

It would be useful if there was a way to be able to retrieve what Revenue holds on outstanding liability from within the payroll software and check it against what is contained within payroll and prompt/highlight this to the customer.

#### *Exemptions for micro-employers*

Temporary exemptions for micro-employers, and the extension of these exemptions by HMRC on a number of occasions caused confusion for micro businesses. They were not clear if they were mandated to use the new system or not.

We suggest that the Revenue have a clear plan for these types of employers.

## Insights / Input from the Sage Customer Community

As part of the process of formulation of this response, Sage have engaged with our customers; end users, Accountants, Bureaux, and also our Reseller Network (Business Partners) to enable their thoughts, on the consultation to be conveyed back to Revenue in a consolidated manner. Through the collation of their inputs we have recognised the following themes consistently in terms of the responses received.

- Whilst there is a general acceptance of the value of the proposed project they felt that there was a little ambiguity in terms of the specific details and as such it was difficult for them to comment with any level of certainty as to the potential impacts. The general consensus was that implication of any change would be more work for them in the immediate term, regardless of the system design.
- The initial belief is that this project would simply be a replication of the Real Time Information initiative in the UK and as such some of their concerns were reflective of the types of issues seen under that scheme.
- There is a significant level of concern over the degree of change to existing business processes that may be required – Payroll is well understood as a process and reasonably unchanged in many years, any changes to this introduces risk in an area of the business that is generally very risk averse.
- The impacts to changes in payroll and potential for any negative impact to end customers resulting is of concern. Examples of SEPA related payment delays in Payroll in the recent past were cited as an example of how a mandated change may result in some level of HR unrest.
- Re-education and reskilling as a result of required changes were raised as a concern, subject to the levels required both in terms of cost and also lost productivity. This was a prominent concern across all business types.
- Some customers defined a requirement for well publicised, immovable, fixed dates for implementation of the scheme so that business continuity and business planning could be put in place to mitigate against any potential impacts in terms of cost, productivity etc.
- A number of customers, whilst positive about the potential use of web services, questioned the ability for these services to be robustly maintained and accessible. Some “what if” questions were posed with respect to the ability to manually transmit information.

## Sage Recommendations

### Public Awareness Programme

It is critical that Revenue initiate a long range PR strategy around the implementation of SMART PAYE ensuring that those likely to be impacted understand both the general concept and its importance to the economy but more critically to the business community the likely impacts to their day to day business processes. The key message tone should be on informing the market, software vendors and service providers can provide the support messaging.

Throughout the implementation of RTI in the UK market, there was consistent employer feedback to the software vendors that they did not feel well enough informed by HMRC and that it was in fact a tactic by the software vendors to escalate timeframes in order to drive their commercial agenda due to insufficient awareness perhaps linked to underinvestment in promotion / PR.

### Pilot Program

We recommend that Revenue undertake a pilot program before the compulsory migration of employers to the new system. This should be completed in stages and in conjunction with software developers. The pilot program should involve a mix of employer sizes and industry sectors to ensure a thorough test. Full roll out should be phased with clear definition up front of who should on-board when.

### Terminology

The terminology used by the new system should be familiar to employers. It must be consistent throughout the new system. We recommend that new terminology for PAYE returns and employer processes introduced in this project be kept to a minimum.

### Retrospective Amendments and Corrections

Any new digital submission system should support amendments and corrections to previous pay runs in an easy-to-program-against manner.

A customer, having made their best endeavour to get calculations and inputs correct and submitted on time, will sometimes need to notify Revenue of corrections to previously submitted pay periods, and account for the mistake with a reconciliation payment/deduction for the employee (whether covered by the employer, or not). This may occur after the close of a tax year.

### Fail Fast for unacceptable submissions

- If a submission is unacceptable, clients need to know quickly and unambiguously.
- Avoid situations like those encountered with UK HMRC RTI, where submissions are not accepted, and never will be, but don't immediately fail. This results in the client resubmitting until it times out. The uncertainty is bad for customers, and managing it is costly for Payroll service providers.

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