

# **PAYE Modernisation Briefing**

**Oireachtas members and staff**

**June 2018**

# Background & Design Principles

# Why modernise PAYE?

Changing nature of:

- Employments
- Payroll
- Information and communications technology
- Expectations

# PAYE Modernisation



**S**eamless integration into payroll

**M**inimize employer cost to comply

**A**bolition of P30s, P45s, P46s, P60, End of Year Returns

**R**ight tax paid on current due dates

**T**ime savings



**S**tatutory in-year employer return

**M**aking compliance easier

**A**ccurate up to date income details

**R**educed customer contacts

**T**imely targeted interventions



**S**implified online services

**M**aximise use of entitlements

**A**utomatic end of year review

**R**ead time accurate data

**T**ransparency

# Context

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# Employee/Employer Statistics June 2018

## Employees

- 2.8m active employments (includes pensions)
- 256,000 employees >1 live employment

## Employers

- 200,000 employers registrations
- 111,000 employers with  $\leq 5$  employees
- 98% filed through Revenue Online Service (ROS)

# Consultation

# Consultation Report

- Consultation process Oct–Dec 2016
- 77 responses from various representative bodies and individuals
- Consultation Report April 2017
  - Published on Revenue website
  - eBrief issued
  - Report sent to all respondents
  - All responses received published on Revenue website

# Executive Summary – Key Themes

The following key themes were common across responses:

- Possible increase in administrative burden for certain employers;
- Timeline for implementation;
- Information and communications technology(ICT)-related issues;
- The operation of payroll in practice;
- Timing of employer submissions to Revenue;
- Methods of dealing with corrections to payroll;

# Executive Summary – Key Themes

- Alternatives to Revenue's proposal;
- Department of Employment Affairs and Social Protection (DEASP) payments and Pay Related Social Insurance (PRSI);
- Other charges/contributions and non-PAYE income;
- The importance of change management and communications;
- International comparisons.

# Executive Summary – Revenue's Response

- Revenue's initial response to the issues raised is outlined in the consultation report.
- In general however, Revenue has undertaken a co-design approach to PAYE Modernisation.
- Extensive ongoing engagement with key stakeholders since the start of the consultation process to ensure that the design is optimised with their input, resulting in a streamlined process and ultimately a reduction in administrative burden.

# **PAYE: Current Employer Obligations**

# Paying Employees & Reporting

1. Apply the latest Tax Deduction Card (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

# **Legislative Framework – as published in Finance Bill 2017**

# Legislative Framework

- The tax deduction card (P2C) will be replaced with a Revenue Payroll Notification (RPN).
- **On or before** the making of a payment to an employee an employer must notify Revenue in respect of each employee the amount of emoluments, date of payment and the statutory deductions.
- A monthly statement will be issued to employers with total income tax, USC, PRSI and LPT deducted or repaid by the employer.

# Legislative Framework

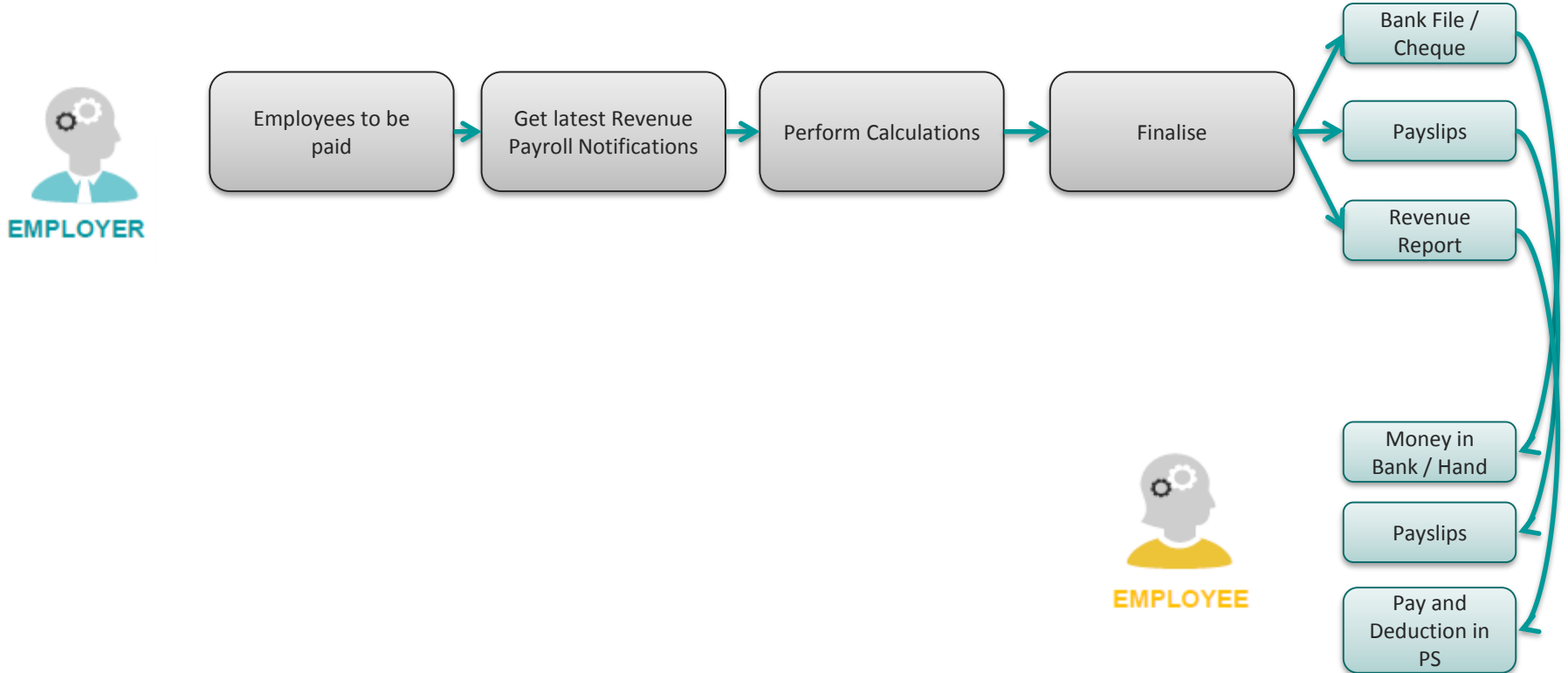
- The monthly return due date is the 14<sup>th</sup> of the following month. The statement shall be deemed the return if the employer does nothing.
- No change to payment due dates for employers.
- Standard rules will apply for those who cannot file by electronic means.

# Legislative Framework

- A direct debit facility will continue to be available subject to Revenue approval. A variable direct debit is also provided for.
- Revised provisions for emergency tax.

# High Level Design and Process Flows

# Seamless integration of reporting into the payroll process



# 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 return if no corrections made by return due date
- New employees (P45/P46) set up in payroll and Revenue Payroll Notification requested will commence the employment

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

- 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
- Employees will have ability to view End of Year Statement on myAccount

# Direct Payroll Reporting

# Payroll Software

- Revenue has worked extensively with the payroll software providers to ensure employers can comply with their obligations as part of their current payroll process.
- Payroll software will be able to
  - Request Revenue Payroll Notifications (RPN) in order to ensure the right tax is deducted at the right time from each employee;
  - Send Revenue details of employee's pay and statutory deductions once the payroll is complete.
- Payroll software can seamlessly “talk” to Revenue without the employer having to log into the Revenue Online System (ROS)

# Manual Reporting

# Manual Reporting

- For employers who do not use payroll software Revenue has developed a simple data capture mechanism to allow employers record pay and deductions as payments are made.
- Details required from employers are in line with what they provide to the employee on a payslip.

# Exclusion from Electronic Filing

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- The vast majority of registered employers already engage with Revenue electronically.
- Less than 800 employers have an exclusion from the obligation to pay taxes and file tax returns electronically.
- To assist them in meeting the new reporting requirements Revenue will provide them with customised stationery to record employees' payroll information and file returns.

# External Stakeholder Engagement

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

# 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.
- Employees must be easily able to reconcile their payslips with the data submitted to Revenue on their behalf.
- All data received, including corrections and the timing of submissions, will feed into Revenue's risk analysis systems.

# External Change Management

- Letters have issued to all employers advising of the PAYE Modernisation changes.
- Revenue presentations at over 240 outreach events focussing on employers and tax agents.
- National Compliance Imperatives - focus on employers operation of PAYE.

# Stakeholder Engagement - 2018

July		August		September		September	
5th	NGA Human Resources	1st	PSDA	3rd	CIMA-Limerick	17th	External Stakeholders-Dublin
5th	Accountants Group Dundalk	13th	External Stakeholders	3rd	CIMA-Cork	17th	IFA Cork Central
9th	External Stakeholders-Dublin	15th	Institute of Directors-Dublin	3rd	CIMA-Waterford	18th	Ploughing championships-Offaly
10th	Sage Webinar	22nd	PSDA	4th	PMod Thesaurus Webinar	19th	CPA
10th	Sage Webinar	28th	Grant Thornton-Dublin	5th	PMod Thesaurus Webinar	19th	Ploughing championships-Offaly
11th	PSDA- Dublin	30th	INTO Dublin	5th	CoreHR Conference- Dublin	20th	Ploughing championships-Offaly
12th	Oireachtas Briefing- Dublin	30th	BizNet Cork SkillNet/Pimbrook	5th	FOOD- Dublin		
12th	Mazars- Dublin			5th	PKF Payroll		
18th	SD Worx- Limerick			6th	PMod Thesaurus Webinar		
19th	CAI-Donegal			6th	CIMA-Galway		
25th	Mazars-Dublin			7th	Institute of Legal Accountants		
26th	CAI-Sligo			11th	IFA Cork West		
27th	Sage Webinar			12th	PSDA- Dublin		
27th	Sage Webinar						

# Customer Service Visits

- Employer customer service visits by Revenue staff commenced in May.
- Over 12,000 visits and phone calls completed nationally.
- The majority of Employers/Agents aware that changes were coming. They had received letters/fliers or had been contacted by their payroll software provider.
- Employers/Agents who have experience with payroll in the UK are used to a similar process and therefore don't anticipate having issues with PAYE Modernisation.
- Employers running payroll weekly believe that the real-time requirements are going to create more work for them, while monthly payroll users have a less negative view.

# External Change Management

- Media and advertising campaign (Sept to Dec)
- Revenue Regional Seminars (Sept/Oct) - 10,000 registered to date on Revenue.ie
- Feedback from Customer Service visits indicate that Employers are interested in attending the seminars
- Free to attend with demonstrations of new system, with staff on hand to answer queries

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# Preparing for PAYE Modernisation

# List of Employees

- Revenue has commenced requesting that all employers submit an employee list. This will contain a list of employees currently working for the employer.
- The objective of the exercise is to ensure RPN's for 2019 are correct from the start of the year.
- This will then be followed up with a Revenue matching exercise.

# Key tasks for Employers to Get 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

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- Regular updates on [revenue.ie](https://revenue.ie)

<b>Employing people</b> Information for employers about your tax obligations when you hire and pay employees and when employment ends. <b>Popular topics</b> <a href="#">Travel and subsistence</a> <a href="#">Flat-rate expense allowances</a> <a href="#">Private use of company cars</a>		
Becoming an employer and ongoing obligations	Hiring an employee	
What constitutes pay?	Paying an employee	
Paying your employees' tax to Revenue	Benefit in kind (BIK) for employers	
Employee expenses	Shares for employees	
Employers' notices	Taxation of social welfare payments - Illness Benefit (IB)	
Universal Social Charge (USC)	Employment related tax returns and forms	
When an employment ends	PAYE modernisation	

- Monthly external stakeholder update meetings
- Questions\feedback to [payemodernisation@revenue.ie](mailto:payemodernisation@revenue.ie)