

# **PAYE Modernisation**

PSDA meeting

18 December 2017

# Agenda

1	PSDA Scenario Walkthrough
2	RPN for new employees
3	Proposed schema change
4	AOB

# **Recoupment of overpayment where still in same Employment**

## Overpayment recouped in year in which it occurred

- In May 2019 (Week 20) payroll operator identifies employee has been overpaid €640 in overtime payments from January to May 2019

### Solution

- Overpayment should be recouped by deductions from gross salary within the year on a cumulative basis, resulting in correct tax and USC being paid by the employee at the end of the tax year (**gross from gross method**)
- Report what is paid when it is paid

## Example

Weeks 21 to 52 of 2019 (32 weeks)(being recouped weekly over remainder of year):

Weekly Gross Salary	€1,000.00
Less Gross Recoupment (€640/32)	<u>€20.00</u>
Gross pay for tax, USC, PRSI	€980.00

- Report what is paid when it is paid

# Overpayment recouped in year(s) after it occurred

- In January to March 2019 'ee was overpaid gross wages of €400. The deductions were €100 and the net pay to the employee was €300.
- This money was repaid by the employee to the employer in January 2020 while still in that employment.

## Solution

- Recoup the overpayment from the employee using the ***gross from net method***
- 'Ee needs to contact Revenue for refund to allow for correct calculation of liability
- Recoupment is between 'er and 'ee – don't report recoupment

## Example

March 2019 Final Payment	400
Deductions	<u>-100</u>
Net pay	<b>300</b>

Net pay for January 2020 <sub>(pay after deductions)</sub>	680
Recoupment	<u>-400</u>
Net pay	<b>280</b>

- Employer reports the €680 figure not €280

# **Recoupment of overpayments where left the employment**



# Overpayment recouped in year in which it occurred

- 'Ee is overpaid in last payroll run, 'ee has left the employer. 'Ee agrees to write a cheque for overpayment of €400. Currently YTD figures are updated – results in a negative payslip.

## Solution

- When the money is recouped from the employee in the same tax year, 'er should report a negative of what was initially paid
- Do not request RPN (same calculation as when overpayment occurred)
- Put the Employment ID of the ceased employment in the submission so that the negative payment can be linked back to this former employment

## Example

March 2019 Final Payment	400
Deductions	<u>100</u>
Net pay	<b>300</b>

April 2019 Recoupment	-400
Deductions	<u>-100</u>
Net pay	<b>-300</b>

- Report these figures to Revenue using Employment ID of the ceased employment

# Overpayment recouped in year(s) after it occurred

- 'Ee paid in period 52 were in fact mid-period leavers - overpaid
- 'Ee refunds the overpayment in the following year
- The return that related to period 52 has already been accepted by the 'Er or deemed by Revenue.

## Solution

- The gross amount is recouped from the employee.
- Employer should give the employee a letter confirming this.
- Employee needs to contact Revenue for any refund that may be due.
- No adjustment is required to be reported by the employer.
- The employer will get refund of tax due by collecting the gross amount from the employee.

## **Overpayment recouped in year(s) after it occurred – death cases**

- ‘Er/pension provider learns in 2020 that ‘ee/pension recipient died in 2019 but has been paid well into 2020

### **Solution**

- When the net overpayment is recouped, ‘er/pension provider may report a negative of what was initially paid
- Employer’s tax bill will be reduced when the overpayment is recouped by this negative figure
- Do not request RPN (same calculation as when overpayment occurred)
- From the individual’s perspective the repayment will amend their record for the year of death.

# Recap of PRSI scenarios

# Scenario 6:

## Remitting figures for a PRSI exempt employee

- ‘ee PRSI exempt from March but still pays tax and USC
  - Receives salary of €1000, pays €189 tax and €40 PRSI following exemption.
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- Minus €40 included in the ‘PRSI paid’ field in the payroll run following identification of the error
  - Similarly, minus figures included in other relevant PRSI related fields i.e. insurable weeks.

# Scenario 7:

## PRSI Category Correction

- ‘Ee incorrectly paying PRSI at class A instead of class J (over 66)
  - Payroll user re-categorises insurable weeks through payroll system and adjusts the contributions against both classes, refunding under A and contributing under J.
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- PRSI class should be corrected in the next payroll submission – if incorrectly reported under Class A for 3 weeks include minus 3 insurable weeks at Class A in payslip and positive 3 insurable weeks at Class J
  - Amend financial fields accordingly to reflect PRSI refunded to ‘ee.

# Scenario 9:

## Supplementary Runs

- Weekly paid 'ee paid €400 in period 36, PRSI is paid at class AL
  - Bonus is due and paid in middle of month – bonus run processed to pay bonus payment of €200 – 'ee's period 36 earnings should now be paid at class A1.
- 
- The submission in respect of the bonus run should include adjustment for PRSI class i.e. positive 1 week class A1, negative 1 week class AL
  - PRSI deducted should be reported in the submission in respect of the bonus run.



# **RPN Request for New Employees**

# RPN for New Employees & Start Date

- Following internal workshops, the inclusion of the employee's start date on the RPN request is required to minimise the number of week 1 RPNs for new employments.
- If not provided, Revenue will set up the employment on foot of the RPN request and default the start date to the date of the request.
- The actual start will only be provided when the payroll details are submitted and the default date will be overwritten with the actual date. This could result in original Week 1 RPN being amended to a cumulative RPN.

# RPN for New Employees & Start Date

**Example:** employer running monthly payroll has an employee who started just after the most recent payroll run in the previous month. The payroll is run in the last week of the month. The employee ceased their previous employment the week before starting the new employment.

The following month, a new employee RPN is requested with the start date defaulting to the last week of that month (versus the actual start date in the previous month).

As the gap between the cessation date of the most recent ceased employment and the date of the RPN request is greater than 28 days, a week 1 RPN will issue.

Once the payroll details are submitted to Revenue along with the actual start date, a cumulative RPN will issue when the employer next requests a RPN as the actual gap in employments is less than 28 days.

- Had the actual start date been provided when setting up the new employment, the RPN would have issued on a cumulative basis.
- If the start date is being provided when the employee has been paid for the first time, it seems that there is no reason to request this data when the employment record is being created prior to the payroll being run to ensure that the RPN issued is correct, rather than correcting the output after the first payroll run.

# Proposed Schema Change

# Date Format

## Proposal

- To change date format in schemas
  - from 'DD/MM/YYYY'
  - to ISO8601 format (YYYY-MM-DD)
    - Example: 2019-01-01
- To change date time format in schemas
  - to YYYY-MM-DDThh:mm:ss.sss±hhmm
    - GMT Example:
      - 2019-11-07T16:49:20.000+0000
    - GMT +1 (Summer Time) Example:
      - 2019-09-15T14:32:56.000+0100

## Rationale

- Move to industry recognised format rather than custom format
- Removes the need for URL encoding of '/'

# PRSI Exemption Reason (payroll submission)

## Proposal

- To include 'other' as one of the PRSI exemption reasons in the payroll submission data items (data item line number 30)

## Rationale

- Covers the scenario where the 'er has been told on the RPN that the 'ee is exempt from PRSI in Ireland following a review but the 'er won't necessarily know why