

Accountancy Group West  
C/o Eaton Neary  
Custume Place  
Athlone  
Co Westmeath

PAYE Modernisation,  
Revenue Commissioners,  
Bishop Square,  
Redmonds Hill,  
Dublin 2

12 December 2016

Dear Sirs,

**Re: PAYE Modernisation Consultation**

We would like to include the following comments in the PAYE modernisation consultation discussions.

As members of the Accountancy Group West, we are a group of General Practitioners who deal with both Irish and UK taxes including PAYE filing in the UK which has been running under a Real-time processing system for a number of years now.

We are very familiar with both the difficulties arising within the current Irish PAYE system and with difficulties that have arisen in the UK system.

**Difficulties arising within the current ROI PAYE system.**

1. Allocation of Tax Credits & Bands between spouses.

One of the major differences between the Irish tax system and the UK tax system is the availability of joint assessment to married persons or civil partners. This facility is not available in the UK unless born before 1935. This leaves the UK system a lot simpler in terms of the allocation of tax allowances and tax bands than the Irish system.

The tendency towards automatic allocation of tax credits from one spouse or civil partner to another under the Irish system will cause problems in any real-time type system that the Irish Revenue would like to introduce.. The tends to happen where a spouse drops off the PAYE system for various reasons including unemployment, moving abroad or to the UK to work, becoming self-employed, etc. The automatic reallocation of the personal tax credit and rate band from one spouse to another where that credit is needed at year end by the transferor spouse for their own income, be it foreign income while still Irish resident or self-employed income, causes problems in a lot of families where they are faced with an unexpected tax bill at the end of the year.

It would be preferable in any system that the automatic element is removed so that an employee has to make a positive action to claim the spouses surplus tax credits or tax band. This action by the employee would then be the confirmation that that is the correct approach for the particular family situation and not an automatic computer generated approach which is not cognisant of the individual family situation.

## 2. The Move towards Employee Control of their Tax Credits

While the inclusion of employees in their own tax affairs through the promotion of the My Account system is laudable, it is also causing problems where Tax Agents on behalf of employers who are starting employees cannot access timely, efficient information for the setup of employees on payroll.

Employees we have found in general do not understand their own payslip[ because of the complexity of rates & bands, Tax USC and PRSI.

By forcing employees into taking control of the own tax credits online you are assuming incorrectly in our experience that the majority of tax payers are

- (a) computer literate and
- (b) understand the Irish tax system and
- (c) have access to an efficient broadband service

While we are conscious that Revenue has tried to address some of these issues, there are still problems in this area and until a streamlined system is available where you continue to allow employees access to sort out their own allocation of tax bands and tax credits but also allow Agents for employers to access timely tax credit information in starting employees the system is not and will not work efficiently.

Agents on behalf of an employer should be able to both start an employee and obtain the tax credits on at least a week one basis. Any additional tax credits that may be available can be claimed by the employee themselves through My Account.

However where an employee attempts the My Account approach but incorrectly claims or fails to claim tax credits or allocate bands they should be able to delegate authority to the Employers Agent to correct that position for them.

## 3. Year End Reconciliation & Correction of Errors & Omissions

As Practitioners, we also have and deal with on a regular basis, a large quantity of owner manager businesses. Quite often these owner managers may have a director's loan account with the company as well as taking a salary from the company.

Where a director's loan account is used to reimburse expenses or where expenses are paid on behalf of the company, this directors loan account can become an ever changing balance. At year end it is important that this is reconciled and any expenses which are not reimbursable expenses of the director are charged as salary amounts to the director and an adjustment made to the PAYE record and reflected in the P35 so that all gross salary amounts are dealt with appropriately for tax purposes.

The lack of a year-end reconciliation facility in any PAYE modernisation will leave it difficult for anybody to capture year-end adjustments which are necessary in some businesses.

Where an employer neglects to tell to the agent that they have started an employee there should be facility to back date the start date and the claim for tax credits.

It will be imperative that payroll software integrates with ROS to facilitate timely & accurate filing.

Any automatic year end close off without the opportunity for a pre year end review and reconciliation will ultimately result in significant errors. A pre year end opportunity for both employee and employer to review the individual records and correct errors or omissions should be a feature of any system.

The UK RTI system works on the basis of the submission of Full Payment Submissions (FPS's). This gives the detail in relation to each individual employee and their taxes. Where an error is discovered in any FPS, then an additional FPS can be submitted to HMRC at any time up to the end of the tax year. Therefore, corrections can quickly and easily be dealt with.

In addition, at the end of the year, an Employer Payment Submission EPS is filed to show that that all FPS's have been fully submitted. Therefore, this system gives the flexibility to make changes where additional amounts of income have not been accounted for in earlier returns.

Any Irish system should also give similar flexibility so that errors can be dealt with efficiently and adjustments can be dealt with at year end.

#### **Difficulties arising within the current UK PAYE system.**

##### **1. Frequency of Filing**

The UK system requires interaction with HMRC on or before each pay date. This is quite cumbersome for businesses that are traditionally paid either on a weekly basis or pay casual staff as and when needed. A lot of small businesses in the UK would have moved to monthly payroll to try and relieve the burden. This move has for them facilitated timely and accurate submissions without the burden of having to deal with HMRC each and every time they paid an individual employee. For those employers who cannot make such a move the burden of keeping

The introduction of a system which accommodates frequent periodic interaction with Revenue should be conscious of not increasing the burden further on employers and agents. A monthly filing requirement rather than on an "on or before every pay date" basis, would greatly facilitate employers in this regard.

We trust that the above concerns will be taken into account in the design of the new modernised PAYE system and if you have any queries in respect of the above or require any clarification on the individual points, then please do not hesitate to contact us.

Kind Regards,

Yours sincerely,

Rose Tierney & Patrick McGleenan

On behalf of Accountancy Group West