Aviva Ireland response to the Public Consultation Paper "*PAYE Modernisation*" published by Revenue on 11 October 2016.

Aviva Ireland provides life insurance, general insurance and investment & savings products to ca. 1 million customers. We employ 1,150 across our three locations in Dublin, Galway and Cork. Aviva is Ireland's only composite insurer.

In the context of the consultation, however, of more relevance is the fact that we also pay a large number of pensioners either weekly or monthly over 4 payroll references.

For both the employee and pension payrolls we use Megapay (from Intelligo). As the document states, '*PAYE Modernisation will require development and input by payroll software providers. Revenue will engage early and proactively with software providers who will be critical to the success of this modernisation project.*'

Our parent company Aviva PLC headquartered in UK operates both employee payroll and annuitant payrolls and our response here is partly based on the shared learning through the introduction of Real Time Reporting (RTI)in the UK.

You will already be aware that Forms P30, P35, P45, P46 and P60 generally serve the same purpose in the UK as they do in Ireland.

General Comments

There is no denial that the world is now at the start of a new digital age and we do laud the proposals for the introduction of Real Time Reporting (RTR) for the collection of Income Tax through the PAYE system. We also welcome the fact that, '*There is no proposal to change the due dates for employers to pay over the tax deductions and contributions to Revenue'*.

Due to the lack of detailed proposals in the consultation paper it is not possible to make detailed comments on the direct impact that it will have on Aviva, and changes to processes that we will be required to make to be RTR compliant, both as an employer and as a pension payer.

However we do make the following observations which is based on our reading of the Revenue's Consultation Paper:

- The experience of the introduction of RTI in the UK was mixed. Once embedded we do acknowledge that RTI in the UK did eliminate the large end of year reconciliation process for the annual P35 process, and this was a real positive gain.
- It is noted in the consultation document that it states, '*Policy matters relating to Income Tax and any associated tax credits/reliefs are within the remit of the Minister for Finance and his Department and are outside the scope of this consultation.*' It is essential that there is no disjointedness with the proposals for RTR.
- Clearly part of the success of RTR will need to be on the quality of data. Although a large data cleansing was conducted in the UK pre RTI introduction, human error is never absent. The requirement to ensure data is accurate falls on all parties and as much as the end to end process must be automated to minimise errors.
- The smooth and, hopefully successful introduction of RTR will require a widespread and comprehensive marketing/education exercise for all stakeholders. Although employers will

have a vested interest in informing its own employees as to the changes occurring so that it can take steps to minimise employee questions, this is less practical for annuity providers and we would welcome the Revenue's thoughts here.

- With a aged pension population paid through PAYE, many of whom do not belong to or want to belong to the digital world, when a query arises it can take considerable time for either Aviva or the Revenue to resolve. For Aviva that is not just a PAYE issue, that is a customer relationship issue.
- Currently we respond to c150 pension queries a month through a variety of methods, internet, phone or letters. With the move to RTR, it is likely that the volume of queries will rise, especially in the short term. Not only will this impact Aviva but inevitable it will impact the Revenue. To minimise queries it is essential that the Revenue consider how it can interact successfully with that demographic without putting additional burdens on employers/ annuity providers.
- It is stated that the employer will report to Revenue pay , tax and other deductions and employee details at the same time as they run their payroll. What will be the position for supplementary payroll runs that may be required or amendments?
- We note that the paper states that Revenue will work closely with small employers who may not have payroll software or payroll providers to enable them to fulfil their reporting obligations in a cost effective way.
- RTI requires employers to report similar pay and employee details to HMRC on or before the payment date. An HMRC commissioned report identified that some two years after the full roll out of RTI small and micro-employers were still struggling with aspects of RTI. The report sought the view of these employers who suggested the following methods of support:
    - Tips and approaches to training staff in the RTI processes;
    - Information about how to deal with challenges/complications to submissions (e.g. sick pay, maternity/paternity pay) that potentially delay FPS(FPS – Full Payment Submission being the pay and employee details) submission;
    - A process to follow if the employer experiences a mitigating circumstance which prevents them from submitting on time;
    - How to resolve submission errors and the re-submission process;
    - Reminders run in payroll software to encourage submission 'on-or-before';
    - A dedicated FPS submission helpline, on-line chat or email facility.
- A payroll professional commenting on the report above made two observations:
    - '*the message that comes through loud and clear is that unequivocal guidance is key'* ; and
    - '*these publications highlight the potential in RTI for a divergence between what employers understand they should report and HMRC's actual data requirement.'*
- The sooner the Revenue has absolute clarity on what is required for RTR compliance both of themselves, and payroll providers, software developers etc and can elucidate that information to all stakeholders the better.
- There is a complex issue in the reporting of the Yearly Imputed Distribution on pension payments. Can the Revenue shed any light on how this will be catered for when RTR is introduced?

- The paper envisages that employees will get an online statement at the start of each year. Not all employees have access to the technology for people to access a Revenue online account. How does the Revenue propose to resolve that issue without imposing obligations/requirements/cost onto employers/payroll providers/operators?
- The planned start date of 1 January 2019 does not allow much time to ensure that the system works to the optimum. We would be grateful for a high level timeline for the next two years covering off the various stages in order for an effective start data of 1 January 2019. We hope that this will cover:
    - Assessment and response to the initial consultation document
    - Second consultation period
    - Real Time Reporting Pilot and analysis
- Employers/ annuity providers/software developers will all need sufficient time to consider the impacts once clearly defined requirements have been set out by the Revenue.
- Although Aviva will be dependent upon our payroll provider to build the necessary software package so that RTR reporting is correct there will be an obvious need for us a business to consider internal processes, resources and controls. Learning from the UK experience, a cross working party straddling payroll, HR, Tax finance and IT will need to be set up to consider and manage changes that may be required. This will take time. Considerable changes were required for the UK employee payroll processes to be able to meet HMRC RTI requirements. It was not possible to build certain IT systems in the timeframe allowed so there was a requirement to build workarounds.
- The technological aspects of the challenge should not be underestimated. Despite best endeavours certain IT systems will not communicate with other IT systems. This must be addressed as part of any pilot exercise.
- Similarly there will also be huge data protection and cyber security issues that will need to be considered and addressed.
- If seeking to follow along the same path as the UK model it is essential that sufficient time is spent running a pilot exercise to understand and correct issues before mandating the introduction. The RTI pilot in the UK, which started in April 2012 was still running, and not perfectly, before it was rolled out at the start of the 2013-2014 UK tax year. It was disappointing that RTI was rolled out before all, or even most glitches had been resolved. If the Revenue runs a pilot commencing January 2018 the same may occur so we would urge caution in striving to meet a fixed date if the learning curve derived from the pilot exercise cannot be fully understood and lessons learnt. You will have seen the HMRC published document on the RTI Pilot.
- The paper states that the following forms will be eliminated, P30, P35, P45, P46 and P60. The UK PAYE system broadly used the same forms. RTI in the UK had similar intentions but ultimately did not eliminate either forms P45 or the requirement for form P46. Similarly a P60 is also issued to employees as they may require the information for personal tax returns. This may also be the case in Ireland.
- There must be absolute clarity on the format of data to be interchanged between the Revenue and payroll providers/ annuity providers.
- HMRC had a large number of outstanding PAYE reconciliations for tax years prior to the introduction of RTI. It may also be the case in Ireland so every effort should be made to

reconcile any tax years prior to the introduction of RTR. Running reconciliations through two separate models creates complexity.

- The Revenue must be transparent has to how data sent to them is used. The RTI model in the UK was designed to anticipate what the next monthly PAYE remittance would be rather than process what was sent to them. This has created widespread imbalances, according to HMRC, which has prompted payroll operators to spend considerable time proving otherwise.
- Inevitably the move to RTI enhanced HMRC's ability to identify potential PAYE compliance issues and act accordingly. It is important that if the Revenue proceed down the same path, that a soft landing should be considered in the first full year in terms of compliance action, statutory interest and penalties.

We look forward to commenting in more detail once further information is available.

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