Revenue Commissioners' PAYE Modernisation Program

Central Statistics Office submission
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1. Introduction

The Central Statistics Office (CSO) welcomes Revenue's plans to extract PAYE data directly from employers' computer systems using payroll software. The CSO views this as having tangible benefits for both Revenue and the other public bodies currently utilising, or wishing to use, PAYE data, as well as advancing the objectives of eGovernment. The more frequent income data collection proposed will be a key support for progressing the 'National Data Infrastructure', as it allows for better alignment with weekly social welfare incomes and more timely and frequent publications based on administrative datasets in future. It also supports a future 'administrative Census' as it will be more straightforward to identify people transacting with administrative systems in a particular week or month for 'headcount' purposes. Revenue should also consider collection of the Eircode in the improved employee data collection, which would facilitate grouping of individual data at household level for statistical and administrative purposes, and would also facilitate geographical statistical reporting.

In addition, the CSO views the PAYE Modernisation program as an opportunity for the CSO to meet existing statutory obligations through greater use of Revenue-collected payroll information; to exploit this opportunity, additional variables should be extracted from employer payroll systems. PAYE Modernisation, if it collects the additional variables, would also provide Revenue with additional risk management tools.

The CSO currently receives, at the end of April in each year, a P35L extract from the Revenue Commissioners in respect of the previous calendar year. The contents of the file received are detailed in *Annex 2* of this document. This file is used to support a number of CSO survey processes; it provides outputs required under EU regulations and, in addition, meets a variety of national policy and research requirements. It is imperative for the CSO that any new PAYE extraction system put in place should not reduce the range of variables or completeness of records currently collected by Revenue in the P35L employer return, nor delay the delivery of such data to the CSO.

2. National obligations under Regulation (EC) No. 530/1999

At present, Ireland's obligations under Regulation (EC) No. 530/1999 (on structural earnings statistics and labour costs) are met by the CSO by, for the most part, combining information from Revenue's P35L and data from other administrative sources. Some of the statistics required under this Regulation have to be modelled through various, and unsatisfactory, means, due to the lack of the basic data in the P35L return by employers.

If the proposed new PAYE extraction system collected the following additional variables, then modelling could be eliminated from structure of earnings processing and the statistics produced would be of a uniformly high quality:-

- Total paid hours of the employee in the month, broken into
  - Total paid contracted hours of the employee in the month
  - Total overtime hours of the employee in the month

- Gross earnings of the employee in the month (as distinct from gross earnings for USC purposes), broken into
  - Regular wages and salaries paid to the employee in the month
  - Overtime paid to the employee in the month
  - Irregular bonuses, allowances, benefit-in-kind paid to the employee in the month
  - Shift allowance paid to the employee in the month

- Employee contract type (whether permanent, fixed-term, etc.)
- Employee occupation

It is important to note that almost all payroll software currently used by employers in Ireland has the functionality to extract the above-named additional variables.

3. National obligations under Regulation (EC) No. 450/2003

As Ireland's obligations under Regulation (EC) No. 450/2003 (on a labour cost index) call for quarterly statistics, the data underlying such statistics are currently collected entirely by survey. The proposed new PAYE extraction system, as it would allow for payroll extracts at high frequency, provides an opportunity for the CSO to use PAYE data in support of, or instead of, the existing survey vehicle, viz., the Earnings, Hours and Employment Costs Survey (EHECS).

The EHECS survey collects a wider range of payroll variables than those specified above under paragraph 2. If the above-named variables were available on a monthly basis, then the amount of information requested in the EHECS form could be dramatically reduced. If all of the variables specified in *Annex 1* below were available from Revenue's new PAYE extraction system, then the EHECS survey, which currently covers 7,500 employers per quarter, could be eliminated, with concomitant reduction of burden on Irish business and cost (of processing) savings to the Exchequer.

4. Benefits to Revenue of collecting additional payroll variables

The earnings categories, paid hours, and occupation codes described in paragraph 2. above could be exploited by Revenue to assist with audit selection and risk management. Issues which could trigger alerts might include:-

- Hourly wage rates by occupation in the enterprise are less than the sectoral norm
- There are no overtime earnings in the enterprise, even though the sector is one with high overtime payments
- The average paid contracted hours in the enterprise is low – indicating possible unrecorded payments to staff
- Irregular bonuses for a particular occupation within the enterprise appear to be lower than expected for the sector
- Management (incl. directors) hourly earnings in the enterprise are less than those of lower-skilled employees in the same enterprise

5. Summary

The CSO welcomes the PAYE Modernisation initiative and sees it as having tangible benefits for both Revenue and the other public bodies currently utilising, or wishing to use, PAYE data. It could also become a key support for the 'National Data Infrastructure', including an 'administrative Census', particularly if the Eircode is collected in employee transactions. However, any new PAYE extraction

system put in place should not reduce the range of variables, or completeness of records, currently collected by Revenue in the P35L employer return, nor delay the delivery of such data to the CSO.

If additional variables, extractible under current payroll software in the case of most employers, are included under the PAYE Modernisation program, these variables would facilitate the CSO in meeting Ireland's obligations under EU regulations and could potentially lead to the elimination of a major CSO survey, with benefits for both business and the Exchequer.

These additional variables would also provide Revenue with additional risk management and audit selection tools.

Annex 1 List of variables required by the CSO to meet statutory obligations
(in addition to those currently collected in the P35L return, detailed in Annex 2)

No.	Variable at the level of employee	Comment/Description
1	Total paid hours worked by the employee in the month	
2	Total paid contracted hours of the employee in the month	
3	Total paid overtime hours of the employee in the month	
4	Total hours actually worked by the employee in the month	This is total paid hours minus hours paid but not worked (e.g., sick leave. annual leave, maternity leave)
5	Gross Earnings of the employee in the month	Earnings before any deductions are made by the employer; in particular, this is not "Gross Pay for USC purposes".
6	Regular wages and salaries paid to the employee in the month	
7	Overtime paid to the employee in the month	
8	Irregular bonuses paid to the employee in the month	
9	Benefit-in-Kind provided to the employee in the month	
10	Shift-work allowance for the employee in the month	
11	Maternity/sick leave pay element of the employee's Gross Earnings in the month	
12	Employer's contribution to the employee's pension fund in the month	
13	Employer's statutory PRSI contribution for the employee	
14	Employer's contribution to income continuance insurance for the employee	
15	Employer's contribution to redundancy payments to the employee	
16	Other employer contributions to the employee (e.g., study grants, etc.)	
17	Estimation of cost to the employer of the employee's private use of a company car in the month	
18	Estimation of cost to the employer of providing stock options and share purchase schemes to the employee in the month	
19	Estimation of cost to the employer of providing voluntary sickness insurance (VHI, Laya Healthcare, etc.) to the employee in the month	
20	Estimation of cost to the employer of providing staff housing to the employee in the month	
21	Estimation of cost to the employer of providing any other free or subsidised benefits to the	

	employee in the month	
22	Total value of subsidies or refunds received by the employer in respect of the employee in the month	This includes training & employment subsidies (SOLAS, JobBridge, etc.) and refunds from the Dept. of Social Protection
23	Date of commencement of this employment of the employee	
24	Employee contract type	The employee's contract type may be permanent, fixed-term, etc.
25	An indicator as to whether the employee is (i) full-time, (ii) part-time, or (iii) an apprentice or trainee	
26	Employee's occupation as text string	The employer's description of occupation
27	Employee's occupation code (SOC, ISCO, other)	Where the employer OR Revenue have already coded the occupation text string
28	Employee address, incl. Eircode	
29	Address of the branch/plant/local unit where the employee is engaged, incl. Eircode	Note that this may be different from the registered Employer address or business HQ

- In addition to the above, the CSO would like to receive, if available, a cumulative annual file covering the variables above

No.	Variable at the level of the employer	Comment/Description
1	Economic activity of the employer text string	The employer's description of its activity
2	Economic activity of the employer code (NACE or other)	Where the employer OR Revenue have already coded the economic activity text string
3	Total number of full-time employees on the first day of the month	
4	Total number of part-time employees on the first day of the month	
5	Total number of apprentices/trainees on the first day of the month	

Annex 2 Variables already collected on the P35L employer return and provided to the CSO
(and for which there is an ongoing CSO requirement)

No.	Variable	Label
1	am_gross_pay	Gross Pay (for USC purposes). This is gross pay before deductions of any kind, and should include the notional value of any benefit-in-kind.
2	am_illness_benefit	Amount of Illness Benefit paid to the employee.
3	am_lpt_deducted	Amount of Local Property Tax deducted from the employee.
4	am_net_tax	The amount of tax deducted/refunded - as indicated by variable id_tax_ind - for this employee. (Revenue term is Net Tax).
5	amend_ind	Has value A for amended records, blank for new records
6	class	Code for the initial PRSI class of employment - for descriptions, see the Dept. of Social Protection PRSI rate bands booklet
7	comp_ind	Completeness indicator. 1 = incomplete record, Blank = complete case
8	date_of_birth	The date of birth of the employee. SAS date formet (DATE9.)
9	dt_effect	Date on which employee began employmen. SAS date formet (DATE9.)
10	dt_end	Date on which employee left employment. SAS date formet (DATE9.)
11	eme_address1	Employee Address Line1
12	eme_address2	Employee Address Line2
13	eme_address3	Employee Address Line3
14	eme_firstname	Employee first name
15	eme_prsi	PRSI contribution by the employee
16	eme_surname	Employee surname
17	emr_chr	Employer PREM Number Check Character
18	emr_no	Employer PREM (i.e., PAYE REMittance) Number - numeric part - with initial zero omitted
19	emr_reg	Employer PREM Number final (10th) character - will be blank for employers registered before 01 December 2012
20	eor	End of Record Marker. Field has no function but kept to match old flat file
21	filler	Filler space. Field has no function but kept to match old flat file
22	fth_class	Code for the 4th PRSI class of employment - for descriptions, see the Dept. of Social Protection PRSI rate bands booklet
23	id_pension_nm	Pension Tracing Number (for persons in receipt of occupational pensions)
24	id_tax_ind	Indicates whether the tax under variable am_net_tax was deducted or refunded. 0 = tax deducted, 1 = zero tax position or tax refunded
25	in_week_53	Indicator that there are 53 weekly pay days in the year - this happens when a pay day falls on 31 Dec. or, in a leap year, on 30/31 Dec. 1 = includes a week 53, 0 = does not include a week 53.
26	level	The 9th position of the PPSN, EXCEPT THAT: for a second employment with the same employer, blank is replaced by T, W is replaced by X, and A is replaced by Z.
27	mothers_maiden_nm	Maiden name of employee mother

No.	Variable	Label
28	new_class	Code for the 2nd PRSI class of employment - for descriptions, see the Dept. of Social Protection PRSI rate bands booklet
29	new_weeks	The total number of weeks spent in the 2nd PRSI class of employment
30	pay	Total Taxable Pay (Revenue term is Net Pay for Tax Purposes). This is gross pay less employee contributions to health ins., superannuation, travel pass.
31	qt_fth_class	The total number of weeks spent in the 4th PRSI class of employment
32	qt_trd_class	The total number of weeks spent in the 3rd PRSI class of employment
33	record_type_body	Record Type. W = where an employment exits. B = invalid or missing PPSN - date_of_birth and mothers_maiden_nm must be filled for these cases
34	rsi_chr	Employee PPSN Check Character (i.e., 8th position)
35	rsi_input	Full 9-character PPSN.
36	rsi_no	Employee PPSN - numeric part (i.e., first 7 positions).
37	tot_prsi	Combined Employee and Employer PRSI contributions.
38	trd_class	Code for the 3rd PRSI class of employment - for descriptions, see the Dept. of Social Protection PRSI rate bands booklet
39	usc_deduction	The amount of USC deducted.
40	weeks	The total number of PRSI-credited weeks in employment (summed across all PRSI classes) - note that some workers (e.g., job-sharers) may not be PRSI-credited for every week worked.

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