

PAYE Modernisation Customer Panel

November 2017

Background & Design Principles

Why modernise PAYE?

Changing nature of:

- Employments
- Payroll
- Information and communications technology
- Expectations

PAYE Modernisation



Seamless integration into payroll

Minimize employer cost to comply

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

Right tax paid on current due dates

Time savings



Simplified online services

Maximise use of entitlements

Automatic end of year review

Real time accurate data

Transparency



Statutory in-year employer return

Making compliance easier

Accurate up to date income details

Reduced customer contacts

Timely targeted interventions

Context

Employee/Employer Statistics

- 2.7m active employments in 2016 (includes pensions)
- 206,000 employees >1 live employment
- Multiple employments with same employer

- 208,000 employers
- 110,000 employers with ≤ 5 employees
 - 98% filed through ROS
 - Over 5.4m forms generated to fulfil employer PREM reporting obligations (including 2.7m P60s)

PAYE: Current Employer Obligations

Paying Employees

Every time an employer pays an employee they must:

1. Apply the latest P2C
2. Calculate tax to be deducted (IT, USC, PRSI and LPT)
3. Provide the employee with a payslip that shows the pay and deductions made

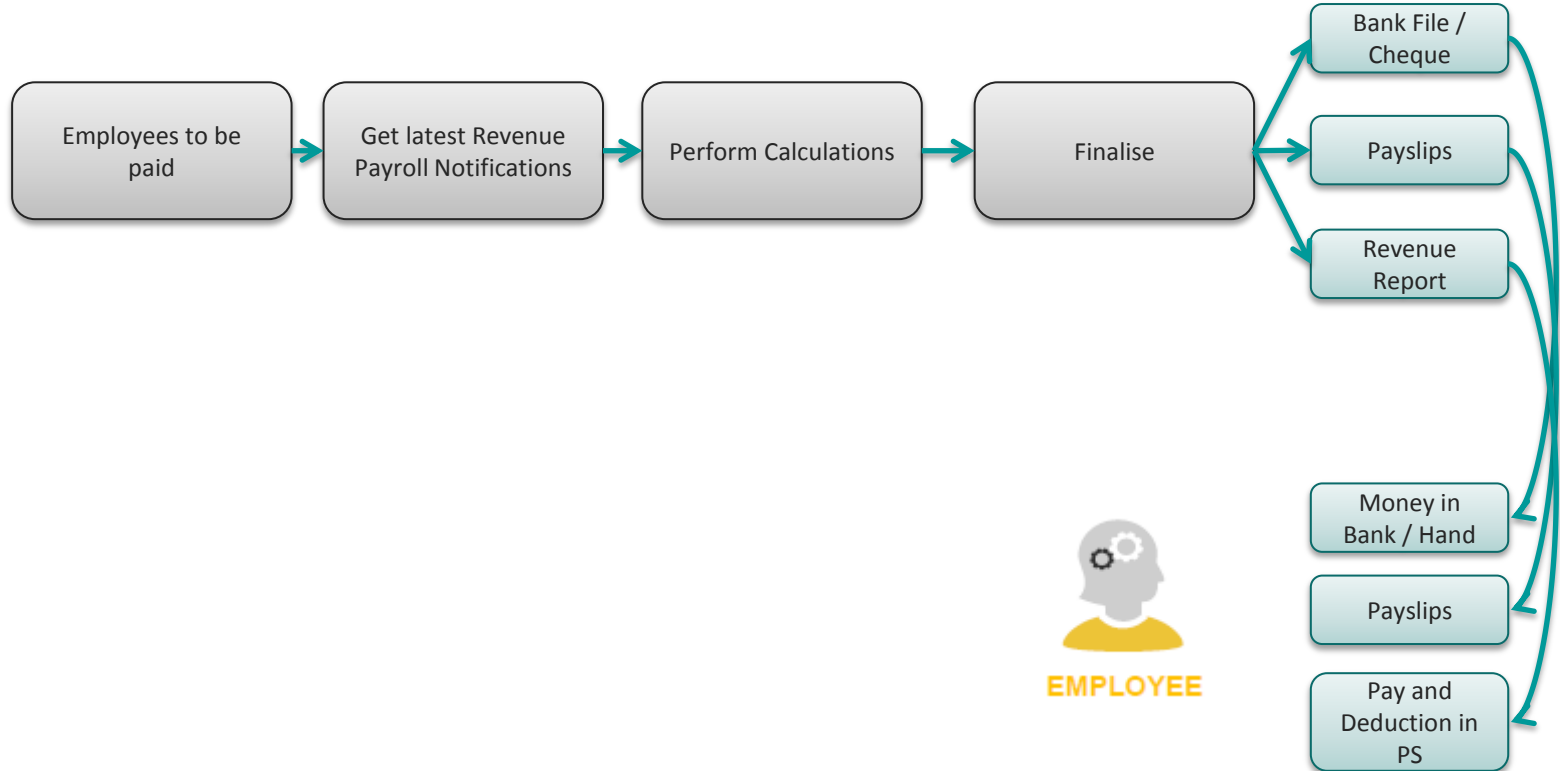
Revenue Reporting Obligations

An employers must report:

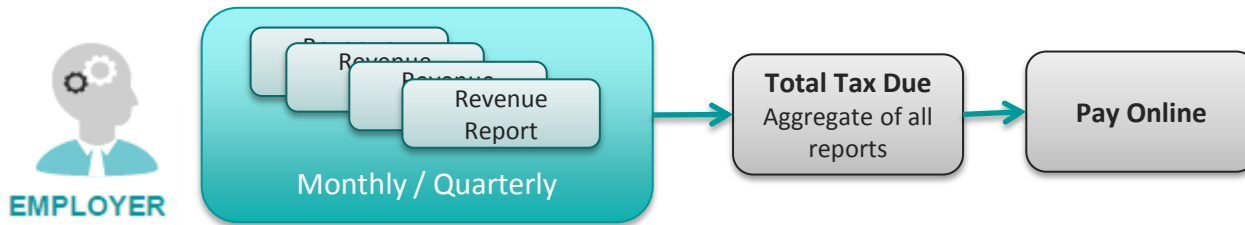
1. P45 / P46 for every employee starting employment with them or leaving employment with them
2. Each month / quarter submit a P30 and payment
3. By February of the following year complete a P35 with the associated listings for each of their employees

High Level Design and Process Flows

Seamless integration of reporting into the payroll process

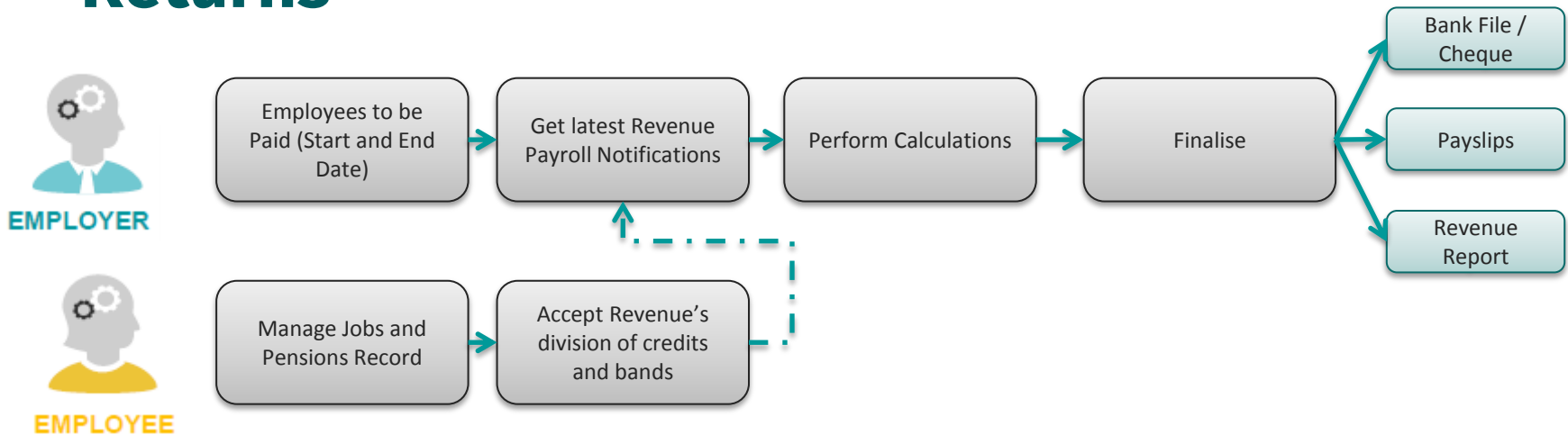


Abolition of P30s, P45s, P46s, P60, End of Year Returns



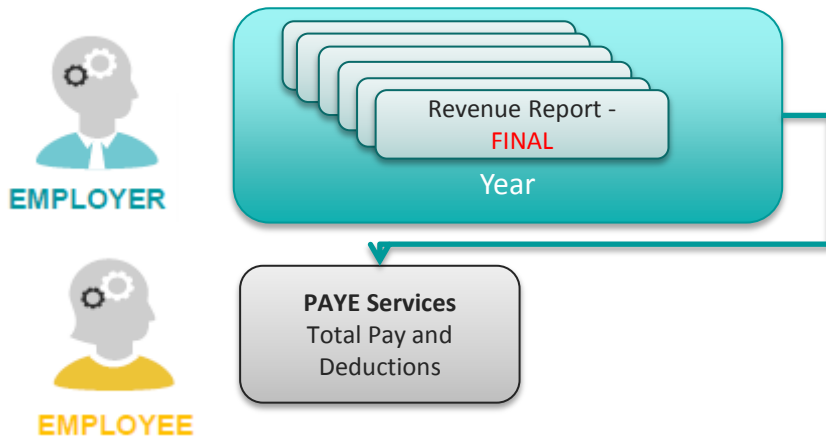
- P30
 - Statement issued to employer each month with total tax due based on submissions.
 - Statement deemed as return if no corrections made by return due date.
 - Employer payment made in line with current payment dates.
 - Debt management for underpayments in year.
 - In year interventions based on risk analysis of reporting.

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



- P45 and P46s
 - New employees set up in payroll and Revenue Payroll Notification requested will commence the employment.
 - Payroll submissions by employers will include commencement and cessation dates.
 - Employees can manage their employment record via the Jobs and Pensions service.

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



- P60s
 - During the year employee can view up to date pay and deductions on PAYE Services
 - Once final report for year processed employee can see final pay and deductions for that employment on PAYE Services

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 amount of income tax deductible or repayable.**
- 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 14th of the following month. The statement shall be deemed the return if the employer does nothing.** However, if the details on the statement are incorrect, the employer must correct the underlying payroll data.
- Tax must be **paid by the 14th of the following month OR 23RD for on line pay and file** Standard rules will apply for those who cannot file by electronic means

Legislative Framework

- Provisions are also included to deal with specific situations where employers may not be able to comply with the legislation due to **persistent technology, internet or electric failures**.
- A direct debit facility will continue to be available subject to Revenue approval. A **variable** direct debit is also provided for.
- Provision for Revenue to raise an assessment for an income tax month, this assessment can extend for 2 or more consecutive months.

Legislative Framework

- Revised provisions for emergency tax – always request RPN. Emergency for no PPSN or not registered for PAYE (lower rate).
- **The basis of assessment under Schedule E is changed from an earnings basis to a receipts basis with effect from 1 January 2018.**
Proprietary Directors and DEASP payments will remain on an earned basis.

Legislative Framework

- **If PAYE is not withheld by employers on emoluments paid to employees, tax will be recouped by Revenue on a grossed-up basis.** Specific exclusions apply for vouchers under section 112B and benefits made under PAYE settlement agreements.

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.

DEASP Income

- Revenue will receive real-time interfaces of taxable DEASP income
- This income will reduce tax credits/rate bands and an updated RPN will be made available
 - Where DEASP payment has been mandated to employer. Remove payment from pay for Income Tax, PRSI and USC and calculate deductions based on RPN
 - Where DEASP payment has not been mandated to the employer use RPN to calculate deductions
- It is important that payroll polls for any updated RPNs since the last payroll was run each time the payroll is run to ensure that the correct deductions are made from all employees

Employer Readiness

- Revenue is now contacting employers who appear, based on an analysis of 2016 P35 returns, not to have informed Revenue of new employees.
- Letters have been issued. These letters will be available to view in your ROS inbox under the category of “PAYE-EMP P35L Review”.

List of Employees

- Revenue will be requesting all employers to submit an employee list at some point in 2018 (probably starting in June) – this will contain a list of employees currently working for the employer. The objective of the exercise is to get RPN's for 2019 correct from the start of the year.
- This will then be followed up with a Revenue matching exercise.

Change Management and Communications

- A challenge for Revenue will be to engage those employers who are not covered by the main representative bodies or other umbrella organisations.
- Revenue will seek to spread its communications net as wide as possible to make sure all employers are aware of their changing obligations.
- This will need to be done early enough to ensure they make the appropriate arrangements to meet the timelines of this project.

Timeline for Implementation

- Revenue fully recognises that this project is not just a software challenge.
- For Revenue and employers alike there is a significant business process change and a change management exercise that will need to be completed before 2019.
- Readiness on both sides will be challenging in the timescales and will be monitored closely throughout the project.
- The external stakeholder steering meetings will be used to report on Revenue readiness and assess employer readiness.

Stakeholder Engagement September to December 2017

Stakeholder Engagement - 2017

September	October	November	December
4 External Stakeholder Update	2 External Stakeholder Update	1 IBEC Webinar	1 BDO Client Event
12 Dublin Bus	3 Webinar Thesaurus Conference	3 Dept. of Education and Education Bodies	4 External Stakeholder Update
13 INTO Briefing	4 Webinar Thesaurus Conference	6 External Stakeholder Update	8 CPA Webinar
13 CPA	5 ITI ROS Workshop	6-23 IPASS Briefing x 18	12 IFA
18 PWC Briefing	6 SAP Technical Meeting	8 Taking Care of Business Seminar	5-13 IPASS Briefing x 7
25 PSDA Workshop	11 Deloitte Client Event	13 PAS	
27 Bus Eireann	13 PSDA Workshop	20 Agent Customer Panel Dublin	
29 BDO Client Information Session	17 Deloitte Client Event	21 Agent Customer Panel Galway	
	24 Webinar Thesaurus Conference	22 Agent Customer Panel Cork	
	26 Irish Agresso User Group Workshop	28 ITI	
	27 Workplace Relations Commission	29 Educampus	

Preparing for PAYE Modernisation

Getting 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?

Next Steps

Feedback & Questions

- Regular updates on revenue.ie
- Monthly external stakeholder update meetings
- Questions or feedback to payemodernisation@revenue.ie