Get prepared for PAYE modernisation

A quick guide for Irish business

INSTITUTE OF DIRECTORS IN IRELAND

Irish Tax Institute

SFA Small Firms Association

Time to get ready for change - NOW

- A new PAYE real-time reporting regime goes live on 1 January 2019.
- It will bring sweeping changes to how employers gather and report information on payroll to Revenue.
- All employers, irrespective of size, need to be aware of how it works.
- All employers are obliged to comply with and operate the new regime from 1 January 2019.
- You need to get ready now.

New Terms:

RPN is Revenue Payroll Notification. This will replace the current employer copy of the tax credit certificate (P2C).

- The payroll software will search for the relevant RPNs from Revenue as part of the normal payroll process.
- If you do not use a payroll package you will be able to request an RPN for each employee through Revenue Online Service (ROS).

Monthly Statement
At the end of every month you will receive a statement from Revenue summarising the information you reported. This will be available to review on ROS on the 5th day of the following month.

Key Dates:

31 October 2018

The deadline to submit your "List of Employees" to Revenue.

31 Oct → 31 Dec 2018

Ensure your List of Employees is kept up-to-date and your payroll processes are ready for go-live on 1 January 2019.

1 January 2019

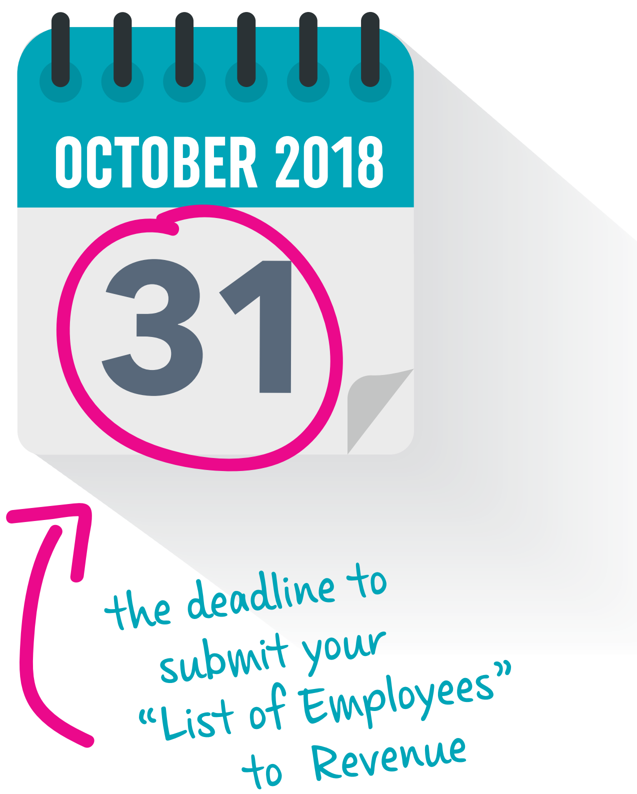
PAYE real-time reporting goes live and will apply from this date on.

5th of every month

A summary statement of your payroll reports for the previous month will appear on ROS.

14th of every month

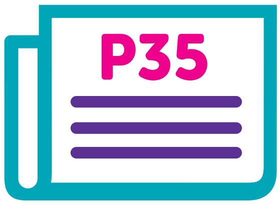
The deadline to check and correct your reports for the prior month.



How will this new system impact you?

- As an employer, you are required to provide detailed reports on pay and tax deductions to Revenue on or before every pay date.
- Every time you pay your employees (and directors), your software should automatically search for RPNs, which will provide you with the details required to calculate the correct payroll deductions.
- RPNs can change frequently depending on your employees' circumstances. You can access the RPNs with your payroll software or on ROS.
- The safety net of being able to use the P35 at the end of the year to correct errors will be gone. You will no longer be able to correct mistakes in this way.
- You can review Revenue's monthly statement, which summarises your payroll reports. You can make corrections to this report before the 14th of every month. After that, it becomes a statutory return.
- In the past Revenue did not see payroll information until you reported it on the P35. Now Revenue will see details of employees' pay and tax deductions in real time.
- This means that the employer must at all times operate the payroll accurately when the employee is being paid to avoid mistakes and possible penalties.
- Employees will be able to view their own individual payroll information online from mid-2019.

The P35 for 2018 (due next February) will be the last P35 ever.



What to watch out for if you are a company director

- Directors should review their tax governance framework and controls for PAYE in order to:
  - Identify and address any weaknesses or risks in the current payroll procedures.
  - Ensure all business units involved in the payroll process are aware of their responsibilities, e.g. finance, HR, payroll, business operations.
  - Consider the potential implications for the Directors' Compliance Statement (DCS) in the annual directors' report.
  - Agree communications with employees and external service providers about timely supply of information on taxable expenses.

Proprietary directors (i.e. directors controlling 15% or more of the company's shares)

- There will be a "proprietary director" marker on ROS and software payroll reports to select so you get the benefit of the Earned Income Tax Credit.
- Revenue will issue guidance for proprietary directors, which will include information on the interaction of real-time PAYE with income tax returns. Proprietary directors should review this guidance when it is issued.

Your checklist – things you need to do now

STEP 1: Clean your employee list

- Clean up your employee records.
- You must submit a **clean and complete list** of all your employees to Revenue **by 31 October**, so you can be ready to go live next January.
- Revenue has a step-by-step guide to preparing and submitting the employee list.

You must ask yourself the following questions:

- ***Are all of your employees registered with Revenue as your employees?***
  Tip: If you have a Tax Credit Certificate (P2C) for every employee, you know they are registered with Revenue.
- ***Do you have correct PPSNs for each of your employees?***
  Tip: You can use Revenue's PPSN checker on ROS to check whether a PPSN is correct. A PPSN can also be checked against an employee's Tax Credit Certificate or Public Services Card.
- ***Are you using a current Tax Credit Certificate (P2C) for each employee?***
  Tip: You can use ROS to check whether Revenue has issued a new P2C.
- ***Have you issued a P45 to individuals who no longer work for you?***
  Tip: If you have workers who work for you at different times of the year – for example, seasonal workers – you may want to explain to them why you are issuing a P45.
- ***Does the list include all employees, including directors?***
  Tip: If you outsource payroll for company directors you need to include them on the list of employees or upload the two lists at the same time.

Once you have sent in your list you need to keep it up to date, by notifying Revenue of any new or departing employees (using the P45/P46 process).

Employees starting their first job in Ireland need to register the job using the MyAccount service on www.revenue.ie or via RevApp.

STEP 2: Pay can mean more than just salary – getting it right

- Pay is not just salary. It can also include bonuses, shares, commission or benefits in kind (BIK). Examples of benefits in kind are the use of a company car, health insurance or gym membership. See the full list on Revenue's website.
- The implications of real-time reporting for BIK is very important.

A complex area – BIK on cars

- Employees who are provided with a company car are liable to tax on this benefit (as a BIK).
- From January the benefit must be spread over the year and taxed each pay period.
- The BIK is calculated by reference to the employee's business mileage.
- Revenue says the BIK calculation should be checked quarterly, at a minimum, and adjusted as appropriate.
- Employees need to provide you with their mileage records on a timely basis, so you can calculate the BIK due.
- Communicate with employees to inform them how and when they should submit their mileage records.
- Review Revenue guidance on BIK when it issues.

STEP 3: Reporting - Getting it right and the consequences of getting it wrong

- PAYE errors can be costly and it's important to get your reporting correct.
- A penalty of €4,000 per breach can apply, for example:
  - If you do not follow an RPN.
  - If you do not inform Revenue when an employee has ceased employment.
  - If you do not hold a Register of Employees at your business address.

Note: If you underpay tax due to a mistake you might be subject to interest of 10% per annum.

STEP 4: Engage with your software provider

- It is important to engage with your payroll software provider to discuss your options and related costs, if you have not already done so.
- Work is well advanced on upgrading commercial software for the new reporting regime.
- Several providers are testing their software on Revenue's system – the Public Interface Test (PIT).
- Two methods of reporting are under development:
  i. Direct reporting – where payroll software will seamlessly report to ROS.
  ii. ROS upload – where a software file can be uploaded via ROS.
- Some questions to ask your software provider are:
  - Has their software been tested on Revenue's PIT?
  - When will their updated version of the software be available?
  - What supports will be available, considering that many employers may be using the software for the first time in January?

What if you don't use software?

- If you do not use payroll software or outsource your payroll, you should consider your options NOW.
- Using ROS is one of these options.
- ROS will contain data entry screens to enable smaller employers without software, to report pay and statutory deductions. Revenue is demonstrating these screens at its countrywide seminars.
- It is important to note that this is solely a reporting facility.
- ROS will not calculate the tax, USC and PRSI due. Therefore, if you are using this facility, you must be confident that you are computing these calculations correctly.
- Even if you operate a static payroll (i.e. the pay is the same each pay date), should any detail change – for example, a new RPN issues – the tax will have to be recalculated.
- Revenue will review the reports submitted via the data entry screens to identify any anomalies.
- Employers who are not e-enabled and who are excluded from the mandatory e-filing/e-payment requirements will be able to avail of paper-based reporting. Revenue will communicate separately with this group of employers to provide them with the requisite forms and information.

STEP 5: Stay informed with Revenue's information campaign

- Revenue's extensive information campaign is currently running nationwide.
- Revenue is hosting 111 information events from 19 September to 31 October, some of which are still under way. See the Revenue website for the full schedule.
- Revenue has a dedicated webpage to keep you up to date.
- Revenue is carrying out customer service visits and calls to businesses around the country – 50,000 employers have already been contacted, including 11,000 visits.
- Revenue sent two letters to all employers in Ireland in April and September informing them about the new regime.

01-7383638

Revenue has indicated that in the early days of the new regime it will be adopting a supportive approach to employers and stakeholders. Revenue's National Employer Helpdesk has been scaled to handle additional support requirements and can be contacted on 01-7383638.

Preparation for the new regime has been under way since 2016

The plans were announced in Budget 2017, followed by:

A public consultation on the plans → Engagement and workshops on the design and software development → New tax legislation introduced in 2017 → Detailed PAYE Regulations published in September 2018

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This is intended to be a helpful guide for Ireland's SMEs ahead of the implementation of PAYE Modernisation. If you have any further queries, please visit Revenue's dedicated webpage for more information.