

PAYE Modernisation

by Sinead Sweeney

From 1 January 2019, all payments to employees must be reported to Revenue in real time. Here Sinead Sweeney looks at how the move to real time PAYE has brought about significant improvements for users.

The move to real time PAYE is transforming the administration and collection of payroll taxes and is bringing about very significant efficiencies and improvements in accuracy and transparency for Revenue, employers and employees. The new arrangements apply to emoluments (salary, wages, perquisites, expenses) paid to employees, pension recipients and company directors on or after 1st January 2019.

Background

Revenue's Public Consultation Document on PAYE Modernisation, published on 11th October 2016, explained the rationale for its introduction. PAYE was introduced in 1960 and the nature and complexity of employment has significantly changed since then. Additionally, modern information and communication technologies present opportunities for electronic payroll and associated real time tax reporting, and for modernisation of the administration of PAYE.

Since the then Minister for Finance launched the project in his 2017 Budget speech, Revenue has worked extensively with all relevant stakeholders in a co-design approach, to ensure the new PAYE Modernisation reporting system operates as effectively as possible for all involved in the PAYE system.

The objective is that real time PAYE reporting seamlessly integrates into the payroll system, bringing

significant streamlining of business processes and a reduction in administrative burden and costs. Employers now report to Revenue in real time; Revenue has the most up to date information possible to determine that each employee is subject to the right tax deduction; and employees will have full visibility of the data reported to Revenue, bringing increased transparency and allowing the quick resolution of errors.

The Finance Act 2017 gave legal effect to the move to real time PAYE reporting and the new PAYE system was launched when Revenue made available the 2019 Revenue Payroll Notifications (RPNs) to employers on the 5th December 2018.

Changes for employers

As an employer, real time PAYE reduces your administrative burden by eliminating the need to file forms P30, P35, P45, P46 and your obligation to produce a P60 for every employee each year. Revenue has undertaken extensive stakeholder engagement to assist employers in preparing for the change to real time reporting. From 1st January 2019, you must now report to Revenue all the pay, tax and other statutory deductions, with details of any employees leaving your employment and new employees joining, at the same time as you run your payroll. Every month, Revenue will provide you with a statement reflecting the total deductions made on behalf of all your employees in that month. This

will become your monthly return. If you disagree with the statement, you must update the associated payroll records and Revenue will issue an amended statement. You no longer have an end of year compliance requirement; instead, there are twelve returns based on the payroll data you submit throughout each month. Therefore, it is important to focus on the quality and accuracy of the data you provide to Revenue each pay day.

Integrating and simplifying PAYE processes will provide increased confidence in the accuracy of the data, preventing costly and time-consuming errors and reducing unnecessary contacts to you from your employees.

Changes for employees

As an employee, the new PAYE system allows you to quickly and easily manage your tax affairs. You will no longer get a P60 from your employer each year. Your 2018 P60 is the final P60 you will receive from your employer. Revenue will now make an end of year statement available to you showing your pay and statutory deductions. With real time PAYE, Revenue's regular reconciliations will be based on your actual pay and tax details. This will ensure that you get the full benefit of your tax credits and rate bands across employments throughout the year, even if you have more than one employment. This is in contrast with the previous system, where there was an end of year reconciliation and you,

potentially, waited until after year-end for any refund, or perhaps be faced with a tax underpayment at year end.

You will have up to date information on the calculation of your tax deductions and the option to make any necessary changes online, in real time, using Revenue's myAccount service. The new PAYE system will also provide transparency. You will be able to confirm, through myAccount, that your deductions have been reported to Revenue by your employer.

Revenue strongly encourages all employees to register for myAccount.

Changes for Revenue

We have expanded and developed our National Employer Helpline to provide support and assistance to employers and agents in the transition to the new reporting arrangements.

We are operating extended opening hours on both the National Employer Helpline and the ROS Helpdesk. We have also extended our ICT infrastructure to handle the scale and volume of data that we will receive on a continuous basis. We continue to engage extensively with payroll software developers, payroll agents, taxation and accountancy bodies, small employer representative bodies, large employers and relevant Government Departments.

We have worked closely with payroll software providers to ensure that their software packages enable employers to meet the new reporting requirements. We have also considered the needs of smaller employers. We have developed additional functions in ROS, the Revenue Online Service, to allow you to record your payroll information and send it to Revenue. This means that even if you do not use a payroll package to operate your payroll, you can meet the new reporting requirements by using ROS.

Progress to Date

The new arrangements are now live and compliance with the new system to date by all sizes of employer has been very strong. From when we first made Revenue Payroll Notifications (RPNs) available to employers around 5th December 2018, we have seen significant engagement with the new system. The first payroll submission was made on 7th December and we now have submissions from around 137,000 unique employers relating to around 2.4m employees. €9.1bn in gross pay has been reported through the system so far. The vast bulk of submissions (91%) have been made using the direct connection from employers' payroll software to Revenue systems, only 1% using the file upload facility and 8% has been via manual entry in ROS.

Statements

Statements of Account are now available to view through ROS. You should log onto ROS to reconcile your statement with the details you submitted. If you identify errors, you should correct the original payroll information and an updated statement will be made available. If you take no action, the statement will be deemed to be your return on the 14th of the following month.

Payment Options

There are various payment options available to employers to pay liability due to Revenue. Through ROS, you have the option of paying by

- credit card,
- debit card,
- ROS debit Instruction, or
- direct debit.

Variable Direct Debit

Under the new variable direct debit scheme, Revenue will obtain permission to request the value of your actual monthly liability. You can apply to set up a variable direct debit for Employers' Income Tax through ROS.

If you are currently on a fixed direct debit you need to cancel this before setting up a new variable direct debit. This will ensure that Revenue only requests one payment from your bank.

If you are a group remitter and want to remain on direct debit you will have to change to a variable direct debit. Group remitters will have to cancel their current fixed direct debit arrangement for Employers' Income Tax.

Common Pitfalls

We have identified some pitfalls encountered by employers in the initial weeks since PAYE Modernisation has 'gone live.'

Emergency Basis

A small percentage of employees were incorrectly taxed on the emergency basis in the first payroll of 2019. When running payroll, you should look up the RPN for your employees. Where no RPN is returned, a new RPN should be requested and the details returned on the RPN should be used to calculate the statutory deductions. It is important that you ensure your software is updated with the correct RPN details. Emergency basis should only be operated where there is no RPN available for an employee or no PPSN has been provided by an employee.

Duplicate Line Items in Payroll Submissions

Where corrections or deletions are made to a payroll submission, you should review your payroll summary and ensure no duplicate information has been reported.

Employment ID

A new field for a unique employment identifier is now included on the payroll submission and RPN. The employment ID is a unique identifier which is assigned to an employee for each separate employment with a given employer. Your payroll software

will assign the employment identifier, but you must make sure that this is not changed once assigned. If an employee has more than one employment with you, a separate unique identifier should be assigned to each employment. It is important that those processing payrolls are familiar with the employment ID to ensure employees get the full benefit of their entitlements.

The feedback we have received to date from the majority of employers suggests that the transition to real time reporting has been seamless, particularly where they have followed Revenue guidelines.

Communications

Revenue has been actively engaged in communicating the message to all employers. Since January 2017 to date, Revenue teams have presented at over 225 PAYE focused events for a variety of stakeholders and representative bodies.

Revenue has written twice to every registered employer in the country and engaged in a significant number of Regional customer service visits to assist employers with preparations for PAYE Modernisation. Revenue also hosted 113 seminars nationally with attendance of over 20,000.

Revenue will continue to provide support to any employers experiencing difficulties in the early phases of PAYE modernisation.

This includes:

- increasing our resources for the National Employer Helpline to meet customer demand,
- contacting employers who appear to be having implementation issues, and
- providing customer service visit to employers should the need arise.

As we progress through 2019, our customer engagement will expand to include a comprehensive communications programme for employees to ensure they understand how the changes will benefit them.

Support

The transition to real time PAYE represents an important step in the process of continuous improvement in service, compliance and efficiency in our administration of the tax system.

Our website contains a wide range of additional information, covering all aspects of compliance with PAYE Modernisation requirements, common issues reported by employers and the recently published Employer's Guide to PAYE.

If you have any queries or have encountered any difficulties with the change to real time PAYE, please contact the National Employer Helpline at Ph: 01 7383638.

Finally, Revenue acknowledges all the work that has been done by employers, payroll software providers, tax agents, payroll service providers and others in ensuring that there is very strong compliance with the new reporting requirements under PAYE Modernisation.



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Sinead is a qualified Revenue professional with over 20 years tax experience. Prior to this role Sinead was the PREM audit manager for LCD with responsibility for audit and compliance across the division. She has extensive experience across diverse functions within the Revenue organisation.



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