

PAYE MODERNISATION PRESENTATION

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1 MICROSOFT PLACE, DUBLIN

SEPTEMBER 12TH, 2018

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AGENDA



- ❖ 2 recent Surveys
- ❖ Background & Main Points
- ❖ Key challenges
- ❖ Design principles - 'SMART' PAYE
- ❖ Integration to payroll
- ❖ RPN (Revenue Payroll Notification)
- ❖ Employment ID's
- ❖ Forms abolition and their replacement processes
- ❖ Data quality review by Revenue
- ❖ Employer readiness
- ❖ Practical takeaways and advice
- ❖ Implications for Accountants and Bookkeepers
- ❖ Big Red Book Payroll readiness
- ❖ PAYE Modernisation Q&A

SURVEY OF EMPLOYERS

- ❖ 66% of SMEs “short on detail” on PAYE system overhaul
- ❖ 5% are “completely unaware” of the changes
- ❖ 40% of SMEs are “not prepared at all” for Jan 1st PAYE modernisation deadline
- ❖ Just 15% say they are confident they will be ready
- ❖ 92% know the exact date the changes will come into force

* Source: Big Red Cloud Employers Survey, August 2018





SURVEY OF ACCOUNTANTS

- ❖ 39% of accountants expect that smaller businesses will find it hard for the first 12 months but will benefit from the changes in the long run
- ❖ 74% plan to open up service offerings to include payroll to more business clients
- ❖ 40% believe that Revenue could be doing more to help with the preparatory work behind the scenes

* Source: Big Red Cloud Accountants Survey, September 2018



PAYE MODERNISATION - BACKGROUND

- ❖ Announced in October 2016 budget speech (Michael Noonan)
- ❖ Motivation – from Revenues consultation paper

*The PAYE system was introduced in 1960 at a time when a job for life was the norm and payroll was a manual process. Over 50 years later, the nature and complexity of employment and personal relationships have significantly changed – people **move jobs regularly**; **separation and divorce** are more common; **agency work and multiple concurrent employments** are more prevalent. Additionally, modern information and communications technologies present opportunities for electronic payroll and associated **real-time tax reporting**, and for modernisation of the administration of PAYE. Such a modernisation which Revenue proposes to implement will better accommodate the **complexities of today's employment patterns and structures**.*

PAYE MODERNISATION - MAIN POINTS

- ❖ Move from:
 - ❖ End of year return to Revenue
 - to
 - ❖ Real time electronic submission of detailed payroll data as employees are paid
- ❖ Existing returns will be abolished (P30/P35/P60/P45/P46)
- ❖ Big focus on taxpayer compliance
- ❖ Revenue using data analytics to streamline monitoring of taxpayer behaviour
- ❖ Better self management by employees of their pay and taxes
- ❖ Go live planned from 1st January 2019





KEY CHALLENGES (AS REVENUE SAW IT)

EXECUTIVE SUMMARY

‘Fundamental change, in both philosophy and practical application, for Revenue and employers and brings significant challenges for both parties’

ALL EMPLOYERS

- ❖ Requires changes to salary payment practices
- ❖ Focus on quality and accuracy of data at pay day
- ❖ Real time visibility of payroll data to their employees

SMALLER EMPLOYERS

‘Consideration is being given to the needs of smaller employers who may not use payroll software and those who may experience difficulty with internet/ broadband connection’

The background of the slide is a photograph of two men in dark suits walking away from the camera down a modern office hallway. The hallway has glass walls and a polished floor that reflects the men. The image is overlaid with a semi-transparent blue filter. The title text is centered over the image.

'SMART' DESIGN PRINCIPLES

DESIGN PRINCIPLES - 'SMART' PAYE (EMPLOYER)



- ❖ Seamless integration into payroll
- ❖ Minimize employer cost to comply
- ❖ Abolition of p30s p45s p46s p60, end of year return
- ❖ Right tax paid on current due dates
- ❖ Time saving

DESIGN PRINCIPLES - 'SMART' PAYE (EMPLOYEE)



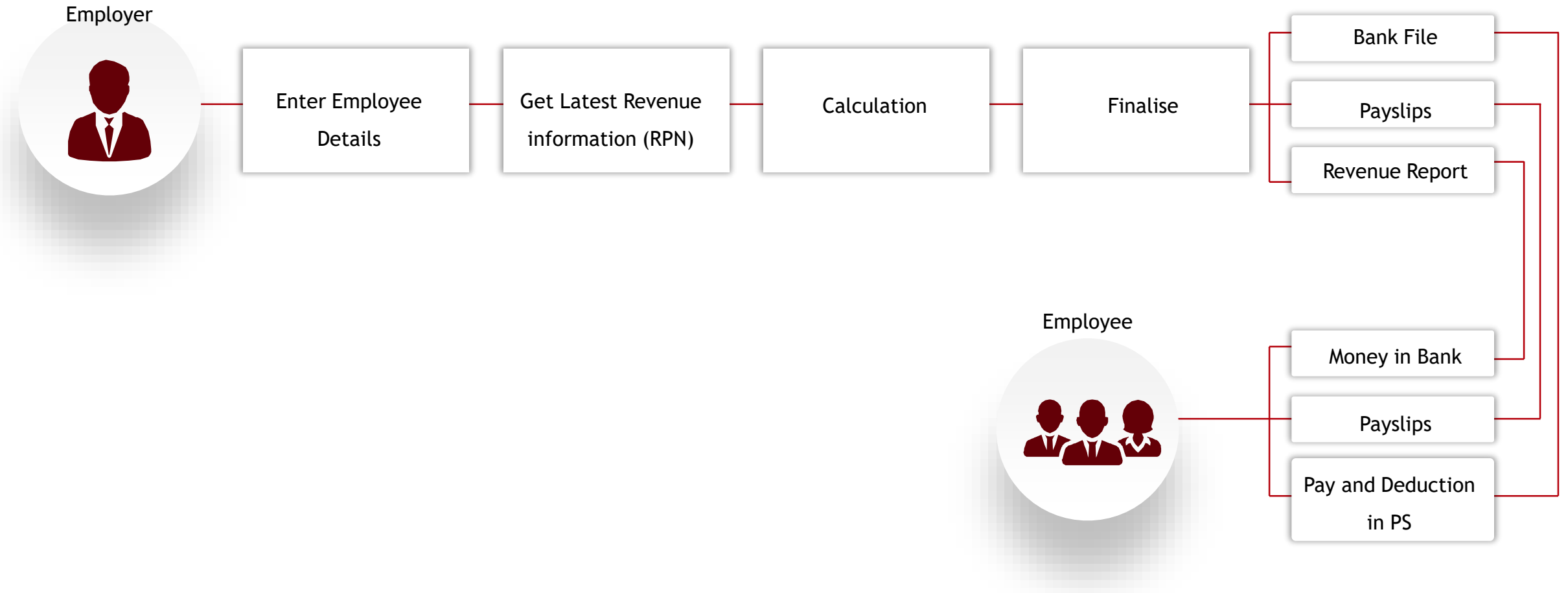
- ❖ Simplified online services
- ❖ Maximise use of entitlements
- ❖ Automatic end of year review
- ❖ Real time accurate data
- ❖ Transparency

DESIGN PRINCIPLES - 'SMART' PAYE (REVENUE)

- ❖ Statutory in year employer return
- ❖ Making compliance easier
- ❖ Accurate up to date income details
- ❖ Reduced customer contacts
- ❖ Timely targeted interventions



Seamless Integration into Payroll Process





GET LATEST INFORMATION FROM REVENUE 'RPN'

- ❖ RPN - 'Revenue Payroll Notification'
- ❖ Requested electronically by Payroll Software before commencing a payroll run
- ❖ Data similar to a P2C - contains up to date tax credits, cutoff's, USC information and cumulative totals per employee per employment ID
- ❖ Unique RPN reference included - must be included on subsequent submission of the payroll (Or it MAY be rejected!!)
- ❖ Can be used by employers to request RPN for new employees

NEW EMPLOYMENT ID CONCEPT

- ❖ Unique identifier per employment for each employee
- ❖ Deals with employee working for same employer in 2 branches, paid separately by both (Eg: Restaurant chain) - 2 separate employment ID's
- ❖ Employee identification on returns to Revenue becomes:

Employer Registered Number + Employee PPS Number + Employment ID

- ❖ Employee can manage and split credits/ cutoff's on the MyAccount portal for each employment ID
 - ❖ Solves a big issue for temporary/casual staff across multiple employers with multiple branches (Previously, Revenue issued temporary PPS numbers)
- ❖ Tip - don't change employment ID once a submission has been made to Revenue, otherwise it will be seen as a new employment and will have no credits!



ABOLITION OF ALL THE FOLLOWING FORMS/RETURNS:

P60



P45



P30



P35



P46



FORM REPLACEMENTS

FORM	REPLACEMENT
P45 & P46	<ul style="list-style-type: none"> ❖ Replaced by payroll submissions by employer with commencement and cessation dates <li style="text-align: center;">OR ❖ By the employee managing their employment record via the Jobs and Pensions service.
P30	<ul style="list-style-type: none"> ❖ Total tax due calculated from aggregate of all reports in the month / quarter ❖ Employer payment made in line with current payment dates ❖ Debt management for underpayments in year ❖ Non filer interventions for non reporting in year ❖ In year interventions based on risk analysis of Reporting
P35	<ul style="list-style-type: none"> ❖ Final payroll run for the year marked by employer ❖ Total tax due calculated based on final report plus previous month / quarter ❖ Debt management for underpayments ❖ Non filer interventions for non reporting of final report
P60	<ul style="list-style-type: none"> ❖ 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

DATA QUALITY REVIEW BY REVENUE

In Depth review of 2016 data undertaken by Revenue. Many compliance issues uncovered:

- ❖ First Revenue knew about an employment was when they got P35 with employee listed
- ❖ Many employers have ex employees with active P2C's meaning they had never notified Revenue that they had left employment (ie no P45 issued) (tax compliance issue as no P2C issued!!)
- ❖ Many registered employers have no employees and are making zero returns
- ❖ Missing and invalid PPS numbers
- ❖ Week 53 abuse
- ❖ Christmas day commencements

REVENUE ACTIONS FOLLOWING REVIEW

Following the data review, Revenue are taking the following actions:

- ❖ New requirement in 2018 - 'Employee List' upload by employers
 - ❖ Used to reconcile Revenues employee records with the employers records
 - ❖ Submission deadline of mid October
 - ❖ Auto P45 employees not in list
 - ❖ Returns to date have surprised Revenue - poor quality of data
- ❖ De-registration campaign underway
 - ❖ Automatic deregistration for companies with >2 years zero returns, unless request made to remain active.





REVENUE APPROACH TO PAYE MODERNISATION

- ❖ Employer visits
 - ❖ Across a range of sectors, but focusing on small and micro enterprises
- ❖ Parallel testing with nominated employers from mid September 2018
- ❖ Active engagement with Stakeholders
 - ❖ Employers
 - ❖ Payroll software suppliers
 - ❖ Professional bodies
- ❖ Using data analytics to review what is happening with both employers and employees.

PRACTICAL TAKEAWAYS AND ADVICE



- ❖ 2 Myths to dispel:
 - ❖ Real time reporting NOT real time payment – existing monthly/quarterly payment dates remain in place (but with better visibility of true liabilities)
 - ❖ Calculation of liabilities remains the responsibility of the employer using payroll software (Unlike the UK)
- ❖ If running multiple payrolls for a single registration, get familiar with the Employment ID, and allocate a code per payroll.
- ❖ Sign up for Revenue's own Workshops starting in September <https://www.revenue.ie/en/employing-people/pay-modernisation/employer-seminars.aspx>
- ❖ Clean up employee records before Revenue contact you!
- ❖ Submit the employee list once data has been cleaned up
- ❖ Time to stop net to gross arrangements with employees!

PAYE MODERNISATION

IMPLICATIONS FOR ACCOUNTANTS AND BOOKKEEPERS

- ❖ Communicate with clients, make them aware of changes
- ❖ Opportunity to assist clients with compliance clean up
- ❖ Keep up to date with Revenue announcements and briefings
- ❖ Review clients who produce PAYE data only at end of year - challenge for small employers and their accountants and bookkeepers!
- ❖ Opportunity to provide Payroll compliance services on behalf of clients during the year rather than just at year end (Payroll Bureau)



BIG RED BOOK PAYROLL READINESS

- ❖ Engaged on the modernization project via PSDA (Payroll Software Developers Association) and Revenue since October 2016
- ❖ Regular workshops, stakeholder meetings, technical specifications and guidance from Revenue on implementation questions
- ❖ Revenue have open up their testing platform 'PIT' since the end of March 2018 - a replica of the full real time system but only with sample data
- ❖ Working on all required changes at the moment. Awaiting budget 2019 (probably October 9th 2018) for any changes that may be required
- ❖ Will hold a detailed webinar later on in the year with hands on examples of setting up and using Payroll 2019 under the new system



PAYE MODERNISATION

Q&A

THANK YOU

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