

HSE - HBS Finance – Payroll Services (Employer)

HSE – HBS ERP Services

PAYE Modernisation Submission to Revenue

Public Consultation Paper

Background and Introduction

Health Business Services (HBS) is a division of the HSE. In the health sector HBS has national responsibility for elements of Finance including payroll services. HBS also has responsibility for the support, maintenance and development of the SAP HR/Payroll system and SAP Business Warehouse.

Payroll Services

HBS Payroll Services currently manage the payment of HSE staff and pensioners. HSE gross to net payroll is currently processed via nine HBS centres based on appropriately authorised input received from HR, Line Managers, Returning Officers, etc.

We currently provide for the payment of 83,284 HSE staff and 33,792 pensioners.

A payroll service is also provided to Tulsa's 4,500 employees as well as approx. 13,000 employees and pensioners for Voluntary Hospital Organisations.


ERP Services

HBS Enterprise Resource Planning Services (ERPS) has responsibility for the support, maintenance and development of SAP HR and Payroll systems for the HSE in addition to other business applications such as SAP Business Warehouse (BW).

Context

Approximately, 2.6m payslips are issued annually.

Our service provision is a combination of HBS direct provision (SAP – 39%) and external contracting arrangements with private providers. i.e. Unipay - 49% Core - 11% and Perfast - 1%. However, all HBS Finance - Payroll Services are co-ordinated and managed by our payroll team.

HSE Employer's Registered Number for Revenue	Payroll System	HSE Area	Address	Employees	Pensioners	Total
	SAP	Midlands	Offaly	7,920	1,379	9,299
	SAP	Mid-West	Limerick	7,924	1,779	9,703
	SAP	North-West	Manorhamilton	9,196	17,549	26,745
	Unipay	South	Cork	14,010	3,038	17,048
	Unipay	North-East	Meath	8,385	1,504	9,889
	Unipay	East	Dublin	13,767	3,486	17,253
	Unipay	West	Galway	10,652	2,359	13,011
	Perfast	Portiuncula Hospital	Galway	771	120	891
	Core	South-East	Kilkenny	10,659	2,578	13,237
HSE Totals				83,284	33,792	117,076
	Tulsa	Mid-West	Limerick	4,266	0	4,266
HSE & Tulsa Totals				87,550	33,792	121,342

Pay Cycles Overview for HBS Finance – Payroll Services in HSE

Employees & Pensioners

Currently there are 84 different payroll cycles for **Employees and Pensioners** in the HSE. These are made up as follows: 6 Weekly, 51 two-weekly, 4 four-weekly and 16 monthly.

In addition, there are also 7 interim payments.

A summary of the pay cycles, the number of employees and pensioners in each cycle and the pay cycle frequency is shown in tables 1 and 2.

Table 1 – Pay Cycles for Employees and Pensioners

HSE Area	Address	WK	Pay	2 WK	Pay	4 WK	4 WK Interim	Pay	Monthly	Pay	Monthly Interim Pay Cycle	Total @ Oct 16'	Total
		EE's	Cycles	EE's & Pensioners	Cycles	EE's & Pensioners	Pay Cycle	Cycles	EE's & Pensioners	Cycles		EE's & Pensioners	Pay Cycles
Midlands	Offaly		7	1	4586	4			4706	2	2	9299	9
Mid-West	Limerick				7276	2			2427	2	1	9703	5
North-West	Manorhamilton	38	1	5884	2	1234	1	2	19589	2	2	26745	10
South	Cork				14943	5	2067	2	38	1	1	17048	9
North-East	Meath				9856	10			33	1		9889	11
East	Dublin	263	4	16832	4				158	2		17253	10
West	Galway				12278	5			733	2		13011	7
Portluncula Hospital	Galway				182	2			709	2		891	4
South-East	Kilkenny				12076	15			1161	2		13237	17
HSE Totals		308	6	83913	49	3301	1	4	29554	16	6	117076	82
Tusla	Limerick				4266	2						4266	2
HSE & Tusla Totals		308	6	88179	51	3301	1	4	29554	16	6	121342	84

Total for EE's & Pensioners @ Oct 2016

Table 2 - Pay Cycles Frequency Profile for Employees and Pensioners

HSE Area	Address	Weekly		Fortnightly			Four Weekly				Monthly				Total Pay Cycles
		Thurs	Fri	Tue	Thurs	Fri	Tue	Interim	Thurs	Fri	Tues	Fri	Mid	End	
Midlands	Offaly		1		3	1							2	2	
Mid West	Limerick				2							1	1	1	
North-West	Manorhamilton		1		1	1		1		2			2	2	
South	Cork				4	1	2						1	1	
North-East	Meath				10									1	
East	Dublin	4			4									2	
West	Galway				5						1			1	
Portluncula Hospital	Galway				2									2	
South-East	Kilkenny				12	3								2	
HSE Totals		4	2		43	6	2	1		2	1	1	6	14	
Tusla	Limerick				2										
HSE & Tusla Totals		4	2		45	6	2	1		2	1	1	6	14	

84 Pay Cycles (which includes 7 Interim Payments)

With the pay cycles there is another level of complexity the HSE has to operate within, in regards to the pay frequencies due to differences in pay dates i.e. arrears (11 days, or however many days in arrears, two days in advance, last day of month, specified day in period (i.e. last Tuesday in the month, first or second Tuesday in four-weekly pay etc)

Objective and Overview of Modernisation

Revenue - The objective of PAYE Modernisation is that Revenue, employers and employees will have the most accurate, up to date information relating to pay and tax deductions. This will ensure that the right tax deduction is made at the right time from the right employees and employers pay over the correct tax deduction and contribution for every employee. This will improve the accuracy, ease of understanding and transparency of the PAYE system for all stakeholders.

Following review of the white paper we see that the following are the issues:

- HBS currently make **9** monthly returns to Revenue in respect of PAYE, PRSI, USC and LPT (Form P30). The HSE is a large employer with many different pay frequencies and there will now be a requirement for HBS to generate numerous files per week. To achieve this objective a secure link, with the capability for large transactional volumes will be essential to accommodate the sensitive data. The data file will need to be created immediately following each pay cycle in the format Revenue requires to ensure they will always have the most up to date information. Currently, there are 77 different payroll cycles with 7 interim payments for employees and pensioners in the HSE including 6 weekly, 51 two-weekly, 4 four-weekly and 16 monthly. This new development may also significantly change work flows within the Payroll Departments.
- PAYE Modernisation may significantly increase the workload/queries in the Payroll Departments. The outcome is unknown in terms of additional workload, if any, until feedback is received from the Payroll Software providers for HBS in relation to the mechanism for providing data and files to Revenue which will need to be secure, seamless, and automatic process to Revenue.
- PAYE Modernisation will benefit Revenue and employees as no employee should reach the end of year with a large under/overpayment of income tax. As Revenue will have up to date information on tax credits and SRCOP's this will assist with the correct tax treatment for those with multiple employments across HSE or with other employers.
- To ensure appropriate support for the program, resources should be made available in Revenue and Payroll Departments if required.
- Currently, there are a number of retired staff members who have returned to work and are also in receipt of a pension with the HSE. To differentiate between the two sets of tax details, the letter 'T' or 'X' is added to the PPSN in one group (all areas). The new system will need to facilitate this or provide the means of splitting tax details when an employee has two separate employee numbers with one employer. There will be a requirement for the 'dual button' to be used in all cases in Revenue.
- With Real Time Reporting, the employee may have an expectation that amended credits and cut-offs will be in their next salary payment, even though the nearest pay run may have already closed. This could lead to increased queries by phone and email to employer and revenue.

- As errors can occur, employers will require a mechanism to correct the 'current year errors' and also to correct for 'previous year errors'. Would it be possible for the employers to get a portal or other secure means which may allow them to access data that they have returned?
- As a large employer the HSE has many complex data requirements. A common issue with payroll processing is the late entry of Hires, Rehires, Leaving action, etc. How will this affect the reporting to Revenue, especially for hires in an earlier year than the actual first payment date?
- Due to the high number of employees in HSE there are a significant number of complex processes that occur, such as, employees changing payroll frequencies (EE may not be listed in the return that Revenue are expecting but will be in a different return by the same HSE ERN) and Leaving & Rehire in the same pay period (EE may, exceptionally, leave a HSE ERN early in a payroll period, commence with a different employer and then later in the same pay period return to the original HSE ERN, e.g. part-time working with multiple employers).
- There are a number of current validations for P35 that result in full file errors where the data being entered is accurate and permissible. These are for processes that Revenue/ROS are not expecting to occur but can actually occur in real life situations. The rejection of the full file results in significant extra work for employers, involving the removal of the 'failed' record, re-submission of the modified file and manual submission of the excluded record. A facility to accept all except the 'failed' record and a list of reasons for the excluded records together with rejection reasons, that could then need a separate submission, would save employers significant time.
- Should there be a failure in the electronic return process (either by Revenue or HSE) there needs to be an alternative method that is suitable for a large employer with 10s of thousands of employees.
- The 'total' fields in HSE returns need to be large enough to accommodate the number of characters that may be used when there are many thousands of employees. Current P35 return field sizes are not large enough to allow HSE to complete a single return for all Employees and therefore multiple ERNs are in use.

Before **PAYE modernisation** is implemented it would be appreciated if the existing practices could be reviewed.

Improve ROS Services:

The Social Welfare letters that come through ROS have to be individually downloaded for each employee and then printed in order to retrieve relevant Social Welfare Benefit information. Would it be possible to provide this information in the same format as the P2C records?

Designated/Dedicated Phone Line for the HSE:

Currently, our only way of contacting Revenue with a PAYE query is on the 1890 number. Due to the high volume of calls to Revenue, this can result in lengthy waiting periods on a daily basis.

It is suggested that a dedicated phone line could be provided to the HSE. Alternatively, another suggestion that could be considered would be the provision of an e-mail address that the HSE payroll processors could log calls to with the assurance of a reasonable turn-around time.

P35:

Difficult IT issues are encountered every year when uploading the P35 files to the Revenue web site especially for large employers. Would it be possible to address these issues before 'Modernisation'?

PPSN changes:

When a new PPSN is sent in by Revenue on a P2C, a change not initiated by the employee, that P2C rejects and results in another call to Revenue. Correspondence should be sent to the employee either by DSP or Revenue to instruct the employee to contact her/his payroll department.

Could this issue be discussed further between Revenue and DSP to ensure that the correct PPSN is notified to the employee and employer?

Comments/Questions from our Payroll Areas:

1. Our P30 takes into account any cancelled payments and amendments in both the current month and the previous month within the tax year, at the end of the month when the payrolls have all been processed. How is it envisaged that the differences between proposed 'real-time reporting' and the corrected pay over are going to be dealt with?
2. Those on Maternity and Paternity should receive new P2Cs on week one basis. Will they benefit from the new proposals and return to cumulative without intervention under the periodic reconciliations?
3. Will we be required to download P2Cs more regularly? This process is currently on a weekly basis.
4. What will be reported – Tax/PRSI /LPT/USC? Can PRSI weeks also be included? PRSI weeks/classes are always an issue at year end and the payroll provider has to fix/correct same.
5. Will employers receive training from Revenue?

Revenue - At its core, PAYE Modernisation means that, for each member of staff, employers will make the right tax deduction when the staff member is being paid, employees will have the certainty of knowing that they are not overpaying or underpaying tax and Revenue will, through real-time reporting by the employer, have the most up to date information possible to determine that each employee is subject to the tax deduction that is appropriate. It is anticipated that this reporting process by employers to Revenue will be fully integrated into the employer's payroll run, thereby contributing to a significant streamlining of business processes and reducing administrative cost for employers.

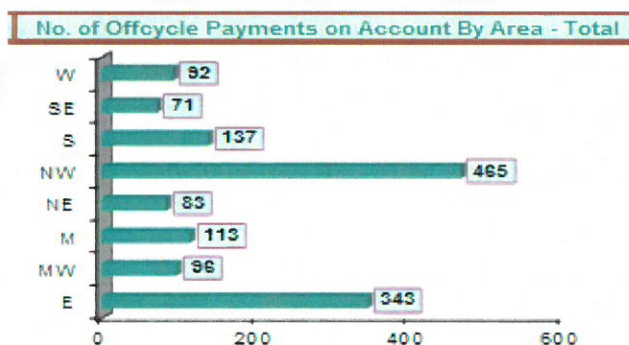
Implications for Employers

Revenue - Employers will report to Revenue pay, tax and other deductions, as well as details of any employees leaving the employment, at the same time as they run their payroll. Details of employees starting employment will be reported before their first pay day. The final payroll run in the year will generate a pre-populated statement setting out the total tax deductions for the year both at the level of the employer and the employee.

There is no proposal to change the due dates for employers to pay over the tax deductions and contributions to Revenue.

1. What details are required for starters and leavers? Timing 'on or before' first pay date.
2. If HBS have emergency payments etc these may not be reflected in the RTR file and may not appear in an electronic file until the next pay cycle.

There were 1,400 Payment on account/Emergency/Advance Payments made across the HBS HSE payroll areas in 2015.



Implications for Employees

Revenue - Prior to the start of each year, an online statement setting out the tax credits and standard rate cut-off point for the upcoming year will be made available to each employee. This will be based on estimated income and information available to Revenue for the employee.

Employees will be prompted to make any necessary adjustments to or to update this online statement, including claiming any additional entitlements. Based on this information a tax credit certificate, reflecting the most up to date information possible, will then issue to the employer and employee and this will ensure tax deductions are correct when salary or wages are being paid during the year. Revenue will carry out periodic reconciliations throughout the year of employees tax deductions, based on actual pay and tax details, to ensure that employees optimise the full benefit of their tax credits and rate bands across employments during the year. This contrasts with the current system where the employee must wait until the end of the year for such reconciliation and wait for any refund or be faced with a tax underpayment. Ad hoc reconciliations will be a feature of the new system based on any changes in circumstances arising during the year. An automatic end of year review will be carried out for all employees based on income on Revenue's records from all employments, tax credits claimed and available third party data and will confirm the correctness of the tax paid for the year.

Will there be any safe guards in place to stop employees entering incorrect data directly on the Revenue system resulting in refunds of PAYE?

Employer Benefits/Impact

Revenue-PAYE Modernisation will allow for significant streamlining of employer business processes and reduce the administrative burden by integrating PAYE reporting obligations into the normal payroll process. Form-filling required by employers will be significantly reduced - for example, Forms P30, P35, P45s, P46s and P60s will be eliminated. The system will automatically generate an end of year reconciliation for the employer. Integrating and simplifying employer processes will provide increased confidence in the accuracy of the data, preventing costly and time-consuming errors and eliminating unnecessary contacts by employees with the employer where they have suffered an incorrect tax deduction.

Elimination of P45's: If an employee has been flagged as a leaver to Revenue and it is subsequently discovered they are overpaid, we will require a means of amending the figures with Revenue when the ex-employee repays the overpayment.

The burden should be reduced at year end for employers however will there be a burden on a weekly/monthly basis now with reconciliations of files etc. No P35 and P60's – Currently, we balance our P35 at year end and we make any necessary adjustments to the pay over of tax.

Cutting down on the paperwork will be a welcomed. i.e. Forms P45's etc

Employee Benefits/Impact

Revenue - PAYE Modernisation gives employees the ability to quickly and easily manage their tax affairs by providing them with up to date information relevant to the calculation of their tax deductions and to make any necessary changes, in real time, through their online Revenue account (myAccount2). MyAccount is a single access point for Revenue's secure online services (excluding ROS) for PAYE customers in the main. Automatic periodic reconciliations and end of year reviews will provide significant benefits to individuals including to those with more than one employment. Up to date information from payroll systems allows for the possibility of employees being able to make claims during the year for what are currently end of year reliefs, such as health expenses. **This is a policy matter which will be explored further with the Department of Finance.**

Payroll Software Provider Benefits/Impact

Revenue - PAYE Modernisation will require development and input by payroll software providers. Revenue will engage early and proactively with software providers who will be critical to the success of this modernisation project.

A full comprehensive **file specification** from Revenue would be essential from the beginning of the programme to ensure that all fields in the correct file format are included as early as possible and 'Cumulative Pay to date' field is a must.

- Encryption will be essential or a secure site directly to Revenue to make it as easy as possible for the end user.
- Will the PPS Number be the unique identifier to identify the right employee?
- End to end testing will need to be completed before 2019.
- Electronic submissions may not always go through due to systems being down – how will that be controlled and handled.
- Dealing with not received or lost files in the future.
- If for instance the periodic submission was doubled up would the employer refund tax to employee's in error etc or vice versa.

Other Benefits/Impacts

Revenue - Up to date pay and tax deductions details will facilitate more accurate tax compliance risk analysis by Revenue. This, in turn, will facilitate better deployment of resources by Revenue to confront non-compliance. The availability of up to date pay and tax deductions data will facilitate more accurate forecasting and better decision making as part of broader policy development.

Additional resources in Revenue /Employer may be required for the implementation and success of the project.

Timeframe for Delivery

Revenue - It is planned that PAYE Modernisation will be operational from 1 January 2019.

This is a relatively short time frame.

Other Issues

- Will there be pilot sites?
- Will there be a nationwide campaign informing employees and employers of the changes and new procedures when agreed?

The right structure, resources, implementation and change management approach must be used with careful oversight and accountability so as to ensure that all necessary steps are taken and a successful launch of the program achieved.

Health Business Services – HSE
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