



# Ibec submission to the consultation on PAYE modernisation

12 December 2016

***By e-mail to: [payemodernisation@revenue.ie](mailto:payemodernisation@revenue.ie).***

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Ref: Consultation on PAYE modernisation

### **General comments**

I am pleased to communicate the views of Ibec and its members on the issues surrounding the public consultation on PAYE modernisation. Ibec represents the interests of Irish business including indigenous and multinational enterprises and SMEs, spanning all sectors of the Irish economy. Ibec and its sector associations work with government and policy makers at national and international level to shape business conditions and drive economic growth.

In general terms we welcome the move toward modernisation of the PAYE system. Feedback from the majority of our member companies is that they would welcome such a change. The experience of those members and providers who have gone through this process in the UK, for example, has thus far been fairly painless and is proving quick and efficient. Insofar as software providers can deliver these changes to existing platforms it is unlikely to put any additional burden on employers. In fact, it may well streamline systems and reduce inefficiency in the long-run.

That said it is important that revenue work closely with both employers and payroll providers on the specifics of system implementation and design. This will reduce the chances of issues arising during the transition. Once this is in place the proposed system should be less onerous and time-consuming for employers on a whole. To this end, we are happy to offer any assistance we can to Revenue over the coming years by working with our members to identify system issues once the proposals are at a more developed stage.

### **Detailed comments**

Although overall we welcome the proposals, we have a number of notes at this early stage:

- The low level of compliance cost is based on the premise that most employers have payroll software or processing providers. This is the case for almost all employers of scale. For the minority of employers operating a manual system, however, it would be more onerous moving to monthly reporting in place of the annual P35 returns. It is important, therefore, that Revenue work with small employers who may not have payroll software or payroll providers to enable them to fulfil their reporting obligations in a cost effective way. A further concern among this cohort of firms is that any systems introduced allow for payroll system that allows for frequent changes, alterations and flexibility. There is some concern that if for example systems are not sufficiently flexible that it would encourage black economy activity among micro-employers.
- On page 3 (point 2.1) the document states that - "details of employees starting employment will be reported before their first pay day." This would be new to most companies and is something that would need to be clearly articulated. How problematic this would be for employers depends on the scope of information which would need to be obtained from an employee and if proof of such would be required. Questions which may arise, for example, are: can you take an employee's word that their PPSN is their PPSN or should there be proof of identity (as there will no longer be P45s etc)? For

employees that commence employment on short notice close to the payroll submission deadline - if it is not possible to provide all stipulated information on time- would that person's pay need to be delayed until a subsequent pay period?

- It is referred to that employees will be prompted to review their Tax Cert for the upcoming year online. This proactive approach is to be welcomed but raises a number of concerns. Large proportions of workers either have poor/no internet access or are not sufficiently computer literate to operate online systems. This is particularly true of older workers.

In addition, the vast majority of workers have limited understanding of the intricacies of the tax system. These workers would need to be supported to ensure that employees fully understand such, as in many cases talk of standard rate cut-off points, tax credits, implications of joint assessment for tax purposes and so on may seem very alien to people. Revenue needs to support this aspect with education and supportive systems for the general public.

- Loss of internet access can be common in rural areas with poor broadband coverage. Given the system is intended to operate on a weekly basis it is important that companies with poor access to broadband are not punished or disadvantaged under the new systems.
- We welcome the fact that Revenue will carry out periodic reconciliations throughout the year in order to ensure that employees optimise the benefit of their tax credits and rate bands across employments during the year. It is positive that employees won't have to wait until the year end for any refunds etc due. There needs to be certain safe-guards or flexibility in the system, however. For example, if there was a payroll processing error for example (for example a bonus was paid to the wrong employee in error and was then deducted from said employee in the next pay period) this could temporarily distort earnings and taxes paid. There needs to be an awareness of the possibility of corrections/adjustments.
- Revenue have stated that they will engage early and proactively with software providers who will be critical to the success of this modernisation project. This is key to ensuring that the process is as administratively easy as possible and does not cause undue frustration to those HR professionals operating the system.
- Revenue said that this new system will allow for better deployment of resources by Revenue to confront non-compliance. While we welcome this Revenue need to be more explicit about the implications. For example will it mean increased audits or penalties for employers?
- Although there is no mention of Illness Benefit within the public consultation paper we would urge that the issue of employers being responsible for taxing illness benefit be reviewed in the context of PAYE modernisation. The current system is a source of frustration for the HR community. It is putting an unfair and difficult burden on employers. Currently Revenue deal with the taxation of maternity benefit via an adjustment being made to the employee's Tax Credit Certificate. Apart from applying this tax cert there is no further onus on the employer. A move toward this type of system for illness benefit would be more than welcome.

## **Conclusion**

Ibec welcomes the moves toward modernisation of the PAYE system. It is important, however, that the system is flexible and that employers as well as software providers are widely consulted. If this is done, the transition should be painless and may well reduce inefficiency in the long-run. To this end, we are happy to offer any assistance we can to Revenue over the coming years.

Yours sincerely,

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Gerard Brady  
Senior Economist  
gerard.brady@ibec.ie

**Ibec Head Office**

84/86 Lower Baggot Street  
Dublin 2  
T: + 353 1 605 1500  
E: [membership@ibec.ie](mailto:membership@ibec.ie)  
W: [www.ibec.ie/membership](http://www.ibec.ie/membership)

**Galway**

Ross House  
Victoria Place  
Galway  
T: + 353 91 561109  
E: [west@ibec.ie](mailto:west@ibec.ie)  
W: [www.ibec.ie/west](http://www.ibec.ie/west)

**Cork**

Knockrea House  
Douglas Road  
Cork  
T: + 353 21 4295511  
E: [cork@ibec.ie](mailto:cork@ibec.ie)  
W: [www.ibec.ie/cork](http://www.ibec.ie/cork)

**Ibec Europe**

Avenue de Cortenbergh  
89, Box 2  
B-1000 Brussels  
BELGIUM  
T: + 32 (0)2 512.33.33  
F: + 32 (0)2 512.13.53  
E: [europe@ibec.ie](mailto:europe@ibec.ie)  
W: [www.ibec.ie/europe](http://www.ibec.ie/europe)

**Limerick**

Gardner House Bank Place  
Charlotte Quay Limerick  
T: + 353 61 410411  
E: [midwest@ibec.ie](mailto:midwest@ibec.ie)  
W: [www.ibec.ie/midwest](http://www.ibec.ie/midwest)

**Donegal**

3rd Floor, Pier One Quay Street  
Donegal Town Donegal  
T: + 353 74 9722474  
E: [northwest@ibec.ie](mailto:northwest@ibec.ie)  
W: [www.ibec.ie/northwest](http://www.ibec.ie/northwest)

**Waterford**

Business Park Cork Road  
Waterford  
T: + 353 51 331260  
E: [southeast@ibec.ie](mailto:southeast@ibec.ie)  
W: [www.ibec.ie/southeast](http://www.ibec.ie/southeast)