

Intelligo Software Limited

# PAYE Modernisation Submission

12<sup>th</sup> December 2016

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## DOCUMENT CONTROL

<b>Version</b>	<b>Description of Update</b>	<b>Authors</b>
1.0	12 <sup>th</sup> December 2016	Gary Hayes, Brian Mulligan, Paul O'Grady

## INTRODUCTION

Intelligo Software was established in 1996, providing payroll and HR software solutions and outsource services to hundreds of clients in the Ireland, Northern Ireland and the UK. Our payroll software, Megapay, is used throughout every major industry from telecommunications, big 4 accounting, government, retail, pharmaceutical and manufacturing, with clients ranging in size from 100 to 20,000 plus employees.

We provide managed payroll service to 25,000 employees.

We were involved in the Real Time Information (RTI) implementation project in the UK from the consultancy phase to present. In the 2015/2016 Tax Year, approx. 1,546 RTI submissions were made via Megapay with a 96.5% success rate.

This document details Intelligo's submission for PAYE modernisation laying out our proposal for what is in scope, what it is to delivered, what will work well and what to be avoided based on our experiences.

## SCOPE - IN

Replacing P2C process with a direct link from Revenue to payroll software for the communications of employee tax details

Employer reporting returns after each payroll cycle to revenue, this via integration between payroll software and revenue

That one return to be per payroll company and to include this period and cumulative values

Facility to send updated returns after payroll corrections. Amended/ Supplementary return to be the same file and process as original return

Abolition of P30's, P45's, P46's, P60's, P35's, P2C's

Payroll software knowing all Revenue verifications and validations on returns so any issues can be sorted by the payroll operator before making a return

P45's/P60's timely availability for employees

P2C equivalent information timely availability for employers

Allow revenue confirm statutory liabilities have been calculated correctly. Therefore, all relevant fields must be submitted, including gross taxable pay, employee prsiable pay, employer prsiable pay, uscable pay, notional and many others. If this is a key requirement, due consideration must be given to all relevant variables

## SCOPE - OUT

Unlike the UK RTI process, with SEPA there is no opportunity for a direct link between payments to employee bank account and the return

Including data in the return that is not needed by the payroll calculation, e.g., TRS for Healthcare.

## DELIVERABLES

### **Integration to payroll software, replacing the P2C process**

Full employee details and/or delta since last integration

### **Integration from payroll software**

After each payroll cycle

Containing both this period and cumulative data

This period and pay date information allows replacing P30

Cumulative information allows replacing P35

On time integration replaces P46

On time integration replaces P45

### **Payroll software validating revenue rules for data**

Once verifications/validations are shared with software suppliers, we can ensure payroll operators apply those validations at the appropriate time improving returns and mitigating against numerous returns.

### **Test site/process**

Fit for purpose

With the same rules/verifications/capability as the Production site/process.

### **Engagement**

An ongoing deliverable for early, continuous and scheduled engagement with all relevant stakeholders including revenue, department of social protection, department of finance, ROS, Intelligo, PSDA, payroll operator representatives and any advisors to the PAYE modernisation process.

This to include scheduled monthly face to face meetings.

## CONSTRAINTS, POSSIBLE ISSUES

### **Corrections: Original, Amended and Supplementary**

Payrolls will be submitted which then require change. It is the nature of payroll that late changes happen even after files are sent to the bank. Therefore, returns will need to be re-submitted. PAYE Modernisation must cater for this. A useful, proven way is as per the existing P35 original, amended, supplementary model where amended are originals submitted and changed and supplementary contain additional employees. It would be useful if the declaration type on the return shows O, A or S(at the moment the P35 only shows O or A).

Amended or Supplementary must be made before the next original return. If previous periods data must be amended, this will be reflected in the cumulative data.

### **Multiple payrolls with the same tax registration number**

Employers may have multiple payrolls with the same registration number. This may be different frequency payrolls or an executive payroll run by one payroll operator while the monthly is run by another.

Therefore, a return per payroll company per pay period must be possible even where the tax registration number and pay frequency are the same.

### **Employee ID's**

Employee work numbers for organisations may remain the same when an employee is re-hired. Many organisations have Global ID's that are re-used. In the UK, HMRC insist that for every session of employment the employee has a new works number. In the Irish context this should be avoided for the reasons above.

### **Sessions of Employment**

Where an employee is rehired during the year, Intelligo would suggest this is identified by revenue from the returns using PPS number, current employment start date and finish date as the key. This allows identifying any change to previous session employment details V a new session of employment for an employee.

If this approach is suitable, the following situation would need to be addressed.

Where a start date or finish date is entered in error, returned and then corrected would need to be considered. This could be managed by the payroll operator explicitly marking the record as a 'new term of employment'.

### **Employees paid in multiple payroll companies (concurrent employments)**

Employers may pay employees in the same pay period across multiple payroll companies, for example, directors fees in company A and salary in company B or different pension scheme payments. Therefore, returns for the one tax registration number may have an employee

several times. However, an employee should never exist twice on the same return. PAYE Modernisation must facilitate these real-world situations.

#### **Employees paid in multiple payroll companies (in the same month)**

A similar example is where an employee is paid on a weekly payroll for the first week in a month, moves to the monthly payroll and is paid for the remaining weeks on that payroll.

PAYE Modernisation must facilitate these real-world situations.

#### **Previous Year Returns pre-PAYE Modernisation**

P35's can be returned for previous years. This facility will need to be available for few years.

#### **Previous Year Returns post PAYE Modernisation**

An end of year return facility must be available. The most efficient is if this format is exactly the same as normal return but identified as a previous end of year return. This facility will need to identify amended or supplementary (as per existing P35)

#### **Early P45's**

In exceptional circumstances where an employee leaves before the final pay run is processed and wants a P45 immediately, a mechanism should exist to allow an employer notify revenue, probably as a manual instruction through the employer web portal

#### **Time**

Some companies process payroll early and should not be restricted by PAYE Modernisation. For example, we have a client processing a 2017 payroll from the 12<sup>th</sup> December 2016, the payment date is 2<sup>nd</sup> January 2017.

#### **Returns in the same pay period (Bonus Runs)**

Our software allows for two or more pay runs using the same pay period number. Some clients use this to pay a 'bonus' run at various stages in the year. Therefore, there may be multiple legitimate original returns for the same payroll and same period.

#### **Inferences about employees' status from payroll data:**

We would argue against PAYE systems being designed to draw indirect inferences from payroll supplied data or the absence of payroll data for a given period of time.

For example, where an employment begins or ends, it will be possible for the employer/software to state this fact explicitly - i.e. new employment start, employee leaving this period, payment after leaving.

Start dates and finish dates are subject to revision, sometimes unbeknownst to the payroll user, therefore a change to these dates unaccompanied by a start/leave indication should not have inferences drawn.

To highlight the above many payrolls operate with a significant pool of casual employees, of whom a minority would work on most given weeks. Several months without activity would not



constitute cessation of employment.

## IMPROVEMENTS & SUGGESTIONS

### **Software knowing the rules**

Intelligo want Megapay to tell payroll operators as soon as feasible if any submissions will fail. Therefore, knowing all the various rules, validations, verification's is key. Full validation rules will need to be documented and possible for software.

### **This Period and Cumulative**

As per the deliverables above, the returns should contain both this period and cumulative values. Therefore identifying payments for 'this term of employment' while also continually verifying the employee's totals. This also allows all payments necessary for the current P30 to be identified.

### **Internet Submissions and xml Output**

Intelligo would advocate two delivery mechanisms, internet submissions and an xml output. This is to allow for any transmission problems allowing payroll process to continue while holding xml files to be submitted later.

### **Strong test system with Test in Live functionality**

As stated above the test system must be in line with production rules and capabilities regarding file sizes, naming conventions, process.

### **One type of submission file**

Period, end of year, previous year returns, original, amended and supplementary returns can all be catered for with the same file format. Intelligo strongly recommend one file type to receive data and one file type to send.

### **Practical Real World Verification rather than workaround**

There are some occasions where validations have not suited real world situations. For example, if a left employee is paid in the first period of a year they do not get an insurable week, yet at year end the P35 only accepts records with insurance weeks of 1 or more.

The data in the submissions should reflect as accurately as possible what happened rather than what a system can accept, in the above, a 0 insurable week return should be accepted.

### **Schema after process**

It has been suggested that the schema for these files is available from May 2017. However, schema should be the last thing agreed after process. Intelligo would suggest process agreed with all relevant stakeholders before schema is finalized.

**Revenue certification**

Introduction of various test scripts designed by Revenue to cover all eventualities and a test process that is scalable would be of huge benefit. To both allow software developers confirm test their systems and possibly allow revenue certify applications.

**Acknowledgment Receipts**

When an employer makes a return, an acknowledgement receipt should be available immediately available on screen. Included should be an employee count for the current period and year to date as well as totals for gross taxable, tax, usc, prsi for this period, this month and year to date.

**Phased but strict approach**

Intelligo would advocate for a pilot phase for a limited time and then strict and reasonably short timelines where employers must adopt PAYE Modernisation.

Phase 1 (months 1-4): Start with 10 large employers (> 5,000 employees) for first 4 months. Prove that technology works with large volumes of data and review quality of data.

Phase 2 (months 5-8): Increase employer numbers to represent a varied sample of companies and pension providers and sizes. Allows Revenue to test their internal systems for a large volume of companies.

Phase 3 (months 9-12): Increase employer numbers to represent a varied sample of companies and pension providers and sizes. Allows Revenue to test guidance for.

Then one further year for remaining employers to adopt PAYE Modernisation.

## DEPENDENCIES

### **Engagement and consultation**

The success of PAYE Modernisation is dependent on early, continuous engagement with stakeholders, not least payroll software developers. Thorough consultation for addressing issues and providing feedback to develop a close, positive, working relationship is essential. Intelligo would suggest monthly face to face meetings from January 2017.

### **Planning**

Clear, accurate, realistic project plans

### **Communication**

Effective communications including project plans, meeting minutes, decisions, issues, schemas and key messages all delivered at the right time.

### **Practical Application**

Successful and seamless implementation of PAYE Modernisation must have regard for the practical application of the process. Therefore, the day to day business of a payroll operator must not be restricted by any new process. Examples of this are allowing an operator make a return before or after a pay date and not restricting a return to a particular date.

### **Clear Requirements**

For the project in general, the PAYE Modernisation process and the relevant schemas.

### **Representative Bodies**

A representative sample across business sectors and sizes of volunteer employers for the Pilot phase.

## RISKS

### **Test Environment**

Must be fit for purpose with the same rules as production.

### **Changes**

A process for future change in process, rules and schema should be defined.

### **Dedicated Software Developer Support Team**

Lack of direct access for payroll software developers to the revenue technical team developing PAYE Modernisation is a risk and could be mitigated with a dedicated software developer support team.

## SUMMARY & CONCLUSION

Intelligo are excited by the upcoming PAYE Modernisation project. Early and continued engagement will be key to the seamless introduction and realisation of benefits.

We very much look forward to contributing and await eagerly the schedule for meeting with all relevant stakeholders.

## APPENDIX

Public Consultation Paper : <http://www.revenue.ie/en/spotlights/payee-modernisation.html>

## INTELLIGO SOFTWARE SUPPORT CONTACTS



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