



Irish Payroll Association

Submission to Revenue

in response to

PAYE Modernisation – Public Consultation Paper

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Executive Summary

Introduction

In his Budget Statement on 11th October 2016, Minister for Finance Michael Noonan, TD, announced the launch of Revenue's consultation process regarding the modernisation of the PAYE system that is intended to lead to a fundamental redesign of the PAYE system. Revenue subsequently released a Public Consultation Paper on PAYE Modernisation inviting responses from various interested stakeholders.

Mission Statement

IPASS aims to be the premier provider of training, support and development for the payroll profession in Ireland. It is committed to achieving quality and excellence in the provision of practical, relevant and accessible information for a diverse range of learners and clients.

About IPASS

The Irish Payroll Association (IPASS) is a representative body which provides and organises programmes of education and training, leading to professional qualifications. It was established in the year 2000 with the aim of training, supporting and developing the payroll profession. The aim of IPASS is to provide a platform for the promotion of excellence and professionalism within the payroll function through training, education, consultancy and representation.

IPASS currently has approximately 2,000 members, the majority of whom are working or involved in the administration of payroll. As a representative body, IPASS is making this submission on behalf of our members which represents the views of both IPASS and our members.

We trust that you will take the views and considerations contained in this submission into account in the development and roll-out of a modernised PAYE system.

Please do not hesitate to contact us if you wish to discuss any aspect of this submission in further detail.

Yours sincerely,

Helena Holdwright
Director
Irish Payroll Association (IPASS)

Issues for Consideration

1. Branding of PAYE Modernisation

The term “PAYE Modernisation” will become obsolete soon after it has been implemented. IPASS suggests that PAYE Modernisation should be rebranded from the outset, and some of the following names or acronyms may be more suitable:

- ePAYE
- ePayroll
- RTI – Real Time Information
- RTR – Real Time Reporting
- RTP – Real Time Payroll
- PAR – Pay and Report
- RAYE – Report as you Earn

Our preferred option is “ePAYE”. PAYE is a system of collecting tax from an employee’s wages. It is generally recognised that PRSI and USC are also collected via the PAYE system. The term is generic enough to cater for any changes which may arise such as the abolition of USC. Coupled with the fact that employees could access or amend their tax affairs online, we feel this would be the most suitable name.

2. Implementation Date

The Public Consultation Paper indicates a proposed implementation date of 1st January 2019. While the Public Consultation Paper does not indicate if a phased introduction of PAYE Modernisation is to commence on this date or if it is anticipated that all employers will be transferred to PAYE Modernisation on this date, either way, IPASS considers this to be an ambitious target. However, we will assist where possible to ensure the successful implementation of PAYE Modernisation.

3. Phased Implementation

Based on the latest figures available from Revenue, there were approximately 208,000 employers and 2.5 million active employments in Ireland in 2015.¹ It is anticipated that these figures will grow by 2019.

To require information for approximately 2.5 million employees to be transmitted to Revenue by approximately 208,000 employers in January 2019 may be too ambitious and

¹ Revenue presentation to IPASS Membership Body on 7/12/16

could lead to errors or issues arising both from an ICT and an employer point of view, as employers will require time to become accustomed to the new procedures involved.

Recommendation:

IPASS recommends that Revenue take a phased approach to the mandatory introduction of PAYE Modernisation, for example:

| Implementation date | Number of Employees employed by Employer |
|----------------------------|---|
| 2019 – Q1 | More than 500 employees |
| 2019 – Q2 | Between 100 – 500 employees |
| 2019 – Q3 | Between 5 – 99 employees |
| 2019 – Q4 | All remaining employers |

This would allow for the phased introduction of PAYE Modernisation while also facilitating all employers to transfer to PAYE Modernisation over the course of a single tax year. In order to achieve a phased implementation, Revenue systems and payroll software will have to be capable of supporting parallel processing where some employers are operating under the auspices of the existing PAYE system, while other employers have transitioned to PAYE Modernisation.

The introduction of Real Time Information (RTI) in the UK was phased in over a 6 month period. IPASS recommends that the introduction of PAYE Modernisation be phased in over the course of a single tax year.

4. Frequency of Submissions to Revenue

We understand from the Public Consultation Paper that *“the objective of PAYE Modernisation is that Revenue, employers and employees will have the most up to date information relating to pay and deductions”*. We also understand from the Revenue presentation to the IPASS Membership Body that employers will have to submit details of each pay run to Revenue. Hence the frequency of submissions to Revenue will depend on the frequency of payroll (i.e. weekly, fortnightly, monthly, four weekly, quarterly, etc.) being operated by the employer.

Recommendation:

In order to achieve the objective of PAYE Modernisation of having the most up to date information available to all parties (employees, employers and Revenue) at any point in time, IPASS is in favour of this approach.

An alternative consideration is that the employer makes a submission at the end of every month regardless of the pay frequency. However, this could result in Revenue, employers and employees having to wait for several weeks for the most up to date information in respect of an employee on a weekly payroll.

5. Timing of Submissions to Revenue

On the assumption that employers will have to make submissions to Revenue in respect of each pay run, the timing of these submissions will be important.

In the UK, while there are some exceptions to the rule, a Full Payment Submission (FPS) must be submitted by employers to the HMRC on or before the employees pay day.² An FPS contains details of payments and deductions in respect of each employee.

Recommendation:

IPASS recommends that consideration should be given to having a longer submission period than that which applies in the UK. Many small employers in the UK have difficulty operating within this time frame. Given the fact that there are a significant number of employers with 5 or fewer employees, it may prove difficult for these employers to make their submission on or before the pay day (e.g. due the payroll administrator taking annual leave, engaging the services of an agent, etc.).

In addition, consideration should also be given to having other late filing exceptions (e.g. where a normal pay day occurs on a non-working day (Saturday or Sunday) and the employee is paid in advance (previous Friday)). Also see section 10 and section 11 below.

6. Pay Period or Pay Day

As employers will be required to make a submission to Revenue in respect of each payment made to an employee, it should be clear when this submission is required to be submitted to Revenue. Will it be based on the pay period or the pay day? As outlined above, the FPS must be submitted to HMRC on or before the employees pay day.

It could happen that one or several employees are paid in advance of other employees on the same payroll. This may be more common on a smaller payroll. For example, the employer operates a monthly payroll. Some employees may be paid on the 25th of the month while other employees are not paid until the end of the month. As these employees are on the same monthly payroll, but have a different pay date, would this require one submission or two submissions?

If two submissions are required, would the second submission be in respect of those employees who were paid at the end of the month only, or would it also include those who were paid earlier in the month? Would this cause difficulty for payroll software or indeed confusion for employers?

In addition, an employee may be paid in advance of the normal pay day if he is leaving employment. For example, an employee is normally paid on the 25th of the month, but

² <https://www.gov.uk/running-payroll/reporting-to-hmrc>

receives his final payment on the 10th of the month on his date of cessation. When would the details of this final payment and cessation details be returned to Revenue?

Recommendation:

Employers will require a clear definition of when submissions need to be made to Revenue, and IPASS recommends that submissions be made in respect of a pay day as opposed to a pay period except in exceptional circumstances e.g. broadband is unavailable or the payroll operator is informed of a late starter.

7. Information to be submitted to Revenue

Revenue must make it clear from the outset the level of information required to be submitted by employers to eliminate any difficulties or uncertainty for employers or payroll software developers. Revenue should have a clear understanding of the information they require and the reason they require it, to avoid an information overload or unnecessary information being captured. HMRC produce a detailed report of the RTI data items required to be submitted to the HMRC in an FPS and EPS (Employer Payment Summary).³

It is envisaged that the required information will contain details of pay and deductions for the relevant pay period and the year to date (YTD) values also. Revenue should clearly specify the pay elements to be returned. Currently three pay elements are returned to Revenue. Will this continue to be the case? Potentially there could be 5 pay elements (gross pay before salary sacrifices, taxable pay, USCable pay, Pay for employee PRSI purposes and Pay for employer PRSI purposes).

It is likely that submissions will contain an employee's start date, leave date (if applicable), SRCOP, tax credits and USC COPs as well as indicating the basis of tax and USC. As a P35 requires additional information on Benefits in Kind (i.e. amount of medical insurance eligible for tax relief and a new Taxable Benefits field will be added for 2017), we can only assume that this level of information will also be required under PAYE Modernisation.

Recommendation:

The level of information required must be made available to payroll software developers well in advance of the operational date of 1st January 2019 to allow ample time for development, testing, and distribution of payroll software.

Some members have recommended that submissions to Revenue contain the "Issue date" of the latest P2C being used by the employer, suggesting that this could potentially be verified by Revenue to ensure it is the most up to date P2C. If it is not the most up to date P2C, could it trigger the release of an updated P2C by Revenue to the employer?

³

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/474205/RTI_Data_Item_Guide_16-17_v1-2.pdf

Currently, the P35L only accepts one “Pension Tracing Number” for each employee. As some employees are a member of more than one pension scheme, this causes some confusion for employers in deciding which number should be recorded. Consideration should be given to the recording of multiple Pension Tracing Numbers for an employee.

While the P35L currently requires an employer to identify the amount of Illness Benefit taxed by the employer through payroll, IPASS and our members are recommending that Revenue deal with the taxation of Illness Benefit in a modernised PAYE system (see Section 20 below).

The inclusion of YTD values in a submission may also help with the process of making corrections. For example where an employer makes a correction in period 9 in respect of period 8, this would be reflected in the YTD values returned in period 9.

8. Transfer of Information from Payroll Software to Revenue

The process of transferring information from payroll software to Revenue should be as seamless as possible. The number of submissions to be made to Revenue on an on-going basis through the year should be kept to a minimum.

From the Public Consultation Paper, it appears that an employer will have to notify Revenue of the details for a new employee in advance of their first pay day.

Employers will also be required to notify Revenue of payments and deductions at the same time as they run their payroll, together with the details of any leavers.

An additional end of year report will also be required to be verified and filed.

Recommendation:

IPASS members have expressed a preference for XML standard for all electronic interchange of information with Revenue.

Currently, where an employee engages with Revenue via Jobs and Pension Service, the employer is still required to file a P45(3). Consideration should be given to removing this requirement as the previous employer will have already processed a P45(1) which contains the same information.

9. Acknowledgement Receipts or Transaction Numbers

While ROS currently issues Acknowledgement Receipts for P30s and P35s, IPASS feel that the current format could be improved for PAYE Modernisation.

Recommendation:

Firstly, it is vital from an employer’s perspective that receipts contain a transaction number as it would act as proof that a submission was received by Revenue.

IPASS recommends that the transaction number should include all or part of the employer PAYE registration number and a date stamp. The inclusion of all or part of the employer registration would greatly assist agents or bureaux who process payments from their own client bank account as opposed to the employer's bank account.

Currently, the narrative that appears on an agent's bank statement makes no reference to which employer it relates to. Currently agents have to contact the Collector General's Office, quoting their TAIN, to seek confirmation of which payment relates to which employer registered number.

10. Employer Registration by Agent

Many agents provide a service where they carry out the employer registration process on behalf of the employer. However, sometimes this process can be delayed due to the collection of information about the company or directors.

However, if employees have been working for the employer, they will still need to be paid. If employers (or agents) are required to submit a file to Revenue on or before pay day, the employer will be unable to make this submission if the employer registration process is not complete. Similarly, the agent has to wait until the employer registration is complete before they can set up an Agent Link.

Recommendation:

According to Revenue's Customer Service Standards, Revenue will complete 100% of employer registrations within 3 working days. However, on occasion there can be a delay in an agent obtaining the required information to complete the registration. If an employer (or agent) is required to make a submission to Revenue on or before the employees pay day, consideration should be given to an extended submission date in certain circumstances such as the above.

11. Employer changing Outsourced Payroll Provider (Agent)

When an Outsourced Payroll Provider commences as an agent for an employer they need to get an Agent Link signed by the employer and also by the Outsourced Payroll Provider. Currently, this needs to be uploaded to ROS and takes a few days to become live. The new agent is unable to access P2Cs or file P30s until this has been resolved.

Once the new Agent Link becomes active, the previous agent will no longer have access to ROS in respect of that employer. This can cause problems where the previous agent was holding funds to pay the employer's P30 liability and they cease to have access to ROS for that employer.

Recommendation:

Depending on the timing of employer submissions, consideration will have to be given to this issue as a new Agent Link may not be active at the time the first payroll is processed, especially where the employer operates a weekly payroll.

12. Alignment of Payroll Records

It is anticipated that all employers will have to carry out a review of their employment records to ensure information held by employers aligns with the information held by Revenue.

For example, current anomalies include the “W” PPS numbers and situations where employees may be using their pre-marriage surname on their employer’s payroll records but Revenue has the individual recorded under their married surname. An employee’s date of birth on his employer records may not match the date of birth on Revenue’s records.

The level of validation which Revenue intend to carry out on the submission of any file will have an impact on the alignment of records held by both Revenue and employers that will be required in advance of the introduction of PAYE Modernisation.

In the UK, employers were required to submit an “Employer Alignment Submission” before making their first Full Payment Submission (FPS).

Recommendation:

IPASS would encourage Revenue to liaise with the DSP regarding PPS numbers to identify any existing anomalies with PPS numbers, especially “W” PPS numbers. Where any anomalies arise, employers should then be notified of the correct PPS number to be used.

If Revenue plan to validate an employee’s name, or date of birth, etc. under PAYE Modernisation (e.g. in a similar manner to the validation of a subcontractors name in the RCT Contract Notification), any anomalies would need to be identified prior to the implementation of PAYE Modernisation. This would require a significant alignment exercise by both Revenue and employers and ample time should be allowed for this to take place.

13. Atypical Payments and Atypical Employees

The proposed modernisation of the PAYE system must be capable of dealing with atypical payments and atypical employees. Some examples and recommendations include:

- Directors’ fees paid on a quarterly basis. This may be paid every third month in addition to the payment of a monthly salary. Where the director has less than a 50% shareholding, his salary would generally be insurable at PRSI Class A. However, any fees arising from his directorship are insurable at PRSI Class S. Other PRSI classifications may apply depending on the circumstances of the individual, such as his age. Any modernisation of the PAYE system should be capable of accepting both

payments for the same individual, with different PRSI classifications, on one file submission.

- Some employees appear on more than one payroll under the same employer registration number, for example fire-fighters may appear on a weekly or fortnightly payroll in addition to a monthly payroll. These scenarios will need to be factored into the redesign of the PAYE system. It would be likely that both P2Cs are on the cumulative basis. Currently, Revenue facilitates the splitting of tax credits and SRCOP between these two payrolls by way of adding an additional letter to the employee's PPS number (e.g. 1234567A and 1234567AT). Would this type of arrangement be facilitated in a modernised PAYE system?
- PAYE Modernisation should be capable of dealing with post cessation payments, arrears, underpayments, overpayments, PRD refunds, PRSI Exemptions, PAYE Exclusion Orders, Payments qualifying for SARP⁴ relief, etc.
- In a modernised PAYE system, consideration should be given to allow an employer to file a submission with a future leave date. For example, an employer pays employees on 28th of the month and an employee is leaving on 31st of the month. If the file has to be submitted to Revenue on or before the pay day, this file should be capable of accepting a future leave date. Currently, ROS does not accept a future leave date on a P45.
- Some employees (e.g. casual employees, agency workers, apprentices, employees on unpaid sick leave or other forms of unpaid leave) will not appear on an employer's payroll in consecutive weeks even though they remain in that employment because they may not be due to be paid in that pay period. The submission made by the employer should be capable of highlighting this fact and it should also be easily accommodated by payroll software (i.e. because an employee does not appear in an employer's payroll for a number of weeks is not an indication that the employee has left employment).
- On occasion, employees may leave employment having been overpaid. When (if) the employee repays the employer, this employee's tax record needs to be amended. Would a modernised PAYE system be capable of accepting an adjustment (i.e. a reduction in pay, tax, USC and PRSI) to reflect the fact that the employee has repaid the employer? Currently, employers contact Revenue requesting that the figures on a previous P45 be amended.
- ROS currently does not allow an employer to register a new employee where the employee's start date in their new employment is before the cessation date of the

⁴ Special Assignee Relief Programme

previous employment. This is a common occurrence and currently employers simply have to enter an incorrect start date in order for a P45 (3) to be accepted. A modernised PAYE system should be capable of accepting the correct information.

- Consideration should also be given to employees who recommence employment with the same employer in the same tax year. Currently, employers may deal with this in different ways. P2Cs report one figure for previous earnings which includes previous earnings with that employer, if applicable. The P2C does not separately identify the earnings from this employment in an earlier part of the tax year. Some employers reactivate the employee's original payroll record and deduct the previous earnings in this employment from the previous earnings notified on the P2C to ensure the employee's cumulative pay is correct. Other employers may set up a new payroll record for this employee and subsequently adjust the merged payroll records at the end of the year to eliminate any duplication of pay, tax and USC.

Consideration should be given to streamlining this process resulting in a single approach being adopted by all employers. The following suggestion may resolve this issue:

If all employers reactivated the original payroll record on their payroll software, and P2Cs contained previous earnings from other employments only (excluding previous employments with this employer), this would potentially solve this problem.

- Many payroll software products support the running of a "bonus payroll run" where the employer runs a supplementary payroll in a pay period in addition to the standard payroll. In a bonus payroll run, the employee's tax, PRSI and USC is calculated as if the payment was made in the normal payroll for that period. PAYE modernisation should be capable of accepting such payments.

14. Advance Processing

A modernised PAYE system should be more than capable of dealing with advance payments. For example, employees are entitled to be paid in advance in respect of annual leave. Similarly, where the payroll administrator is taking annual leave, he/she may wish to process payrolls in advance. Also, employers commence processing payrolls for January in mid-December.

Recommendation:

PAYE Modernisation should be capable of accepting advance payments, especially where the payment is processed for tax year 2 at the end of tax year 1. For example, an employer may process the payroll which would normally fall due on 1st January with a payment date of 30th or 31st December, due the public holiday on 1st January. This may need specific consideration especially if the payment has to be reported to Revenue on or before pay day, so that the payments are correctly recorded against tax year 2.

15. Amendments to Previous Submissions

This currently causes problems for employers in the UK where the figures held by the employer do not match the figures held by the HMRC and it is very difficult to identify where the problem lies in order to make the correction.

Recommendation:

PAYE Modernisation should accommodate a process whereby employers can either make amendments to previous submissions or instruct Revenue to make amendments to previous submissions (e.g. to correct an overpayment or underpayment of wages).

Consideration should be given to allowing corrections to be carried out in the current pay period in respect of an amendment for a previous pay period. This could be achieved by amending the YTD values.

16. Payment of Liabilities

The Public Consultation Paper indicates that *“there is no proposal to change the due dates for employers to pay over tax deductions and contributions”*. Our understanding of this statement is that employers will continue to pay liabilities on a monthly (by 23rd of the following month for ROS filers) or quarterly (by 23rd of the following quarter for ROS filers) basis as per the existing rules, or by availing of the direct debit option; even though Revenue will be receiving the exact details of liabilities in respect of each employee on an ongoing basis throughout the year.

Recommendation:

IPASS and our members welcome the fact that Revenue proposes to continue the current payment options and dates, especially the direct debit option which is paramount for cash flow purposes.

17. Relaxation of Penalties during the Early Years

To ensure the smooth introduction of PAYE Modernisation, Revenue should take a relaxed approach to the application of penalties during the early years. PAYE Modernisation represents the most significant change to the PAYE system since its introduction and requires significant changes for employers.

Recommendation:

Due to the extent of the changes required by employers, Revenue should take a relaxed approach to any potential penalties which may apply to late submissions as this will be a learning curve for all parties concerned. Payroll administrators will require adequate time to train and adapt to new payroll processing and reporting procedures.

18. Requirement for employees to be registered for myAccount

According to the Public Consultation Paper, P45s and P60s will be eliminated with the introduction of PAYE Modernisation, and employees can access or update an online statement. It appears that the successful operation of PAYE Modernisation requires all employees to actively engage online with Revenue (e.g. via myAccount or other similar online system such as MyGovID).

Recommendation:

Assuming this to be the case, Revenue will need to actively engage with employees and promote myAccount over the coming years in advance of PAYE Modernisation to ensure that the majority of employees or pensioners are registered for myAccount. This may prove difficult as English is not the first language of many employees while other employees may not be computer literate. Information on myAccount should be made available in other languages (e.g. French, German, Polish, etc.).

Any planned changes to the myAccount registration process will need to be identified at an early stage (e.g. if a Public Services Card is required) as not all employees have a Public Services Card to date.

19. Broadband

While not a direct payroll issue, the successful operation of PAYE Modernisation will depend on employers having access to a suitable broadband service. Currently the standard of broadband available throughout Ireland may not be suitable for employers to exchange information with Revenue on a regular basis.

Recommendation:

This should be considered when deciding on submission dates for employers. We recommend that employers can pay employees and have the option of uploading a submission to Revenue when the broadband service is restored in a similar manner to the provisions currently available under RCT.

20. Taxation of Illness Benefit via P2C

The taxation of Illness Benefit is one of the most contentious issues which employers currently have to deal with. Some of the issues our members have to contend with are as follows:

- Sometimes employers do not receive the Illness Benefit Letter from the DSP (via the ROS Inbox) even though the employer is aware the employee received Illness Benefit. In other situations where the employer receives notification that Illness Benefit has commenced, they don't receive notification when it ends, resulting in an over calculation of tax.

- Agents or outsourced payroll providers do not receive the Illness Benefit letters on behalf of the employer. When an employer outsources his payroll, the perception is that the outsourced payroll provider will manage the entire payroll process. However, outsourced payroll providers (or agents) do not receive the Illness Benefit letters which can lead to Illness Benefit being untaxed.
- Revenue currently advocates that employers should tax Illness Benefit on the assumption that the employee receives the personal rate of Illness Benefit (i.e. currently €188 per week). Some employees may not be entitled to Illness Benefit (e.g. where they do not satisfy the PRSI qualifying conditions or where they are in receipt of other DSP payments such as One Parent Family Benefit or Widow's(er's) or Surviving Civil Partner's Pension). Some employees do not qualify for the maximum personal rate (currently €188) (e.g. where their average weekly pay was less than €300 in the relevant tax year) while some employees receive more than the personal rate of €188 (e.g. they may qualify for an increase for a qualified adult).

Recommendation:

Based on feedback from our members, IPASS strongly recommends that Revenue remove the obligation for employers to deal with the taxation of Illness Benefit and Revenue should tax Illness Benefit in a similar manner to the taxation of any other DSP payment (i.e. via a reduction being applied to the employee's SRCOP and Tax Credits).

Revenue currently receives details of Illness Benefit payments from the DSP on an ongoing basis throughout the year. A redesigned PAYE system should result in Revenue being capable of accepting an amount of Illness Benefit from the Department of Social Protection (DSP), updating the employee's tax record, and releasing an updated P2C file to the employer. If an employee made several claims for Illness Benefit during the tax year, or if the amount of taxable Illness Benefit changes, an updated P2C could be released to the employer on each occasion. This should be an automated process. As paper will be removed from the system, the cost of issuing each new P2C would be minimal. Potentially this could result in a new P2C being issued to the employer every week. As employers check for P2C updates when processing the payroll, this should remove the administration burden on employers, where they currently have to deal with the taxation of Illness Benefit.

As it appears that all employees will be registered for myAccount (i.e. the Consultation Paper indicates that *"an online statement will be made available to each employee"* and Revenue will carry out *"periodic reconciliations"*), employees would be kept up to date with the amount of Illness Benefit which has been taxed by Revenue via an online statement of their tax affairs.

21. PAYE Exclusion Order on P2C

Currently, PAYE Exclusion Orders are operated externally to the ROS P2C files which are issued to employers. On occasion, this can lead to issues such as a P2C being issued to an employer in respect of an employee for whom the employer holds a valid PAYE Exclusion Order. This P2C can inadvertently be imported into the payroll software system thus overwriting the PAYE Exclusion Order.

Recommendation:

IPASS recommends that Revenue give due consideration to the inclusion of a PAYE Exclusion Order status on a P2C as part of any redesign of the PAYE system.

22. Employer Cessations

Employers are required to submit a P35 within 46 days following the end of the tax year (extended where the employer pays and files online) or following the last day an employer ceases to employ any employees. Consideration needs to be given to those who cease to be employers at the time of PAYE Modernisation being introduced. For example, an employer could cease to have employees on 31st December 2018. When PAYE Modernisation is introduced on 1st January 2019, would this employer be required to submit a Form P35 (under existing rules) or under PAYE Modernisation rules? This employer may not have carried out any updates to cater for PAYE Modernisation.

Recommendation:

While it would be anticipated that this issue would affect relatively few employers, nonetheless consideration needs to be given as to how their return will be made. One might assume that if the business ceased to exist prior to the introduction of PAYE Modernisation, returns would be made in accordance with existing filing requirements prior to the introduction of PAYE Modernisation.

23. Introduction of a Cumulative PRSI System

While the operation of PRSI is outside the scope of PAYE Modernisation and under the remit of the DSP, consideration should be given to the redesign of a cumulative based PRSI system.

The current “week 1 basis” of the PRSI system is outdated and contains numerous anomalies. For example, is the PRSI liability of arrears or a bonus calculated in the pay period in which it is paid or the periods to which it relates?

In addition, the current number of PRSI classes and subclasses are gravely over complicated.

Recommendation:

As the operation and collection of PRSI is a fundamental aspect of the PAYE system, consideration should be given to the redesign of a cumulative based PRSI system as part of a

modernised PAYE system which would eliminate many of the anomalies within the current PRSI system.

PRSI classes and subclasses should be reduced and simplified.

In addition, the allocation of a PRSI class should not be the responsibility of an employer. It should be included in the P2C details.

24. Auto-Enrolment

In 2010, a new auto-enrolment pension scheme was proposed by the Department of Social Protection (DSP) to increase the number of employees to become members of a pension scheme. According to a press release by the DSP in March 2010 *“While it is intended to introduce the new auto-enrolment scheme from 2014, the implementation date will be reviewed in light of economic conditions over the coming years.”*⁵ To date, auto-enrolment has not occurred. However, the Minister for Social Protection, Leo Varadkar, TD, has recently indicated his intention to proceed with auto-enrolment or a universal retirement savings system, possibly as early as 2017.⁶

Recommendation:

IPASS welcomes the introduction of auto-enrolment as statistics prove employees are more likely to remain in a pension scheme where they are automatically enrolled, thereby increasing their income in retirement.

However, while IPASS welcomes auto-enrolment, we would not be in favour of auto-enrolment being introduced alongside PAYE Modernisation. The introduction of auto-enrolment and RTI at the same time caused a lot of difficulties for employers in the UK.

25. Exchange of Data with the Department of Social Protection

While employers will be required to submit pay and tax (to include PRSI and USC) information on an on-going basis throughout the year, consideration should be given to exchanging information with the DSP on an ongoing basis through the year.

This could assist the DSP in making a determination as to whether the employee has paid sufficient PRSI contributions to qualify for a particular DSP benefit, or whether the individual qualifies for an increase for an adult dependent (where the adult dependent is also an employee) as this aspect is subject to a means test.

⁵ <https://www.welfare.ie/en/pressoffice/Pages/pr040310.aspx>

⁶ <http://www.irishtimes.com/special-reports/pensions-focus/government-weighing-up-auto-enrolment-pension-scheme-1.2821106>

26. Cost to Employers

The Public Consultation Paper indicates that PAYE Modernisation will lead to a significant streamlining of the employer's business processes and reduce administrative costs for the employer.

This may not be the case for many employers. Employers may face additional costs for payroll software. Smaller employers may face additional costs where they use the services of an agent or accountant. Currently, small employers may be paying a regular salary to one or two employees and making payment using the direct debit option. These employers may engage the services of an accountant once per year to prepare a P35 return. Under PAYE Modernisation, it is envisaged that these employers (or their agent/accountant) will have to make a submission to Revenue with every payment of wages, thereby increasing the administrative burden and associated costs on employers.

27. Development of a test facility for Payroll Software Developers

A suitably robust testing facility is a must to ensure the timely and accurate delivery of a project of this scale. The test facility must be capable of

- mirroring the live system, and
- accepting the volume of files submitted for testing by payroll software developers, and
- reporting back clear and concise validation and exception messages.

Recommendation:

IPASS members have expressed a preference for XML standard for all electronic interchange of information.

28. Revenue On-line PAYE Tool

According to Revenue figures, there are approximately 110,000 employers with 5 or fewer employees, and, of these employers, 45% use a payroll software package to file their payroll returns. This leaves approximately 60,500 (110,000 @ 55%) employers filing payroll returns (ROS online, ROS offline or paper based returns) without using payroll software.

Recommendation:

IPASS recommends that PAYE Modernisation facilitates these employers to enable them to directly input the relevant information online into the modernised PAYE system in a similar manner as they currently input information into ROS.

29. Early and On-going Engagement with Relevant Stakeholders

Early and on-going engagement with relevant stakeholders will be vital to the successful implementation of this project. Information was available from the HMRC in the UK up to 2 years prior to the introduction of RTI.

Ideally, all changes which affect a tax year should be flagged well in advance of the commencement of the tax year, so that all relevant parties are prepared for it. Payroll software developers require ample time to program, test and distribute payroll software to ensure they are compliant with the updated requirements.

There have been recent examples where changes have been introduced at the last minute (e.g. changes for the 2017 P35L being issued in November 2016; USC treatment for Week 53 being introduced at the end of 2015 – accepted that this was a policy decision outside of Revenue’s control). However, these examples are being used to illustrate the point that both employers and software developers continually had to adapt to changes being introduced at the last minute in previous years.

Recommendation:

To ensure the successful implementation of PAYE Modernisation, IPASS recommends that Revenue actively engage with IPASS, payroll software developers and other interested stakeholders on an on-going basis through the development and introduction of PAYE Modernisation.

Once PAYE Modernisation is implemented, it is a must that Revenue put in place a highly skilled and resourced Helpdesk which is capable of dealing with employer queries, both by telephone and online as appropriate. Consideration should be given to having a “live chat” facility where queries could be dealt with immediately, especially during the time when employers are transitioning to PAYE Modernisation.

Currently, our members would express a certain level of dissatisfaction with the level of information or support received from Revenue in relation to PAYE matters. Members continually inform us that the employer’s helpline will only deal with a maximum of three queries at a time. Hence if the employer has a fourth query, they have to call back again.

Most significantly, members are disappointed with the delay in receiving a response through myEnquiries which some members are reporting as anything up to 6 weeks. In Revenue’s Customer Service Standards, it states that Revenue “*will prioritise our online channel over other channels*” however it also states that “*Queries through MyEnquiries will be dealt with within 20 working days and 25 working days during peak periods*”. IPASS advocate that Revenue works on reducing the waiting period considerably. A turnaround period of 20/25 days for queries on PAYE Modernisation will not be good enough as employers will require immediate responses to any queries.

30. Pilot Programme

Due to the scale of the developments required to ensure the successful implementation of PAYE Modernisation, consideration should be given to operating a Pilot Programme in advance of requiring any mandatory requirement to transfer to PAYE Modernisation. The aim of the Pilot Programme would be to identify any shortcomings in the re-designed system which would allow them to be corrected before the implementation date.

Recommendation:

IPASS strongly recommends that a Pilot Programme be operated to give Revenue an opportunity to tailor the system before it is rolled out to all employers. Invitations should be sought from a broad range of employers to participate in this programme. It should encompass small employers who currently do not use payroll software, to medium-sized and large employers employing several thousand employees.

It should also select employers from a wide range of industry sectors, both private and public sector (e.g. construction, healthcare, agency workers, temporary assignees, pension payroll, those using the services of an agent or outsourced payroll service provider, etc.). Any Pilot Programme should also encompass as many different payroll software programs as possible to facilitate the accurate re-design of each payroll software product.

If PAYE Modernisation is to be rolled out in 2019, IPASS recommends that the Pilot Programme be operated in 2018.

31. Conclusion

As initially indicated, we believe the planned implementation date of 1st January 2019 is an ambitious target. To meet this target, we believe a Pilot Programme needs to be in operation in 2018 so any technical issues can be eliminated.

The Pilot Programme should cover as broad a spectrum of employers and software suppliers as possible. In order to roll out a Pilot Programme in 2018, Revenue will need to engage with payroll software developers, IPASS and other interested stakeholders from early 2017 to ensure this project progresses in a timely manner.

This submission contains the views of IPASS and our members which we trust will be taken into consideration in the redesign of the PAYE system.