

PAYE Modernisation Consultation,
Planning Division,
Revenue Commissioners.
January 2017

ISME OBSERVATIONS ON REVENUE-PROPOSED PAYE MODERNISATION

Firstly, ISME welcomes any proposals which improve the speed and efficiency with which employees can manage their tax affairs. Secondly, such a system will allow be assistive to employers in ensuring their employees' tax affairs are updated more quickly than under the extant reporting system, thus such modernisation is to be welcomed from an employee and employer point of view. This must, of course be balanced against the costs of compliance for employers, especially smaller employers. While the indicated intention to reduce form-filling through elimination of Forms P30, P35, P45s, P46s and P60s is nominally to be welcomed, it is unclear whether the administrative burden which replaces this will be greater or lesser than current.

ISME wishes to register the following as areas of concern we would like the Revenue to address in its proposals to modernise PAYE:

1. **Cost:** There will be an increase cost in obtaining payroll packages and training, this will be borne by small business. Payroll providers will charge more for their services. In-house payroll will become more burdensome and time-consuming for the employer. Given that the modernisation proposal will involve some transfer of burden from the Revenue to the employer, an allowance, or some other equivalent consideration, should be available for the employer, at least in the short run, in assisting the modernisation process.
2. **Internet Access:** It is an unfortunate fact that many small businesses, including ISME members, have poor or non-existent internet access, or do not transact business on line. How will the Revenue deal with these companies? While the State is actively encouraging the uptake of on-line business, not all revenue customers are online.
3. **Errors/Corrections:** Many small business manage payroll so that, when an error has been made, it will be corrected on next pay run or the earliest opportunity. Will the new system pick this up? Will the fact that an employer has had to correct a tax error increase the likelihood of a Revenue

investigation in the long run? Assurances on this point would ease passage on any proposals from the Revenue.

4. **Failure to Upload:** It is not unlikely, particularly for smaller businesses, that occasional data transfer failures will occur. Will there be an in-built recognition of this fact, cognisant of the fact it can be rectified in the next tax period? If there were to be penalties, how would they be calculated? Would such penalties affect or impede the issue of a tax clearance certificate or RCT deduction rate?
5. **Nature of the Tax Relationship:** Currently, the 'tax relationship' exists between employee and local tax office. Where an employee has a tax query, it is invariably an issue between them and the Revenue. In the new environment, will the Revenue refer the employee to their employer/payroll provider, on the basis that the information provided is generated there? This would represent a significant shift from the status quo.

In summary, as the modernisation proposals and the detail of what they entail are not defined at present, ISME is precluded from informed comment. In particular, we would wish Revenue to delineate the division of responsibilities between employees, employers and the local tax office under the modernised regime post-2019.