



PAYE Modernisation Guide for business



Agenda

1. **The history of PAYE**
2. **The future of PAYE**
3. **SMART Principles of PAYE Modernisation**
4. **The impact on payroll software**



The history of collecting/reporting payroll taxes

The financial strain from the Second World War meant that Paul Chambers, who had been appointed Secretary and a Commissioner of the Board, resolved to find a way to collect taxes more effectively and efficiently. This was implemented in the UK in 1944 following trials carried out in the prior years. We then adopted this system in Ireland.

PAYE is applied to most forms of payment here in Ireland; with bonuses, overtime and notional pay all falling under the remit.

PAYE operates by allowing an employer to calculate, collect and pay the tax due on employees income over to Revenue as they earn it. This is where the name arose; Pay As You Earn. The tax deducted from the employees earnings via payroll by the employer is due to be paid by the 14th if submitting manually or the 23rd if submitting via ROS (Revenue online service) of the month following the pay being given to the employee.

Another notable progression throughout payroll taxes in Ireland is the implementation of online reporting/payment of liabilities through ROS (Revenue online Services). First launched in July 2003 this service now allows employers to register all new starters/leavers electronically and submit and pay monthly/quarterly/annual returns. At present our payroll software is capable of producing a ROS compliant file, but none pay/submit to ROS direct from the software.

The future collection of payroll taxes

The Minister for Finance, Mr. Michael Noonan TD, announced the launch of Revenue's process regarding the modernisation of the Pay As You Earn (PAYE) system in his budget statement of 11 October 2016.

As per the revenues communication at the time, PAYE modernisation will involve the most significant reform of the PAYE system since its introduction in 1960. Employers will need to calculate and report their employees' pay and deductions as they are being paid. This will make it easier for Revenue, employers and employees to ensure that the right tax is deducted and paid at the right time.

The new real time reporting regime will be operational for all employee payments being made from 1 January 2019. This will require employers, agents and payroll providers to review their current business processes and practices so that they meet the new requirements.

PAYE modernisation ultimately will:

- ▶ improve the streamlining of current business processes
- ▶ reduce the administrative burden currently experienced by employers to meet their PAYE reporting obligations.

SMART Principles of PAYE – What are the benefits?

For an employer:

Seamless integration into payroll.

Minimize employer cost to comply.

Abolition of P30s, P45s, P60s and end of year returns.

Right tax paid on current due dates.

Time savings.

For an employee:

Simplified online services.

Maximize use of entitlements.

Automatic end of year review.

Real time accurate data.

Transparency.

For Revenue:

Statutory in-year return.

Making compliance easier.

Accurate up to date income details.

Reduced customer contacts.

Timely targeted interventions.

The impact of PAYE Modernisation on payroll software

The 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. By 2019 all payroll software will support the following web services:

Lookup Revenue Payroll Notification (RPN) web service

Employers can use the Lookup RPN web service to retrieve RPN, previously known as the P2C. This service will allow employers to request RPN for existing employees and get a response based on the query submitted through the web service.

New RPN web service

Employers can use the New RPN web service to retrieve RPN for employees who have not yet been registered with that employer. This service will allow employers to request RPN for new employees, and will set up a new employment for the employee. The employer will get a response of the RPN available for use for the new employment.

The impact of PAYE Modernisation on payroll software

Payroll Submission web service

Employers can use the Payroll Submission web service to submit relevant payroll data for each of their employees. This information must be submitted by the employer after each payroll run. The payroll software will send a Payroll Submission Request. The software will either receive a response confirming acknowledgement of the submission, or will receive details of any errors which caused the submission to be rejected.

After the payroll submission has been acknowledged, the information for each employee will be validated by Revenue.

Check Submission web service

Employers can use the Check Submission web service to check for the current status of the payroll submission. This is to confirm the result of payroll submission validation. The payroll software will request the current status of a payroll submission. The response will contain totals and any line item validation errors.

Check Payroll Run web service

Employers can use the Payroll Run Query web service to query the current status of a payroll run. This may have changed since the original submission because the employer may have made corrections to their payroll. The payroll software will send a Payroll Run Query to retrieve the payroll run summary. The response will contain the totals and list of submissions making up the payroll run.





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