



Are you ready for PAYE Modernisation?

The “real-time” reporting regime for PAYE will go live on 1 January 2019.

Employers will receive a letter from Revenue in the coming days regarding the new reporting system. Revenue are due to commence an extensive media campaign and will undertake a number of Customer Service visits to organisations across the country to ensure every organisation is aware that PAYE Modernisation is fast approaching.

What is PAYE Modernisation?

PAYE Modernisation is a real-time payroll reporting system.

From 1 January 2019, payroll will need to go through the following steps prior to paying employees (i.e. prior to each pay date):

1. Inform Revenue of the total cash payments and taxable benefits to be made to each employee on an individual basis in that pay period,

2. Obtain a Revenue Payment Notification (“RPN”) from Revenue for that pay period, which will contain relevant details on how to tax each employee for the pay period in question,
3. Process payment to employees and pay the associated tax to Revenue, and
4. Report payments made and tax paid to Revenue for each employee.

The above steps will replace the current P30 reporting, which was only required on a cumulative basis for the company rather than per employee.

The P35 filing will also no longer be required. It is important to note that it will not be possible to correct errors/ omissions occurring throughout the year in advance of filing the P35 – the reporting process must be correct for each pay period, otherwise penalties

may apply (under current legislation, penalties can apply to each separate reporting failure).

It is anticipated that there will be greater scrutiny of data and potential enquires by Revenue where material adjustments or differences arise month to month.

What about expatriate payrolls?

Additional factors will need to be considered for expatriate payrolls. While HMRC in the UK introduced real-time reporting in April 2013, they included a “modified payroll” system for shadow payrolls with a relaxation of certain requirements in terms of shadow payroll reporting. However, as things currently stand, Revenue are not planning on having any separate payroll process for shadow payrolls in Ireland.

There are a number of practical implications in this regard, as there are natural delays in Irish payroll obtaining pay details in respect of assignees to Ireland being paid through home country payroll. This needs to be discussed in further detail, and review of current processes should be undertaken along with a review of the domestic payroll.

Where are we now?

Payroll software providers are currently testing their products with Revenue's system to ensure the new reporting requirement will be integrated into the payroll process for employers. Within the new system employers will use a Lookup Revenue Payroll Notification (RPN) web service to retrieve RPN, previously known as P2C, for employees. Employers will, under the new system, be required to retrieve RPN for new employees in order to set up a new employment for the employee. This will need to be completed in advance of running payroll. Revenue are engaging with stakeholders regarding a wide range of practical issues which are likely to arise in relation to more complex arrangements. These include cross border workers, share-based remuneration, flexible work patterns, the treatment of illness benefit together with year-end administrative issues such as P35 adjustments and self-corrections.

How can you prepare?

The main issue for employers in preparation for PAYE modernisation is to review payroll procedures to ensure that accurate information is provided on a timely basis. While this might be relatively

straightforward for certain payroll items, it is very common for payroll teams to experience delays in obtaining accurate information on other items (e.g. taxable expense payments, non-cash benefits in kind, etc). Typically this affects more than the payroll team, as data comes through from a number of sources to the payroll team and it is important to have all stakeholders involved so they understand the need for refined or improved processes. It is extremely important that any such issues are identified and addressed now ahead of go-live on 1 January – early adoption will be key to a smooth transition to the new reporting system.

It is essential that employers take any relevant steps at this point to minimise complexities arising on implementation.

January and February 2019 are likely to be extremely busy for payroll teams, both in terms of the new PAYE Modernisation system and finalising the P35 reporting for 2018. We recommend tighter processes are implemented by organisations by autumn 2018 to ensure these are imbedded by go-live on 1 January.

Deloitte View

Employers need to review their overall payroll processes and procedures to ensure that the flow of data will allow them to report accurately on a real time basis. Currently, in a payroll context, there is an emphasis on year end reporting. With real time reporting the focus needs to be on reporting accurate data on a real time basis each pay period.

Areas that employers need to consider include:

- Are BIK details provided to payroll as the benefit is provided?
- How are share-based compensation details provided to payroll?
- Are you confident in the data i.e. is it accurate?
- Is there clarity on ownership of the payroll process and implementation of the new requirements within the organisation?
- Is the employee on-boarding process going to deliver new employee data to payroll in sufficient time for registration?
- Can any areas of the process be automated in order to reduce the risk of error?

While certain issues require further consideration by Revenue and its stakeholders, Deloitte's engagement will ensure concerns are raised. We will be working with clients to help them prepare for this significant change and will keep them informed as the project progresses.

Contact us:



Daryl Hanberry

Tax Partner and Head of Global Employer Services
E: dhanberry@deloitte.ie
T: +353 1 417 2435



Billy Burke

Partner, Tax and Legal
E: bburke@deloitte.ie
T: +353 1 417 2924

Deloitte, a partnership established under the laws of Ireland, is the Ireland member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. Please see About Deloitte to learn more about our global network of member firms.

At Deloitte, we make an impact that matters for our clients, our people, our profession, and in the wider society by delivering the solutions and insights they need to address their most complex business challenges. As the largest global professional services and consulting network, with approximately 263,900 professionals in more than 150 countries, we bring world-class capabilities and high-quality services to our clients. In Ireland, Deloitte has nearly 3,000 people providing audit, tax, consulting, and corporate finance services to public and private clients spanning multiple industries. Our people have the leadership capabilities, experience and insight to collaborate with clients so they can move forward with confidence.

This communication contains general information only, and none of Deloitte, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.