Real Time PAYE

PAYE modernisation is coming in January 2019. Colin Forbes, tax partner in Deloitte, explains what’s involved and how income tax rules affect overseas executives working in Ireland.

The biggest issue facing employers at the moment is the ‘real-time’ reporting regime for PAYE that will go live on 1 January, 2019. From this date, payroll will need to go through the following steps prior to paying employees:

- Inform Revenue of the total cash payments and taxable benefits to be made to each employee on an individual basis in that pay period
- 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
- Process payment to employees and pay the associated tax to Revenue
- Report payments made and tax paid to Revenue for each employee

These steps will replace P30 filing, 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 will not be possible to correct errors or 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.

It is anticipated that there will be greater scrutiny of data and potential enquiries by Revenue where material adjustments or differences arise month to month. Employers should review payroll procedures to ensure that accurate information is provided on a timely basis. Payroll teams often experience delays in obtaining details on items such as taxable expense payments and non-cash benefits in kind. It is important to have all stakeholders involved so they understand the need for improved processes.

PAYE modernisation will benefit employers in that they will be forced to improve their payroll data collection and governance processes, which will in turn mitigate any Revenue imposed penalties for errors and omissions. Employees will be able to see their payroll tax record in real-time via Revenue’s MyAccount service rather than wait for their P60 after the year end.

**Taxation Of Business Travellers**

Revenue has recently published updated guidance on how short term business travellers to Ireland are taxed under the PAYE system. Some of the main changes impacting employers are as follows:

- Short term business travellers (coming from double taxation treaty countries) who travel to Ireland in a single tax year only and spend 60 workdays or less in Ireland will be exempt from PAYE and USC.
- However, those spending between 60 workdays and 183 days in Ireland in a single tax year will require PAYE dispensations to be applied for by their employers, and a number of conditions apply. Revenue has provided multiple examples of when they will approve or deny the PAYE dispensation applications.
- PAYE dispensations must be applied for to Revenue for short-term business travellers who have regular visits to Ireland each year, even if one day is spent working in Ireland. The long-standing 30 workdays per annum exemption has been removed for these cases.

Many UK companies are looking to set up a base in Ireland in preparation for Brexit. They will naturally need senior executives to come to Ireland for short periods to oversee the set-up of the new operations. These new rules are undermining the country’s attractiveness for such companies considering locating here, as these senior executives could come within Ireland’s PAYE net.

The tightening of these rules emphasises the need for international employers to have robust tracking systems in place in order to identify cases that might fall within the PAYE net.

Colin Forbes advises multinational and indigenous Irish companies on various employment tax, expatriate tax and equity remuneration matters.

Colin Forbes, Deloitte

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