



PAYE Modernisation - Real Time Reporting of Payroll Taxes



In a nutshell

PAYE Modernisation represents the biggest change to the administration of employment taxes since the introduction of the PAYE system in 1960. In simple terms, real time reporting (RTR) requires employers to submit the details of each employee's pay to Revenue on or before each pay day. An accurate and detailed breakdown of all pay, deductions and tax must be disclosed in respect of each employee, effective 1 January 2019.

The key changes include the following:

- All current forms relevant to payroll taxes (i.e. P30, P35, P60, and P45) will be abolished. The tax details disclosed in each payroll run will be collated and a statement will be issued by Revenue, which will become the employer's payroll tax return, replacing the P30 form.
- Companies will have 14 days to review this statement and investigate any errors/ discrepancies, before paying over the relevant tax to Revenue by the payment dates in the following month. Tax payment dates will remain unchanged.
- Employers are required to download the latest RPN (Revenue Payroll Notification, which is akin to the current P2C/TCC) for each employee and use the details therein to calculate the payroll taxes to be deducted. These tax details, along with a significant number of other employee specific remuneration data items, need to be disclosed in a PSR (Payroll Submission Request), on or before the day on which employees are paid.



What does RTR mean for business?

PAYE Modernisation is more than just a software or technology issue. The scale of the business process changes required should not be underestimated, particularly for companies with complex payroll structures. Key considerations for businesses include:

- The frequency with which this level of information needs to be provided to Revenue will mean a major operational change in the management of payroll taxes, even for employers with a basic payroll model.
- Areas that have historically being challenging to deal with from a payroll tax perspective need to be reviewed to ensure that there is a robust process in place to manage the accurate submission of data to Revenue, for example, share based remuneration, BIK on company cars, inbound/outbound assignees and short term business visitors etc.
- Identifying who is responsible for payroll taxes can be a challenge which will be compounded given the changes needed to payroll and compliance processes. We expect RTR to impact multiple stakeholders such as HR, Payroll, Tax, Finance, IT, Accounts Payable and other functions.
- RTR will also present a significant challenge for companies with multiple payrolls, weekly or fortnightly payroll runs, seasonal employees, employees with multiple employments etc.
- Revenue are aware that many employers' processes include a 'catch up' at year end. This will no longer be possible under the new regime.

What should businesses do now?

- We recommend that employers carry out an impact assessment to determine the changes that need to be made to the end to end payroll tax processes. This should include engagement with all stakeholders across the business who may be impacted e.g. HR, Payroll, Tax, Finance, IT, Accounts Payable and other functions.
- Employers should engage with their payroll software / ERP provider as a priority. There are a number of payroll software providers in the market and the RTR solutions may vary depending on the provider.
- RTR will require a process change as well as systems/technology changes. Business should ensure that the necessary procedures are in place to ensure that accurate information and can be collated on a real time basis.

What KPMG can do to help?

KPMG's Tax Technology and People Services teams can help you to assess and understand the challenges that Real Time Reporting (RTR) present. We can work with you to develop an end to end solution that will ensure the transition to RTR of payroll taxes is seamless. Our multi-disciplinary team is currently helping employers in the following areas:

- Conducting reviews of end to end processes as they apply to the management of payroll taxes. This typically involves working with various stakeholders (e.g. IT, Finance, Tax, HR, Payroll etc.) to identify the necessary system and process improvements to meet the requirements of RTR.
- Supporting clients by conducting payroll tax reviews of existing data using Data Analytics tools and techniques. This includes targeted self-reviews of key tax risk areas using IDEA and other software to efficiently identify errors or omissions that may be identified through Revenue interventions.
- Advising on the payroll tax implications of company cars, share based income, inbound/outbound assignees and other potential areas of challenge under RTR.
- Advising in relation to IT system requirements and set up to support RTR, including mapping of existing data in line with RTR requirements from existing payroll, ERP or expense management systems.



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Produced by: KPMG's Creative Services. Publication Date: July 2020. (6413)