KPMG

GMS Flash Alert

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Ireland – 2021 PAYE Settlement Agreement Deadline and Reviewing Non-Cash Benefits

With the 2021 PAYE Settlement Agreement (PSA) application deadline of 31 December 2021 fast approaching, employers should take the opportunity to review their records to identify any taxable non-cash benefits provided to employees/directors on which income tax, Universal Social Charge (USC), and Pay Related Social Insurance (PRSI) were not operated and remitted to Revenue through payroll.

Whilst there are no changes to the process/requirements for 2021, we have seen heightened Revenue audit and intervention activity (for example Aspect Queries) in recent months. The outcome of these activities suggests Revenue appears to be applying the legislation/guidance more strictly in certain areas such as staff entertaining.

WHY THIS MATTERS

Since the introduction of Real Time Reporting (RTR) in January 2019 (see *GMS Flash Alert* 2018-106, 6 August 2018), employers are required to report details of payments made to employees/directors on or before the payment date. For notional pay or benefits-in-kind (BIK) the amount is to be reported in the payroll submission either (1) the day the notional payment is made/benefit provided, or (2) the earlier of (a) the next pay date, or (b) 31 December in the year.

A PSA allows an employer to settle the income tax, USC, and PRSI outside of payroll in respect of non-cash benefits provided to employees/directors where the benefits provided are:

1. minor in nature and amount, and

2. irregular with regard to the frequency the benefits are provided.

Whilst these items are generally considered taxable BIKs, capturing them via payroll in line with the reporting deadlines outlined above is often impracticable, and, so, the PSA can offer a practical alternative to employers to help ensure they are compliant with their PAYE reporting and payment obligations. In addition, the PSA allows employers to bear the cost of the income tax, USC, and PRSI on the benefits rather than the employee/director.

More Details

The items that are typically included in a PSA vary greatly by employer, but common examples include:

- non-cash gift vouchers including vouchers provided to employees/directors for food/drink at virtual seasonal parties;
- staff entertainment which does not fall within Revenue's interpretation of what constitutes tax-free entertainment;
- provision of taxis to/from work that do not meet the conditions to be considered tax-free;
- gym memberships.

The application to avail of the PSA mechanism must be submitted to Revenue by 31 December 2021. The PSA must be submitted and the corresponding liability paid to Revenue on/before 23 January 2022. The PSA submission must disclose particular details as set out in legislation.

KPMG NOTE

Employers should take this opportunity to review their records to determine if there are any minor and irregular non-cash benefits, gifts, awards, expenses provided to employees during 2021 which were not taxed via payroll and which they may wish to include in a 2021 PSA. If employers identify any benefits to be included in the PSA, they should bear in mind the application deadline of 31 December 2021 and the tight turnaround time to submit the PSA and make payment of the corresponding liability to Revenue by 23 January 2022. As highlighted above, given the increased Revenue audit activity we have experienced of late, we are also expecting PSAs to be under greater scrutiny.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Ireland:

Thalia O'Toole
Tel. +353 1 410 2745
thalia.otoole@kpmg.ie

Olive O'Donoghue
Tel. +353 1 700 4359
olive.odonoghue@kpmg.ie

Edward Stewart-Moore
Tel. +353 1 700 4093
edward.stewart.moore@kpmg.ie

The information contained in this newsletter was submitted by the KPMG International member firm in Ireland.

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