

GMS Flash Alert



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Ireland - Deadline Approaching for 2022 PAYE Settlement Agreement Applications

With the 2022 PAYE Settlement Agreement (PSA) application deadline of 31 December 2022 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.¹

WHY THIS MATTERS

The PSA facility allows employers to settle the income tax, USC, and PRSI due outside the Pay As You Earn (“PAYE”) system. 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.

As a general rule, benefits-in-kind (BIKs) provided to employees in Ireland are taxable, but capturing them via payroll in line with the reporting deadlines (outlined in this newsletter) 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.

Something to Bear in Mind

Whilst there are no changes to the PSA process/requirements for 2022, there has been a significant increase in Revenue compliance checks in the last 6 to 12 months from a PAYE perspective, and minor/irregular benefits have often been a feature of these.

Furthermore, it was announced in Budget 2023² that the Small Benefit Exemption limit is increasing from €500 to €1,000 commencing in the 2022 tax year. In addition, employers may now provide employees/directors with two non-cash benefits (previously one), within the €1,000 limit, and apply the Small Benefits Exemption.

KPMG NOTE

KPMG in Ireland expects this trend of increased compliance checks to continue into 2023, and unhelpfully, in some instances the relevant legislation/accompanying Revenue guidance is ambiguous (e.g., staff entertaining).

Employers may wish to consider the extent to which the changes to the Small Benefit Exemption rules impact their 2022 PSA submission.

Context

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 BIKs, 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.

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;
- staff entertainment which does not fall within Revenue's specific (and quite narrow) exemption;
- provision of taxis to/from work that do not meet the conditions to be considered tax-free;
- gym memberships.

Timing

The application to avail of the PSA mechanism in respect of the 2022 tax year must be submitted to Revenue by 31 December 2022. The PSA must be submitted, and the corresponding liability paid to Revenue on/before 23 January 2023. The PSA submission must disclose details as set out in legislation.

KPMG NOTE

Employers may want to consider taking this opportunity to review their records to determine if there are any minor and irregular non-cash benefits, gifts, awards, and expenses provided to employees during 2022 that were not taxed via payroll and which they may wish to include in a 2022 PSA. If employers identify any benefits to be included in the PSA, they should bear in mind the application deadline of 31 December 2022, and the tight turnaround time to submit the PSA and make payment of the corresponding liability to Revenue by 23 January 2023.

FOOTNOTES:

1 See Revenue, Notes for Guidance - Taxes Consolidation Act 1997, Finance Act 2021 edition, Part 42, Collection and Recovery, Chapter 4, 985B, PAYE Settlement agreements at: <https://www.revenue.ie/en/tax-professionals/documents/notes-for-guidance/tca/part42.pdf> .

2 For the Budget speech and related documents, see: <https://www.gov.ie/en/campaigns/budget/?referrer=http://www.gov.ie/en/news/dd50f-budget-2023/> .

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