

# GMS Flash Alert

2023-228 | November 30, 2023



## Ireland – Coming Up: 2023 PAYE Settlement Agreement Deadlines

With the 2023 PAYE Settlement Agreement (PSA) application deadline of 31 December 2023 fast approaching in Ireland, employers may wish to consider reviewing their records to identify taxable qualifying non-cash benefits provided to employees/directors on which income tax, Universal Social Charge (USC), and Social Security (PRSI) have not been operated and remitted to Revenue through payroll (“PAYE”).<sup>1</sup>

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### WHY THIS MATTERS

The PSA facility allows employers to report details of qualifying minor and irregular benefits which are often difficult to capture in real-time, with settlement of the income tax, USC, and PRSI due outside the PAYE system. It is a requirement of the PSA arrangement that the employer calculates and pays the liabilities due on a grossed-up basis.

Administratively, collation of such data and settlement on an annual basis can provide significant efficiencies, especially for large employers.

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### KPMG INSIGHTS

#### Important to Bear in Mind

It is important to meet **the application deadline (31 December 2023 for the 2023 tax year)**.

Where the PSA application is approved, the **PSA filings should be submitted and paid no later than 23 January following the end of the tax year (i.e., the deadline for the 2023 submission is 23 January 2024)**. If this deadline is not met, the PSA arrangement ceases to apply. Any liabilities due on minor and irregular benefits will then revert to being captured

## KPMG INSIGHTS continued:

through the PAYE regime and will require a self-correction/voluntary disclosure of payroll records – this will have potential interest and penalty implications for the employer.

Whilst there are no changes to the PSA process/requirements for 2023, there has been a significant increase in Revenue PAYE compliance checks in recent years, and the qualifying nature of minor/irregular benefits under the PSA arrangement may be scrutinised.

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## Interaction of the PSA and Enhanced Employer Reporting

The introduction of Enhanced Employer Reporting (“EER”) from 1 January 2024, may interact with the items reportable under a PSA for 2024 and later years. (See "[Enhanced Reporting: Time to prepare for additional employer mandatory reporting](#)," a publication of KPMG in Ireland.)

Under EER, the employer will be obliged to file a real-time informational return prior to the payment of certain tax-free expenses and tax-free small benefits.

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## KPMG INSIGHTS

This new reporting obligation will have two important impacts:

- 1 Revenue will have additional information at its disposal, which means possibly more targeted compliance checks/enquiries on items which, until now, were not reportable.
- 2 Employers will need to enhance their processes to comply with the reporting requirements, and more than ever, get comfortable that they have appropriate mechanisms in place to assess the taxability of benefits/expenses.

We anticipate that this increased scrutiny will mean that more taxable minor/irregular benefits are identified, with more organisations submitting PSAs to manage the reporting obligations due.

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## 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 benefits-in-kind (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.

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## KPMG INSIGHTS

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.

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## 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 2023 tax year must be submitted to Revenue by 31 December 2023. The PSA must be submitted, and the corresponding liability paid to Revenue on/before 23 January 2024. The PSA submission must disclose details as set out in legislation.

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## KPMG INSIGHTS

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 2023 that were not taxed via payroll and which they may wish to include in a 2023 PSA. If employers identify any benefits to be included in the PSA, they should bear in mind the application deadline of 31 December 2023, and the tight turnaround time to submit the PSA and make payment of the corresponding liability to Revenue by 23 January 2024.

If assistance is needed identifying benefits which may need to be reported via the PSA or there are questions in respect of format/approach etc., then please contact a member of the tax team with KPMG in Ireland (see the Contacts section).

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## FOOTNOTE:

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>.

## 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:



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