

A blue-tinted photograph of two men in a meeting. One man is wearing glasses and holding a pen, while the other is smiling and looking at him. They are sitting at a table with papers and a glass of water.

Surviving PAYE Modernisation

What employers need to do to
comply with PAYE Modernisation

PAYE Modernisation

By now, all employers in Ireland should know about Revenue's new PAYE Modernisation legislation. This system came into effect on January 1st 2019 and brought with it a new and improved method of reporting PAYE information to Revenue.

[PAYE Modernisation](#) has brought many changes to the payroll process. Overall, it brings many benefits to all stakeholders involved - employers, employees and Revenue. However, some smaller employers are finding this new system somewhat difficult to get their heads around.





In this guide, we will discuss how PAYE Modernisation affects your business and your real time reporting obligations to Revenue.

Revenue Payroll Notifications or RPNs

With PAYE Modernisation, the first step to processing the payroll is to ensure that the correct tax credits and cut-off points are being used for employees. This is done by retrieving an RPN (Revenue Payroll Notification) from Revenue. Previously, employers were notified of changes to an employee's tax credits via P2Cs.

Employers are required to always use the most up-to-date RPN when calculating an employee's pay and deductions. If an employer is using [payroll software](#) with direct Revenue integration, tax credit information can be retrieved and updated in the software at the click of a button. If the payroll is completed without payroll software, the employer will be required to login to ROS before they process the payroll every pay period to manually check their employees' tax credits and cut-off points.





Payroll Submissions to Revenue

Once the payroll is finalised, employers are required to send a [real time payroll submission](#) to Revenue containing details of their employees' PAYE information. These submissions - known as Payroll Submission Requests (PSRs) - must be sent to Revenue on or before the date an employee is paid every pay period. In most cases, this means a file will be submitted either weekly or monthly. As Revenue will be receiving the periodic file submissions in real time, the annual P35 will no longer be required.

When [payroll software](#) is used, these submissions can be seamlessly created and sent directly to Revenue from within the payroll software with just a few clicks. Where an employer processes their payroll manually, the employer would need to login to ROS every pay period to manually upload the various figures for each of their employees, a bit like manually completing a P35 each pay period.

Employee's Commencing & Leaving Employment

Employers are required to notify Revenue of any new employees. Employers can request an RPN for any new employees before they are paid, which can be done instantly from within payroll software. If no payroll software is used, an RPN can be manually requested for the new employee through ROS. Once an RPN is requested for an employee, the employment will be created on Revenue's records and an RPN will be made available.

Likewise, the periodic [payroll submissions](#) to Revenue will include details of employees who are leaving their employment. Once a leave date is entered in the payroll software, this leaver information will automatically be included in the PSR for the relevant pay period. For those not using payroll software, this leave date will need to be entered manually when the employer is filling in the manual submission to Revenue on ROS. Ultimately, this means that employers are no longer required to complete P45s and P46s.





Employer Summary Statement

Revenue will issue employers with a monthly statement based on the submissions made by the employer, replacing the P30. This statement will give a summary and breakdown of the total liability due, based on the [real time reporting](#) payroll submissions sent to Revenue every pay period.

When the monthly statement is available, the employer will have the option to view the statement, accept the statement or amend the payroll submission (if errors are identified). If no action is taken, the statement will automatically be deemed as the return - the employer does not need to manually accept each monthly statement.

At the end of the tax year, the employee will also have access to a summary statement, which replaces the P60. The individual taxpayer can login to their myAccount portal on the Revenue website to view and print their official certificate of earnings and deductions.

Payments to Revenue

Regardless of the pay frequency, the Revenue payment due dates will remain the same for all employers. If an employer paid Revenue on a monthly schedule prior to 2019, they will still be required to make the payment to Revenue each month. Similarly, if an employer paid Revenue on a quarterly basis, they will still be required to make the payment to Revenue each quarter.

There is no change to the method that employers use to make the Revenue payment. Revenue has also introduced a variable direct debit scheme, whereby Revenue can be permitted to request the value of the monthly liability as opposed to requesting a fixed amount from the employer's bank account each month.



What happens if I don't comply?

Non-compliant employers can expect Revenue intervention with non-compliance penalties and fines. An employer is responsible for deducting the tax and paying over the liability to Revenue and so non-compliance will result in interest due by the employer.

The current penalty regime includes a fixed penalty of €4,000 for each breach of the [PAYE regulation](#). It also includes a fixed penalty of €3,000 imposed on the company secretary for each breach. These penalties can be imposed on a per-item basis, so if you are even a mid-size level employer, these penalties can build up.



How can payroll software help?

Many business owners believe that a [manual payroll](#) system is a relatively easy way to manage their payroll and can seem like the most cost-effective option. However, this outdated method of processing payroll is now time-consuming, cumbersome and prone to error. Failing to correctly comply with PAYE Modernisation will result in penalties or fines being imposed from Revenue.

Revenue has strongly advised employers to review their payroll processes and systems to ensure they meet the requirements of [PAYE Modernisation](#). **Payroll software that caters for PAYE Modernisation will improve and streamline the payroll process.**

Employers using payroll software with Revenue integration will be able to create and send the PSR submission directly to Revenue from within the payroll software at the click of a button. This integration with Revenue also allows employers to automate the retrieval of RPNs for employees from within the payroll software.

If you have the correct payroll software tools in place, the ongoing reporting to Revenue will be seamless.

Ultimately, you will be able to reduce the manual administrative process, save time and reduce the risk of errors each pay period.