

Financial Guideline 2017/2018 - 11

Preparing for PAYE Modernisation 1st January 2019

Introduction

PAYE Modernisation will involve the most significant reform of the PAYE system since its introduction in 1960. The new real-time reporting system will be operational for all employee payments being made from 1 January 2019. This will require schools to review their current payroll system so that it meets the new requirements. In order to meet these new requirements all schools **must** have a computerised Payroll System.

The objective of PAYE modernisation is to deliver real time information so that Revenue, employers and employees will have the most accurate, up to date information relating to pay and tax deductions. This will ensure that the right tax deduction is made at the right time from the right employees and, employers pay over the correct tax deduction and contribution for every employee. This will improve the accuracy, ease of understanding and transparency of the Pay As You Earn (PAYE) system for all stakeholders.

Preparing for PAYE Modernisation

In preparation for PAYE Modernisation, schools should ensure that the correct PAYE processes and procedures are being followed. In particular, schools should ensure that they have registered all their employees and have received a tax credit certificate (P2C) for each of them. It is also important to check that the school has the correct PPS number for each of their employees. All schools must be registered with Revenue On Line (ROS) to comply with the new system.

1. **Verify the Employees PPS number** by checking it with:
 - a. Public Services Card
 - b. Tax Credit Certificate from a previous employment
 - c. P45
 - d. P60
 - e. Any item of correspondence from Revenue quoting the PPS number.
 - f. If an employee does not hold a PPS number, advise them to contact the Department of Social Protection to apply for one.

2. Registering all Employees

- a. When a new employee starts working the school should either submit the P45(3) provided to it by that employee from his / her last job or,
- b. where the employee does not have a P45, use the P46 process to register the employment.
- c. The employee will need to register their new job with Revenue using the 'myAccount' on the Revenue website. The school needs to provide the employee with the school's employer registration number for them to do this.

3. Removing Employees

When an employee stops working in the school, the school should complete the Form P45 and submit it to Revenue. This can be done through ROS.

Examples:

- a. Personnel employed during the State Examinations.
- b. Employees laid off during the school holidays.
- c. Once off employees e.g. teaching staff paid for supervision and substitution, after school study, etc.

4. Employee Tax Credit Certificates

- a. In November / December of each year schools are notified by Revenue of the tax credits and standard rate cut- off point for the coming year for each employee.
- b. A P2C is the school's copy of the employee's Tax Credit Certificate. A tax certificate can be valid for one or more years.
- c. The school will receive an amended P2C if the employee's tax credits or tax and USC cut-off points or LPT have changed.
- d. The P2C's will be replaced with Revenue Payroll Notification (RPN) showing the employees tax credits.

The school must always use the most recent P2C.

Department of Employment and Social Protection (DEASP)

- a. Revenue will receive real-time interfaces of taxable DEASP income (e.g. Illness Benefit).
- b. This income will reduce tax credits/rate bands and an updated Revenue Payroll Notification (RPN) will be made available.
- c. It is important that the school updates their payroll system every week for any updated RPNs since the last payroll run to ensure that the correct deductions are made from all employees.
- d. Illness benefit will start to be taxed via the P2C from 2018 as a result there will be more frequent P2C's for employees on illness benefit.
- e. From 01/01/2018 Illness Benefit letters will no longer be delivered to the school's ROS Inbox

What will PAYE Modernisation mean? -

- a. PAYE Modernisation will allow for real time communication between employers and Revenue that relates to the pay and tax deductions.
- b. Schools will need to submit payroll information to Revenue every pay period i.e. weekly, monthly. This will ensure that Revenue have accurate information for employees at all times.
- c. This process can only be successfully completed through a payroll software system. By using payroll software, schools will save time by streamlining their payroll processing and real-time reporting.
- d. Submitting payroll information in real time will remove the need for employers to create P30, P35, P45, P46 and P60 forms which will further reduce administrative processing.
- e. A monthly statement will be issued to schools showing the total income tax, USC, PRSI and LPT deducted by the school.
- f. The school's revenue payment date will not change. i.e. schools currently paying monthly, quarterly and annually will continue to make payments on this basis.

Conclusion

The introduction of PAYE Modernisation will improve accuracy and transparency of the PAYE system between employers, employees and Revenue. This real-time reporting process will also mean that the correct tax is deducted when an employee is paid, reducing the occurrence of an employee overpaying or underpaying tax.

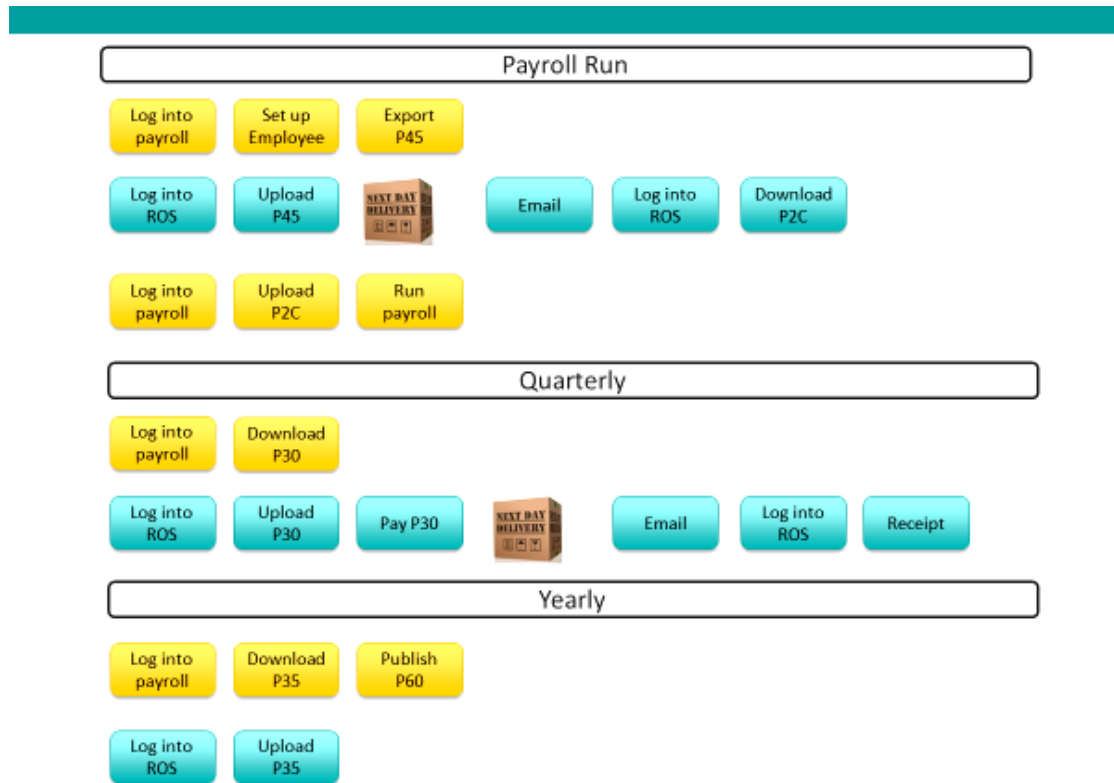
There will be a burden placed on small schools who process their payroll manually and these schools must purchase a Payroll system to alleviate this burden. Information on payroll systems currently in use by our schools can be obtained by contacting the FSSU.

Further information or clarification on any of the issues raised in this guideline can be obtained from the FSSU.

**Louise McNamara, Director,
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12th December 2017**

Appendix A

The Current PAYE System



The New PAYE System

