

PAYE Modernisation – FAQ for employees

What is PAYE Modernisation?

PAYE Modernisation is the new **real time reporting** system for PAYE. It aims to ensure that Revenue, employers and employees have the most accurate and up to date information available. This means that, for each employee, the employer will make the right tax deduction when the staff member is being paid and will have the certainty of knowing that they are neither overpaying or underpaying tax. Revenue will, through **real time reporting** by the employer, have the most up to date information possible to ensure that the employee is paying the correct amount of tax.

When will PAYE Modernisation come into effect?

It comes into effect on **1 January 2019**.

What are the benefits?

PAYE Modernisation allows you to manage your tax affairs quickly and easily by providing up to date information on tax deductions and the options available via your Revenue account ('My Account'). Through 'My Account', you can check if your employer has paid over the correct tax deductions to Revenue.

Revenue will carry out regular reviews of your tax deductions based on actual pay and tax details to ensure you get the full benefit of your tax credits and rate bands across multiple employments, throughout the year. This should reduce the occurrence of overpayment and underpayment of taxes.

I am paid weekly but a lot of my co-workers are paid monthly. Will the introduction of PAYE Modernisation mean that my pay frequency will need to be changed?

No, you can remain on the same pay frequency. PAYE Modernisation does not require a uniform pay frequency to be operated by your employer.

How does PAYE Modernisation affect multiple employments? For example, I lecture in a university and work in a tax firm. I get paid for my lecturing on the 15th of the month and receive my salary from the accounting firm on the 25th of the month. Does this mean that all my tax credits and rate bands have been used for the month against my lecturing salary?

No, if you work in two (or more) jobs at the same time, you should log onto Revenue ('My Account') and request Revenue to split or transfer your tax credits, tax rate band and USC rate band between multiple employments. It is the **employees responsibility** to view and allocate their credits and cut offs between multiple employments.

Splitting your tax credits and rate bands between jobs will not change the total amount of tax you have to pay. Some tax credits or deductions such as flat-rate expenses cannot be split as they are given only for specific jobs.

How does PAYE Modernisation treat taxable payments from the Department of Employment and Social Protection (DEASP)?

At present your employer is responsible for paying over the tax on your taxable DEASP income (eg illness benefit/ maternity benefit). Revenue will receive real time interfaces of taxable DEASP income and will reduce your tax credits/ rate bands to reflect this income.

Afterwards, an updated tax credit certificate (renamed Revenue Payroll Notification (RPN) under the new system) will be issued to your employer.

Will I still receive a P60 at the end of the year and a P45 at the end of an employment?

For the tax years 2019 onwards, you will no longer receive Forms P60 or P45. Instead you can access this information via 'My Account' which will be updated in real time and will be active from mid-2019.

You will receive a P60 in 2019 in respect of 2018 and for 2019 onwards Revenue will issue you with an **end of year statement**. If you are unable to use 'My Account' you will be able to request a paper version of the statement.

When you cease your employment, your former employer will input the cessation date on the payroll submission. This will eliminate the requirement for a P45.

You will no longer need to provide a copy of your P45 to your new employer. Instead, you will confirm your PPS number to your new employer who will notify Revenue of your start date. This will create a new employment record with Revenue and allow your employer to access your up to date credits and rate bands.

Please note that the DEASP will no longer require a P45 for claims.

Do proprietary directors have additional requirements under PAYE Modernisation?

No, there will be no additional obligations for directors under PAYE Modernisation. However, PAYE Modernisation introduces a key change to the basis of taxation and this **affects employees only**.

In the past all employment income (including director's emoluments) were taxed on an earnings basis. This meant, for example, that if a payment was received in a year, other than the year in which it was earned, Revenue and the taxpayer could choose to have the payment 'taken back' to the appropriate year and taxed according to the rules that applied at that time.

For employees, PAYE Modernisation has changed to a payments basis which means that PAYE is payable when the payment is actually received. This has removed uncertainty for employees and has aligned the PAYE basis of taxation with the PRSI and USC rules (payment basis). However, for directors the earnings basis remains in operation.

Revenue have published lots of material discussing the impact of PAYE Modernisation on employers. Do they also intend to publish guidance for employees?

Yes, Revenue have indicated that they intend to publish information for

employees by the end of this year or in early 2019. There is also a lot of useful information available on Revenue's website for PAYE Modernisation.

What impact will the introduction of PAYE Modernisation have on emergency tax?

Your employer must operate emergency tax on your employment income where they do not receive a RPN from Revenue.

A **RPN will not be issued** where you have not:

- given your employer your PPS number or;
- registered for PAYE. When you start working in Ireland for the first time, you must register this employment with Revenue. This can be done through 'My Account'.

The emergency tax rates are as follows:

- where you have **not** given your PPS number to your employer, all of your **income is taxed at the higher rate** (40% income tax and 8% Universal Social Charge (USC));
- where your employer does not have a RPN, you may give your employer your PPS number, but if you are not registered for PAYE your employer will not receive a RPN. You will receive a single person's rate band for the first four weeks. This means that in the first four weeks your weekly income:
 - up to €665 will be taxed at the standard rate of tax (20%);
 - over €665 will be taxed at the higher rate (40%);
 - after four weeks your total income will be taxed at 40%; and
 - the emergency rate of USC is 8% on all income.

What preparations do I need to make for PAYE Modernisation?

None, PAYE Modernisation is designed to cause **no disruption to employees**.

All preparation requirements rest with your employer.

How does PAYE Modernisation affect transferring tax credits between spouses?

You should log on to Revenue's 'My Account' and request Revenue to split or transfer your tax credits between you and your spouse. It is the **employees responsibility** to view and allocate their tax credits via 'My Account'.

Contact

Jillian O'Sullivan
Partner
T +353 (0)1 680 5850
E jillian.osullivan@ie.gt.com

Bernard Doherty
Partner, Tax
T +353 (0)1 680 5611
E bernard.doherty@ie.gt.com

Jim Kelly
Director, Tax
T +353 (0)1 680 5780
E jim.kelly@ie.gt.com

Jane Quirke
Director, Tax
T +353 (0)91 532 481
E jane.quirke@ie.gt.com

Clare Fitzgerald
Associate Director, Tax
T +353 (0)1 433 2432
E clare.fitzgerald@ie.gt.com

Elaine Flynn
Manager, Tax
T +353 (0)91 53 2223
E elaine.flynn@ie.gt.com

Offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.

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