

# Keeping you updated

## Accounting, payroll and company secretarial



### What is “Company Administration Services”?

Our Company Administration Services department is made up of three distinct specialist groups:

- Accounting
- Payroll
- Company Secretarial

### Introduction

Welcome to our Company Administration Services (CAS) newsletter. The purpose of this newsletter is to update you on developments and issues of relevance across the key areas of accounting, payroll and company administration in Ireland.

In this, our first edition, we spotlight payroll and payroll-related issues. In particular, we take a look at the significant changes brought about by Budget 2011 and the Jobs Initiative. We focus on how these changes impact the processing of payroll and the taxation of employers and

employees. We also explore a number of other topical payroll-related issues.

In addition, we have included an overview of the support and advice we provide to clients across the areas of accounting and company secretarial services. The next edition of our newsletter will take a closer look at issues and developments in the area of accounting and book-keeping.

We would welcome your feedback and views on the content of our newsletters which we hope you will find both interesting and useful.

---

## ***So, what's new in PAYROLL in 2011?***

While there have been many changes to the Irish payroll system over the years, there is little doubt that Budget 2011 brought the greatest change and complexity to the taxation of employees and the calculation of payroll in Ireland.

The changes related to payroll continue to develop, following various clarifications and updates from both Revenue and The Department of Social Protection. We set out below the key relevant changes (including subsequent clarifications) under the payroll tax headings of PAYE, PRSI and Income Levy:

---

### ***PAYE changes***

1. Widening of the tax net through reduction in allowances, credits and exemptions
2. Reduced tax relief on employee pension and PRSA contributions (reduction in allowable income level from €150,000 to €115,000)
3. Reduced tax relief on redundancy payments and retirement lump sums (maximum lifetime tax free lump sum set at €200,000)
4. Re-classification of childcare facilities and professional subscriptions as taxable benefits. Subsequently, there was a turnaround in relation to certain professional subscriptions whereby in certain circumstances the subscription can be deemed non-taxable (see Note 1)
5. Introduction of PAYE on share awards/gains (other than share options) which were previously taxed via self assessment
6. Introduction of mandatory direct debit payment of taxes through the Revenue on Line Service (ROS) (see Note 2)

---

### ***PRSI changes***

1. Reduction in PRSI rates through the abolition of the Health Levy
2. Removal of PRSI relief for employees on pension/PRSA contributions
3. Introduction of Employee PRSI on employer PRSA contributions, however, subsequently this was reversed and is no longer applicable (see Note 3)
4. Introduction of 50% Employer PRSI to employer PRSA contributions, however, subsequently this was reversed and is no longer applicable (see Note 3)
5. Reduced PRSI relief for employers on employee Pension/AVC/PRSA contributions. Relief is now at 50% of the employer's PRSI rate.
6. Introduction of PRSI on share awards/gains. Subsequently this rule was changed so that PRSI is not due on share based remuneration where a written agreement was in place between the employee and employer prior to 1st January 2011 (see Note 4)
7. It was announced in May that Employer PRSI will not be due on any share-based remuneration (see Note 5)
8. Collection of PRSI through payroll for share awards (including share options) and approved SAYE schemes where shares granted after 1 January 2011 (see Note 6)
9. In the case of unapproved share option and approved profit share schemes the collection method for PRSI was not specified initially, however, clarification was given in May for collection through payroll (see Note 6)
10. PRSI collected for "Outbound" expatriates is no longer exclusively paid via Special Collections Unit but should, in most instances, be processed through the regular PAYE/PRSI collection system (see Note 7)

---

## **Income Levy changes**

1. Removal of the Income Levy
2. Introduction of the Universal Social Charge (USC) to replace the Income Levy
3. Progressive USC rates 2%, 4%, 7%
4. 7% applies to all income in excess of €1,334 per month
5. USC does not apply to social welfare payments, employer provided travel pass and bike to work schemes
6. USC rate capped at 4% for people over 70 years of age
7. In late January the USC rate was capped at 4% for medical card holders (see Note 8)
8. USC applies to all share awards/gains
9. Collection of USC for share awards and approved SAYE schemes now through payroll
10. In the case of unapproved share options, as with PRSI, the collection method was initially not clear, however, clarification was given in May that collection is still through self assessment
11. In the case of approved profit share schemes, as with PRSI, the collection method was initially not clear, however, clarification was given in May that collection is now through payroll (see Note 6)
12. Roll out of the Parking Levy was planned for April 2011 but a recent announcement confirms that the levy will not be introduced after all

### **Notes to the changes:**

**Note 1:** The relaxation of the taxation of professional subscriptions was to allow payment of most professional subscriptions where they relate to the individual's employment. The change was announced in March but took effect from 1 January 2011. Therefore there may have been overpayments of PAYE, PRSI and USC for some employees and employers where such professional fees have already been taxed as a benefit.

**Note 2:** Payments to the Irish revenue authorities can no longer be made by cheque or electronic file transfer, therefore, employers are required to put in place the appropriate RDI (Revenue Debit Instruction) via the ROS system.

**Note 3:** In May the Department of Social Protection confirmed that PRSI is not now due on employer contributions to a PRSA. This may mean that there has been an overpayment of employer and employee PRSI in the period January-April.

**Note 4:** This change was advised in March. Since PRSI may have been withheld on share based remuneration processed prior to the announcement, there may be an overpayment of PRSI for employees who had PRSI withheld in Jan/Feb on share based remuneration which was the subject of an agreement in place prior to 1 January 2011.

**Note 5:** There may be/have been overpayments of Employer PRSI in the May payroll.

**Note 6:** Since PRSI/USC were not initially due for collection through payroll, they will need to be collected for share based remuneration paid in the period up to May.

**Note 7:** When incorporating expatriates in the regular PAYE/PRSI collection system, pay close attention to the impact on the P35 figures, particularly for PRSI and USC purposes.

**Note 8:** Regarding USC charges on medical card holders, because the change came in late January, medical card holders may have overpaid USC in the January payroll. Note: This rule includes Northern Ireland medical cards and assignees who hold Form S1.

The above information was up-to-date at the time of publication (ie July 2011)

---

## **How do these changes impact you and your employees?**

Taking into account all of the changes to date, the following are some important considerations for employers and payroll specialists:

- Note effective date of changes and subsequent clarifications. Changes are generally effective 1 January 2011 and therefore some items will require retrospective correction
- Update payroll systems and procedures to accommodate the various changes
- Training for payroll staff in the operation of the new rules
- Implementation of systems for recording benefits-in-kind not previously processed via payroll (e.g. creche facilities, share awards)
- Communicate to staff the impact of budgetary changes in terms of their net take home pay
- Identification of tax efficient measures and reward structures that are available to employers and employees e.g. cycle to work scheme
- Review level of Pension AVC contributions to ensure contributions are within the relevant relief levels – particularly age allowances

## How can PwC help you respond to these changes?

### Staff briefings

We can run a workshop for you and your staff to answer any questions and queries related to the changes we have outlined above and how they can impact net pay. If necessary, we are also happy to do one-to-one consultations.

### Process review

We are available to carry out a review of your internal payroll processes and guide your payroll staff in the best way to handle the budgetary changes and avoid difficulties near year end.

### Remuneration policy review

We are also available to share our insights and experience with you in the area of remuneration policy and delivering this in the most tax efficient way.

## What other payroll-related issues are companies facing?

With an increasing number of companies expanding and operating in international markets, there is increased pressure on the payroll function to manage complex multi-territory processing functions.

Traditionally, the focus of our payroll team has been on providing outsourced payroll services, which allow companies to free up resource time to concentrate on running their business. In recent years, however, we have significantly increased the scope and range of support and advice that we provide. For example, we centrally manage and coordinate the delivery of

payroll services, for a number of multinational clients with presence across the EMEA region (Europe, Middle East, Africa) through the network of local PwC teams.

We have acted as an independent advisor to a number of our clients, to provide comfort that their payroll operations are being managed correctly both from the local headquarters and in the various foreign jurisdictions. In addition, we have worked with clients across other areas such as expatriate payroll, termination payments and share scheme taxation.

With many companies still keen to identify efficiencies and cost savings, we recently reviewed the effectiveness of the internal payroll function for a number of clients who run their payroll in-house. We also undertook a tax efficiency review to maximise the benefit for employees.

### Client Experience

We recently reviewed the third-party payroll services of a fast-growing multinational client across multiple European countries.

As part of this review, we identified and minimised a number of compliance related risks.

## Contact the payroll team

Angela or Seymour would be happy to answer your questions about our payroll services



### Angela O'Doherty

T: +353 (0)1 792 8684

E: [angela.odoherty@ie.pwc.com](mailto:angela.odoherty@ie.pwc.com)

Angela has managed our payroll department since she joined PwC in 1999. An MBA graduate of the Smurfit Business School, Angela currently focuses mainly on our multi-territory and consulting services.



### Seymour Platt

T: +353 (0)1 792 8782

E: [seymour.platt@ie.pwc.com](mailto:seymour.platt@ie.pwc.com)

Seymour joined the team in 2007 to manage day-to-day operations. Coming from the point of view of implementation of large-scale payroll projects, Seymour has brought a wealth of systems and technical expertise as well as process efficiencies to our traditional payroll operation.

## **Other Company Administration Services**

### **Accounting Services**

The focus of our accounting and book-keeping team is mainly on the operating processes of the accounting function of companies, sole traders and branches of companies established in Ireland. We also help start-up companies looking to outsource until the scale of their business justifies the establishment of an in-house function.

Typically at this time of year companies are focused on getting the statutory audit complete. Our team has extensive experience in the preparation of statutory financial statements for Irish entities and our services are tailored according to your specific needs.

The benefits of engaging us to assist you during the annual statutory process include:

- Freeing up the financial controller and/or finance manager's time to focus on daily operations and management accounts
- Access to an accounting team who has experience in the preparation of Irish GAAP and IFRS Statutory Financial Statements
- Timely completion of the statutory financial statements so that accounts are signed and ready for filing with the Companies Registration Office before the annual return deadline
- Access to a network of experienced local teams for the preparation of Statutory Financial Statements across EMEA

### **Company Secretarial Compliance**

A major consideration for Irish companies in today's corporate climate is the need to comply with Company Law and to certify that an adequate level of corporate governance is being applied to ongoing compliance activities. Corporate compliance is a complex legal requirement for all Irish registered companies.

From incorporation to ongoing administration through to termination of a company, reporting and statutory compliance obligations, we are here to help you in meeting both internal deadlines and local country legal requirements. We have significant experience in advising a range of clients on developing non filing structures and statutory compliance effectiveness.

What are the benefits for you?

- Comfort that the company's registers are being maintained correctly
- Frees up Company Secretary's time to focus on more value-adding business priorities

- Unnecessary compliance obligations are identified and removed
- No surprise communications from the Companies Registration Office or Office of Director of Corporate Enforcement
- Access to our experienced Chartered Secretaries and other specialists
- Direct access to Company Statutory Registers (optional)

Within the company secretarial team we also provide administration services to Employee Share Schemes in addition to acting as joint trustees to Employee Share Schemes.

### **Contact the accounting services team**

**Caroline Brady**

T: +353 (0)1 792 7569

E: [caroline.m.brady@ie.pwc.com](mailto:caroline.m.brady@ie.pwc.com)

### **Contact the company secretarial team**

**Ruairí Cosgrove**

Company Secretarial and Employee Share Scheme Services

T: +353 (0)1 792 6070

E: [ruairi.cosgrove@ie.pwc.com](mailto:ruairi.cosgrove@ie.pwc.com)

**Brendan O'Connor**

Company Secretarial Services

T: +353 (0)1 792 6026

E: [brendan.oconnor@ie.pwc.com](mailto:brendan.oconnor@ie.pwc.com)

**Trudy Kealy-Mahon**

Company Secretarial Services

T: +353 (0)1 792 6881

E: [trudy.kealy@ie.pwc.com](mailto:trudy.kealy@ie.pwc.com)

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its Partners, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2011 PricewaterhouseCoopers. All rights reserved. "PricewaterhouseCoopers" refers to the Irish firm, PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1 which is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business. As the context requires, "PricewaterhouseCoopers" may also refer to one or more member firms of the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate legal entity. PricewaterhouseCoopers does not act as agent of PwCIL or any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way. Designed by PwC Design Studio 03465.