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PwC Payroll Briefing

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Welcome and introduction

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Head of Company Administration Services, PwC

Agenda

Welcome and introduction

Introducing the payroll department

High level payroll related budgetary changes

Details and impact of these changes

Wrap up

Drinks and canapés

Introducing the payroll team

*Providing
payroll services
to clients for
more than 40
years*

Angela O'Doherty
Senior Manager

Seymour Platt
Operations Manager

Siobhan Carey
Consultant

Anne Fenelon
Consultant

Geraldine Flynn
Consultant

Mary Barrett
Specialist

Erna O'Farrell
Specialist

Ella La Rocca
Specialist

Jennifer Hackett
Specialist

Department profile

- Dedicated team of payroll professionals
- 150 clients, spanning many business backgrounds
- 3,000+ payslips processed every month
- Management, staff, director payrolls
- Local and expat payrolls
- Multi-territory payroll coordination
- Consulting



Our services

- Traditional service offering – payroll compliance
- Continuously evolving
 - HR and time recording systems interfacing
 - electronic journals
 - customised management reports
 - CSO reporting
 - email payslips
- Tell us what else we can do for you – feedback forms

Our services

- Consulting offering
 - Payroll audit (Ireland and, through our network, Global)
 - Payroll function benchmarking/functional effectiveness review
 - Second adviser for technical issues
 - Contingency planning/backup payroll
 - Maternity leave cover

Payroll related budgetary changes

Angela O'Doherty

Senior Payroll Manager

High level budgetary changes

- Sweeping changes on employment taxes from 1 Jan 2011
- Further changes through 2012, 2013, 2014
- Widening of the tax net
- Reductions in allowances, credits and exemptions
- Treatment of certain Benefits In Kind (eg childcare facilities)
- Some simplifications
- Abolished Income Levy & Health Levy
- Introduction of the Universal Social Charge (USC)
- Additional complexities
- Changes affecting pension plans, redundancies and retirements, share plans, international assignees
- Roll out of the Parking Levy . . . ?

Beyond 2011

- Further reduction in cut-offs and tax credits

2011 10% cut

2012 further 2.5%

2013 further 2.0%

2014 further 2.0%

- State pension age increases

2021 67 years

2028 68 years

Beyond 2011

- Maximum income level for pension contribution reduced from €150,000 to €115,000 per annum in 2011
- Maximum tax relief on pension contributions may be reduced as follows, adding greater complexity to payroll calculations:
 - 2011 max 41%
 - 2012 reduced to 34%
 - 2013 reduced to 27%
 - 2014 reduced to 20%

Impact of 2011 budgetary changes

Seymour Platt

Payroll Operations Manager, PwC

Detailed changes

- Tax
- PRSI
- Universal Social Contribution (USC)
- Pensions & PRSAs
- Expats
- Share Schemes



Tax - credits/reliefs

- Reduction in personal tax credits

	2010	2011
Personal – single	€1,830	€1,650
Personal – married	€3,660	€3,300

- Abolition/phasing out of other credits

	2010	2011
Employee	€1,830	€1,650
Home carer	€900	€810
Age related - single	€325	€245
Age related - married	€650	€490

Tax – standard rate cut off points

- Reduction in personal Tax Rates and Bands

	2010	2011
Single	€36,400	€32,800
Married couple - one spouse with income	€45,400	€41,800
Married couple - both spouses with income	€45,400 Inc €27,400 Max	€41,800 Inc €23,800 Max

Tax credits/cut-off changes - example

Earnings single person	2010	2011	Diff
€2,500	€195	€225	€30
€4,000	€698	€791	€93
€6,000	€1518	€1611	€93

Earnings married person	2010	2011	Diff
€2,500	€42.50	€87.50	€45
€4,000	€388	€496	€108
€6,000	€1208	€1316	€108

Tax – employee concerns

- Delays in receipt of new tax certs may lead to tax claw-backs later (NB employees with complex tax affairs)

January taxed at 2010 rates

February claw-back/correction at 2011 rates

March – employee will finally see new net pay

PRSI- employer

- Increased liability on benefit in kind (creche, professional fees, shares)
- Employers PRSI relief on employee 's pension contribution reduced to 50%
- Employers PRSI relief on PRSA contributions reduced to 50%
- Tax Equalised Expats – potentially increased costs
- Managing Employer's PRSI Exemption Scheme and the Employer Job (PRSI) Incentive Scheme where employee leaves before 6 months or the scheme finishes

PRSI- employee

- Abolition of employee PRSI ceiling €75,036
- Increased liability on benefit in kind (creche, professional fees, shares)
- Abolition of PRSI relief on employee pension contribution
- Replacement of the health levy and income levy with the USC

Earnings	2010	2011	Diff
€2,500	€178	€78	-€100
€4,000	€298	€138	-€160
€6,000	€458	€218	-€240

Universal Social Contribution (USC)

- Replacing income levy and health levy - introduced from 1 January 2011
- Payable on gross income before pension contributions (gross income includes BIK notional pay)
- Exemptions - Social Welfare payments (illness, disability, maternity), Statutory Redundancy, Bike to Work Scheme, Travel Pass
- Calculated on 'Week One' basis but ... at year end, Revenue establish the correct liability on a cumulative basis
- Overpayments must be claimed direct from Revenue by employee (in contrast to the Income Levy)
- Underpayments will be collected by Revenue but... this position may change later?

Universal Social Contribution

Threshold per annum	Threshold per month	Rate
Below €4,004	Below €333	Exempt
0 to €10,036	0 to €837	2%
€10,037 to €16,016	€837 to €1,335	4%
Greater than €16,016	Greater than €1,335	7%

USC - employee concerns

- Small one-off payments in a period can generate a short payment for the year (e.g. starters/leavers)
- Employers are only liable to withhold USC on earnings in this employment
- There is no mechanism for taking account of other personal earnings
- Medical card no longer affects the payroll calculation, details will no longer be required by payroll
- Employee will no longer receive an Income Levy Certificate but will receive USC certificate with P60 at year end

Overall impact

Gross Pay	2010 Tax	2010 Employee PRSI	2010 Levy	Net	2010 Employer PRSI
€2,500	€195.00	€177.96	€50.00	€2077.04	€268.75
€4,000	€698.00	€297.96	€80.00	€2924.04	€430
€6,000	€1518.00	€457.96	€120.00	€3904.04	€645

Gross Pay	2011 Tax	2011 Employee PRSI	2011 USC	Net	2011 Employer PRSI
€2,500	€225.00	€77.96	€118.21	€2078.83	€268.75
€4,000	€791.00	€137.96	€223.21	€2847.83	€430
€6,000	€1611.00	€217.96	€363.21	€3807.83	€645.00

Company pension (DC and DB) approved schemes

PRSI

- Employee will no longer get PRSI relief for their pension contributions
- Employer gets PRSI relief on only 50% of the employee contribution – Employer's PRSI bill will therefore increase

Tax

- Employee continues to get tax relief per the relevant age bands - employee's date of birth is needed to manage this.
- The maximum income level has been further reduced to 115,000

USC

- No USC relief on employee pension contributions

PRSA - Personal Retirement Savings Account

In contrast to Company Pension Schemes:

- Different application to Company Pension Scheme and therefore important to differentiate to payroll
- Employee will no longer get PRSI relief for their contributions
- Employer PRSA Contributions
 - **Tax** – no change. Employee is liable to tax, but gets tax relief on employer contribution ie tax neutral
 - **USC** - employee is liable to USC on any employer contributions
 - **PRSI** - employee is liable to PRSI on any employer contributions
 - **PRSI** - employer gets reduced PRSI relief

Pension/PRSA

Pension Contributions	EUR	2010 Employee PRSI	2010 Levy Max	2010 Employer PRSI
Employee Contribution	€100	Nil	€6.00	Nil
Employer Contribution	€100	Nil	Nil	Nil

2011 Employee PRSI	2011 USC	2011 Employer PRSI @ 50%
€4.00	€7.00	€5.37
Nil	Nil	Nil

PRSA Contributions	EUR	2010 Employee PRSI	2010 Levy Max	2010 Employer PRSI
Employee Contribution	€100	Nil	€6.00	Nil
Employer Contribution	€100	Nil	€6.00	Nil

2011 Employee PRSI	2011 USC	2011 Employer PRSI @ 50%
€4.00	€7.00	€5.37
€4.00	€7.00	€5.37*

*Clarification pending

Company pension/PRSA housekeeping

- Date of birth is required in order to process tax relief within the age and max earnings limits
- Payroll cannot take account of other earnings outside of this employment for the calculation
- Relief is always calculated on earnings to-date at the time the contribution is made
- PRSA – if an employer contribution is not captured in the payroll this will lead to a short payment of employer's PRSI
- Companies may need to review the value of operating a PRSA as against setting up a Revenue Approved Pension Scheme

Inbound expatriates

Tax and Social Security Rates - comparison

	2010	2011
• Income tax	@ 41%	@ 41%
• Income Levy	up to 6%	Nil
• Health Levy	up to 5%	Nil
• PRSI	@ 4%	@ 4%
• USC	Nil	up to 7%

Share Schemes

Abolition of Revenue approved Share Schemes

“Clarification of how and when PRSI will be charged and collected will be provided by the Department of Social Protection” Revenue Comm.

	Income tax	PRSI	USC
Approved share option schemes	✓	✓	✓
Unapproved share option schemes	✓	✓	✓
Approved profit sharing scheme		✓	✓
Approved SAYE		✓	✓
Share awards (ESOT)		✓	✓

Share Schemes

- **Share Awards**

- No longer dealt with under self-assessment system/in the PAYE system from 1 Jan 2011
- Taxable value to be treated at notional pay (BIK)
- PAYE, PRSI and USC apply

- **Share Options**

- remain in self-assessment system
- Revenue approved schemes no longer exempt from tax
- USC applies to gains
- PRSI now applies and DOSP to confirm mechanics of collecting

Share Schemes

- **Profit share scheme awards (Revenue approved) and employee share ownership trusts (ESOT)**
 - remain exempt from income tax
 - USC applies and Finance Bill will clarify re collection
 - PRSI applies and DOSP to confirm mechanics for collecting
- **Savings Related Share Option schemes (SAYE)**
 - Gains remain exempt from income tax
 - USC to be collected by employers via payroll
 - PRSI now applies and DOSP to confirm mechanics for collecting

In conclusion

James McNally

Head of Company Administration Services, PwC

In conclusion....

Where have we come from, where are we going?

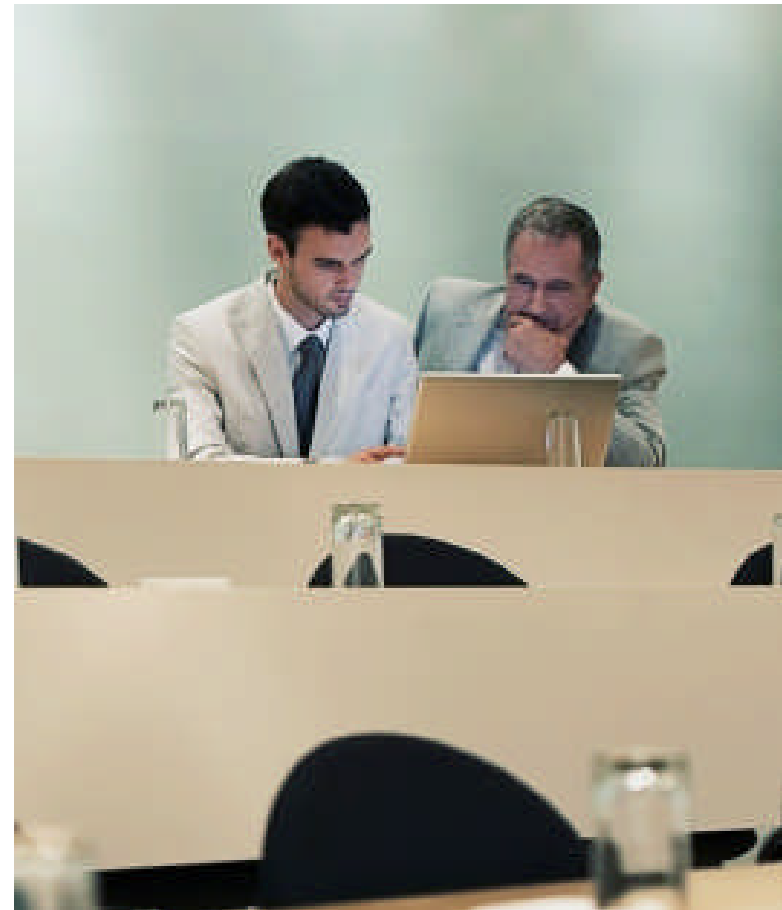
- Report of the Commission on Taxation
- EU / IMF
- National Recovery Plan
- Budget 2011 / 2012 / 2013 / 2014 / (2015?)

- Focus on taxation of individuals
- Broadening base, bring more people within tax net
- Increasing importance of payroll tax within total tax contribution of employer

Focus on taxation of individuals

“The contribution from the corporate sector will be made through the maintenance and creation of high value employment”

National Recovery Plan



In conclusion....

Increasing importance of payroll tax within total tax contribution of employer

- More employees within the tax net
- More benefits etc being taxed
- Scaling back of reliefs
- More tax / USC being collected
- Greater complexity, notwithstanding some simplification
- Payroll taxes typically more significant than corporation tax – do they get the same level of attention?
- Revenue audits
- Payroll compliance is critical

In conclusion....

Timetable

- Finance Bill expected 20 January
- Finance Act by early March?
- Impact of election?
- EU / IMF Deal & National Recovery Plan
- Taxes collected via payroll still likely to be significant

- Updates via your usual payroll contacts

Thank you!

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