

[www.pwc.com/ie](http://www.pwc.com/ie)

# *PwC Payroll Briefing*

February 2012

---

***Welcome***

**James McNally**

**Head of Company Administration Services, PwC**

***1***

# ***Agenda***

**Budget summary**

**Tax**

**PRSI**

**USC**

**PHI – Permanent health insurance**

**ROS**

**Recap on other 2011 changes**

**PwC Client Payroll and 2012**



---

# *Impact of 2011 budgetary changes*

Seymour Platt

Payroll Operations Manager, PwC

2

---

## ***Budget summary***

2011 there were 86 revenue e-briefs

Parking levy – No plans to introduce

4 year plan –

Pension reducing relief to 20% - Currently on hold

No change to tax credits and cut offs

No change to pension limits

---

# ***Tax***

No real substantive changes for 2012

Disability payments -

first 6 weeks tax relief abolished for 2012

*This makes the process easier to manage – avoiding the complications where employees qualified for over 6 weeks of tax relief in any year*

(Any dependent children element to disability payments still qualify for 1<sup>st</sup> 6 weeks tax relief)

There is no change to the Emergency Basis of tax for 2012.

---

# ***PRSI***

**In 2011 Employers relief had been reduced to 50% of employee contributions  
For 2012 Employers relief on employees Pension payments scraped.**

**- This is a considerable extra cost to employers**

**Classes A2, A5, B2, C2, D2, H2, J2 and S2 have been abolished**

**Any employees currently on these classes from 2011 will be moved  
to classes A1, A4, B1, C1, D1, H1, J1 and S1**

---

# ***USC***

The earnings threshold for paying USC was increased from €4,004 to €10,036  
If total earning below €10,036 no USC liability.

## **Rates 2012**

	Age under 70 years Age	70 years or over, or Medical Card Holders
First €10,036	2%	2%
Next €5,980	4%	4%
Balance	7%	4%

---

## ***USC - cont***

- USC is now calculated cumulatively over the year
- Personal thresholds instructed by revenue on P2C
- In most cases they are in line with the 2012 rates, we have experienced some differences with Pensioners and NED's
- Medical card for employees – 2012 instruction has to come from revenue with the employees P2C thresholds. Employers and Payroll no longer need or can act on a copy medical card. Revenue are working with HSE to update their records.
- Similarly employees reaching 70 years of age, the instruction to change USC rates needs to come through the employees P2C.
- Employees are to contact revenue if medical card or age limit is not put through P2C.
- For 2012 going forward P45 have USC year to date info on them - employees only receive 1 year end document (*Excluding pension related deduction form*)
- For 2011 P60's going forward have USC data on them – employees only receive 1 year end document (*Excluding pension related deduction form*)

## ***USC - cont***



### **NI residents**

Prior to 2012 NI residents (Frontier workers) working in the Republic were treated for USC and Income levy as medical card holders – paying only the medical card top rate, 4% in 2011

For 2012 this has been abolished, and NI residents pay the full rates of USC

## ***USC - cont***

### **Outbound Expats**

Revenue have clarified that if an employee has a valid tax exemption in place then USC is not payable, and this approach is backdated to 2009 and the income levy.

Revenue are asking for affected employees to contact revenue direct to get refunds.

What about tax equalised employees?



# USC - cont

Our payslips now show USC as one amount, we no longer split the USC between limits

## Payslip change

2011 payslip

31/03/2011			
201103N	Department	DDD	DDC
5162647E	Cost Centre	1	Grac
	Category		
Deductions		Employee	
Description	This Period	Balance	
0 PAYE	0.00	3860.98	
0 PRSI	48.00	620.59	
2% USC : 837.00	16.74	50.22	
4% USC : 13109.67	524.39	564.23	
7% USC : -12746.67	-892.27	0.00	
Pension	1.00	312.33	

2012 Payslip

28/01/2012			
201201N	Department	DDD	DDD
5162647E	Cost Centre	1	Grade
	Category		
Deductions		Employee	
Description	This Period	Balance	T
0 PAYE	1427.59	1427.59	
5 PRSI	226.23	226.23	
USC on 6206.70	377.68	377.68	
Pension	100.00	100.00	

# ***PHI – Permanent health insurance***



Payments for 2012 PRSI relief on a revenue approved scheme is now abolished – all payments calculated at employees class i.e. A1

Employee deductions into a scheme – for revenue approved schemes PRSI relief abolished.

---

# ***ROS***

Social welfare continue to migrate employees with married person PPS number to new numbers.

ROS e-filing and payment project almost complete.

- All companies to pay revenue online through ROS DD system.

P2c File from ROS now in csv format

Revenue now reporting 5 bands for Cut off and Credits no longer just 2

Uploaded P45 change – employee date of birth needed.

P35 template changed in line with USC requirements

P35 self correction for prior year – interest charges for unpaid revenue prior year may apply

---

# ***Recap on other 2011 changes***

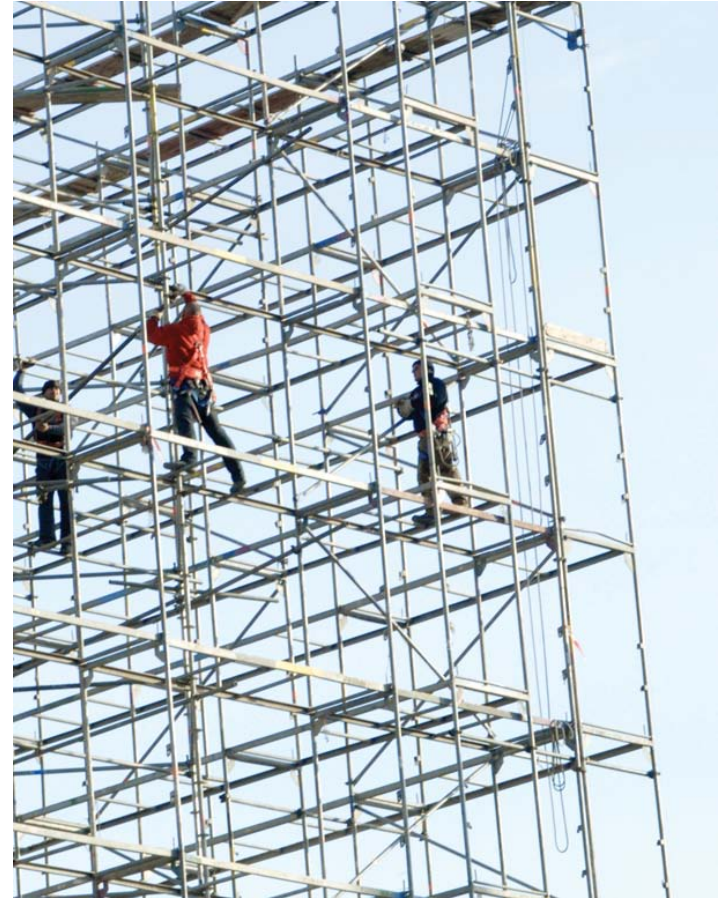
## **PRSA – employer contributions**

The budget changes for 2011 meant further clarification regarding the treatment of employers contributions to a PRSA where required during 2011, Revenue issued an ebrief 24 June

In summary

Employees are liable to USC on employer contributions to PRSA

In 2011 we refunded any overpaid employer and employee PRSI for the year based on this ebrief.



---

# ***Recap on other 2011 changes - cont***

## **Shares**

There were changes to the treatment of share remuneration during 2011,

Summary of the current position

Benefit in Kind on gains all go through payroll, and depending on the type of share remuneration type Either:

<b>Tax applies</b>	<b>OR</b>	<b>Tax DOES NOT APPLY</b>
<b>Employees PRSI applies</b>		<b>Employees PRSI applies</b>
<b>USC applies</b>		<b>USC applies</b>
<b>Employers PRSI DOES NOT apply</b>		<b>Employers PRSI DOES NOT apply</b>

Professional tax advice may be required to ascertain the correct treatment.

The deduction from employees to pay into a share scheme, may receive full relief or no relief depending on the type of share option being paid into.

## ***Recap on other 2011 changes - cont***

### **Professional Fees**

There was some confusion in the 2011 budget regarding what professional fees were tax exempt. A revenue e-brief 25 March confirmed that professional fees are not taxable where the employment requires them.

### **PRSI employers change**

From July 2011 Employers PRSI for employees earning up to €352 was reduced from 8.5% to 4.25%



---

## ***Recap on other 2011 changes - cont***



### **Special collections**

Payments no longer go direct to special collections, but are made through Revenue – commonly special collection payments where made for outbound expats

- This changes forces more payments through payroll for the P30 and the P35
- Changes to prior years to be done through a P35 amendment

---

# ***PwC Client payroll and 2012***

Although the budget brought only a few changes for 2012, these changes have proved complicated

Tax rates moving from 2 to 5

Separation of Employee'able and Employer'able

The correct treatment of share benefit in kind through payroll needs investigation for correct treatment

Processing special payments now through payroll

Managing more P35 amendments

---

## ***PwC Client payroll and 2012***

Continue to work off the broader PwC network for our clients.

Liaising more with

- Pension experts
- HRS tax experts
- Accounting group

We are continuing to move reporting and payslips exclusively to email.

- Saving on postage and courier costs
- Efficiency
- Security all reports encrypted

---

# *Any questions...*

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 Partner, 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.

© 2012 PricewaterhouseCoopers. All rights reserved. "PricewaterhouseCoopers" and "PwC" refer 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" and "PwC" may also refer to one or more member firms of the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), 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 judgement or bind another firm or PwCIL in any way.