



## 2024 Year-end Employment Tax Considerations

---

26 Nov 2024

**In this article we outline some key employment tax deadlines and considerations for employers as we approach year-end.**

### Enhanced Reporting Requirements

Since 1 January 2024, employers have been required to report details of certain tax-free payments and benefits made or provided to employees and directors on or before the payment/benefit has been provided. The tax-free items required to be reported to Revenue under Phase 1 of the new Enhanced Reporting Requirements (ERR) are:

- Benefits treated as non-taxable by utilising the small benefit exemption;
- The €3.20 remote working daily allowance; and
- Travel and subsistence payments (i.e. reimbursements directly to employees. Note - Expenses paid by employers via corporate credit cards or central booking systems where the costs are settled directly by the employer are not currently within scope).

Revenue have not been carrying out any audits or seeking to impose penalties for non-compliance to allow employers time to adapt and build new processes and systems to manage this new real-time reporting requirement. This approach is due to expire on 31 December 2024. There is no relaxation of the “on or before” reporting deadline, despite significant representations on this onerous requirement.

Employers should take necessary steps to ensure compliance with the new rules before year-end as it is expected ERR will be a key area of focus for Revenue in 2025, with Revenue indicating that 2024 compliance will inform risk assessment for Revenue interventions in 2025.

### Payroll corrections

#### a. In-year payroll correction

In advance of year-end, employers should review their year-to-date payroll submissions to identify if there are any adjustments to employees’ pay or benefits that may require updating.

Potential items that can give rise to adjustments include:

- BIK valuations

- Short-term business visitors from abroad
- Contractor personnel
- Expat shadow payroll

The above list is not exhaustive but gives a flavour of areas that warrant a review.

## **b. Post year-end payroll correction**

In the event that an incorrect or incomplete payroll submission for 2024 is not corrected before 31 December 2024, employers may still avail of the opportunity to submit a self-correction to adjust 2024 payroll submissions after year-end.

Under Revenue's Code of Practice for Compliance Interventions, self-correction without penalty for PAYE purposes is permitted before the due date for filing the corporation tax return for the chargeable period within which the relevant period ends, i.e. self-correction must occur within 9 months of the end of the accounting period within which the payroll period ends. Therefore, the deadline for employers with a 31 December financial year-end to make any corrections required to employer payroll submissions filed in respect of 2024 will be 23 September 2025, where they pay and file online through Revenue's Online System (ROS). Different deadlines apply to companies that have financial year-ends other than 31 December.

Late interest would apply but penalties would not where corrections are made within the appropriate deadlines. Advance written notification to Revenue is required and the additional tax, USC and PRSI liabilities must be paid along with late interest. Provided the conditions are met, self-correction is a good opportunity for employers to review and correct any payroll errors or omissions identified for the prior year without incurring additional penalties.

### **PAYE settlement agreement for 2024 tax year**

Employers often find themselves limited in their options when it comes to rewarding employees for going the 'extra mile'. Employee recognition awards, staff gifts or prizes and certain staff entertainment events are typically considered taxable benefits and are subject to tax through payroll, which erodes the value of the benefit in the employee's hands. Employers may decide to maintain the full value of the reward by covering the tax on behalf of the employee. One option available to an employer in this scenario is a PAYE Settlement Agreement ("PSA").

A PSA allows an employer to make one annual settlement of PAYE, USC and PRSI to Revenue outside the normal payroll process on minor and irregular, non-cash benefits provided to employees where the tracking of such benefits and the operation of PAYE through payroll is impractical. It allows employers to bear the cost of the tax, USC and PRSI due on the benefits, without passing it on to the employee. It also ensures that employers do not have to amend payroll submissions. Advance Revenue agreement is needed before filing a PSA and the deadline for submitting the return and paying the associated taxes is 23 January after year-end, e.g. 2024 PSA applications must be approved by Revenue before 31 December 2024 and the PSA filing and tax payment deadline is 23 January 2025.

### **PAYE Withholding on Share Option gains – December 2024**

From 1 January 2024, the obligation for paying income tax, USC and PRSI shifted from a self-assessment obligation for individuals via RTSO1 filings within 30 days of exercise to an employer payroll withholding obligation in real-time. This aligns with the treatment of other forms of share-based remuneration, e.g. RSUs.

The gain on exercise of share options is treated as a notional payment and tax is triggered at the date of exercise. On this basis, under PAYE regulations, an employer must report the share option gain:

- On or before the exercise of the option; or
- If no actual cash emoluments are paid on that day, on the earlier of the next pay date after the exercise of the option and 31 December of the year in which the option is exercised.

As a result, if employees exercise share options after the December 2024 pay date, there will be an obligation on employers to report the share option gains via payroll before 31 December 2024. The December payroll submission can be amended up to 14 January 2025 or employers may also wish to consider a bonus run for December. The exercise of share options will also have to be reported on the employer's RSS1 return for 2024, which is due by 31 March 2025.

#### **PRSI classes and rates**

Regular reviews of PRSI Classes are always recommended. For example, if an employee reached the age of 66 during the year, the class should switch from Class A to Class J. A review now means that adjustments can be processed via payroll, thereby avoiding PRSI reclaims which can be time-consuming.

Also of note is the increase of 0.1% in the rate of Employee and Employer PRSI from 1 October 2024.

#### **Employee pension contributions**

Employees can make additional voluntary contributions (AVCs) post year-end, which they can claim tax relief for. Alternatively, they can increase their regular contribution levels and receive the tax relief through payroll. This needs to be done before the December payroll cut-off, which is generally earlier than a normal month cut-off.

Consideration should also be given to the tax relief limits on pension contributions and employers should ensure that these limits are being adhered to. This 'check' is usually built into many payroll software packages but this is something employers may wish to consider.

#### **Benefits in kind (BIK)**

The correct value of BIK items should be processed via payroll in real-time. In practice, Revenue recognise that this is not always possible and so they encourage employers to review BIK items periodically (usually quarterly) with corrective adjustments to be made in the next payroll run.

If such a review has not been undertaken thus far this year, now is a good time. Adjustments can be made to 2024 payroll submissions prior to year-end with no notification to Revenue required. See above for more information on in-year payroll adjustments.

### **Small benefit exemption**

Employers may wish to avail of the small benefit exemption which allows them to provide a maximum of two tangible non-cash benefits to their employees during the tax year, provided the cumulative value of both benefits does not exceed €1,000 for the tax year. This may be relevant for employers who have not provided any non-cash benefits to employees so far this year, particularly in the run up to Christmas.

However, employers who have already provided non-cash benefits to their employees this year will need to consider this carefully given that the small benefit exemption applies to the first and second benefit provided by an employer to their employees, notwithstanding the total value of the benefits previously given.

Amendments to the small benefit exemption, provided for in Finance Act 2024, will take effect from 1 January 2025. The rules have been relaxed slightly such that an employer will be able to provide a maximum of five non-cash benefits to their employees, provided that the cumulative maximum value does not exceed €1,500. Again, the same rules apply in relation to the exemption applying to the first to fifth non-cash benefits provided.

### **PAYE exclusion orders**

If you have sent any employees to work abroad during the year, such that the employee will break Irish tax residence and will only be undertaking minimal or incidental duties in Ireland, you should consider applying for a PAYE exclusion order to enable PAYE/USC to be refunded via payroll rather than via the tax return process.

### **Split year treatment**

If an employee arrived in or left Ireland during 2024, consideration should be given to agreeing with Revenue that pre-arrival or post-departure employment income is outside the scope of Irish tax. Such agreements need to be reached in the year, i.e. in 2024.

If you would like assistance with your organisation's year-end obligations or further information on any of these matters, please get in touch.