

Oracle Fusion Cloud Human Resources

**How do I process benefits in kind
using payroll for Ireland?**

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1 Processing Benefits in Kind Using Payroll

Overview

This playbook covers the set up and configuration of Benefits in Kind (BIK).

If the benefit provided to your employee is a cash equivalent and has a tax implication, then the employee is taxed each period. The employee's taxable income includes the value of the taxable benefit.

The payroll process applies the relevant taxes (subject to PAYE PRSI, USC) on the taxable value of each benefit.

These are the calculation cards for BIK:

- Taxable Benefits at the organization level
- Taxable Benefits at person level

Benefit Types

- Car
- Van
- Preferential Loans
- Medical Insurance
- Dental Insurance
- Assets Transferred
- Use of Assets
- Goods Provided
- Accommodation
- Furniture Provided
- Subscription and Other Payments
- Payments on Behalf of Employee
- Staff Discounts
- Staff awards
- Vouchers
- Miscellaneous

Elements and Balances for BIK

A set of related processor and results elements are created when you add the component details for each benefit type.

As a one-time activity, you need to set up the element eligibility for each of the benefit processor element.

The processor element triggers the relevant fast formulas required to calculate the cash equivalent and other required values of the benefit. The results elements contain the calculated values from the fast formula.

Each element with the calculated values feeds its own balance in the balance category Taxable Benefits. Each element also feeds these balances used in the payroll process and balances that are reported, for example, on the employee payslip.

Balance Name	Feed
Notional Pay	Benefits In Kind elements User feed from Net-to-Gross elements
Notional Pay Subject to PAYE	Benefits in Kind Element Pay Value
Notional Pay Subject to PRSI	Benefits in Kind Element Pay Value
Notional Pay Subject to USC	Benefits in Kind Element Pay Value
Notional Pay Subject to PAYE for Gross Up	User feed from Net-to-Gross elements
Notional Pay Subject to PRSI for Gross Up	User feed from Net-to-Gross elements
Notional Pay Subject to USC for Gross Up	User feed from Net-to-Gross elements
<Benefit name> Benefit	Benefit Element Pay Value (for each predefined benefit)

Notional Pay is the total of all taxable benefits in kind cash equivalent values. Notional pay subject to PRSI, PAYE, USC are balances required to accurately calculate the statutory deductions for taxable benefits. All benefits in kind are taxable and treated as Notional Pay for calculating statutory deductions liability for the employee.

The actual benefit cash value calculated for each benefit type is held in these balances, and as a total of all taxable benefits processed. These are for reporting and can be used as reference information as required

Create Balance Definitions for Net-to-Gross Element

To set up the taxable benefits element for calculating the gross amount of benefit, appropriate balances must be visible during the element creation step.

You need to set up balance feeds for these balances:

- Notional Pay
- Notional Pay subject to PAYE for Gross Up
- Notional Pay subject to PRSI for Gross Up
- Notional Pay subject to USC for Gross Up

Note: My Client Groups > Compensation > Balance Definitions

1. Search for and select **Notional Pay** balance in the appropriate LDG.
2. Enter the effective date.
3. Select balance feeds. Search for and select the gross up element.
4. Select Pay Value for input value.
5. Select Add for add or subtract.
6. Repeat the steps to set up input values for the other balances listed above for your gross up element:
 - o Notional Pay subject to PAYE for Gross Up
 - o Notional Pay subject to PRSI for Gross Up
 - o Notional Pay subject to USC for Gross Up

Note: You can add any applicable feed to benefit balance, for example, voucher benefit balances or staff discounts based on your requirement.

7. Go to Person Information > Element Entries. Search for and select the employee that requires the gross-up.
8. Create the element entries.
9. Enter the relevant amount in the Net field and save your changes.
10. Run payroll.

Results:

The net pay remains the same as this is not affected by the gross up process. Check these balances where the grossed-up element will be added:

- Notional Pay subject to PRSI
- Gross Taxable Pay
- USC Pay

Create a Net-to-Gross Earnings Element for Taxable Benefits

Use the Elements task to create and define net-to-gross element for taxable benefits. Ensure that you've set up the appropriate balances for them to be visible during the element creation process.

Note: My Client Groups > Payroll > Elements

1. Create an element using the fields as shown here:

Field	Value
Legislative Data Group	Select the relevant LDG for Ireland.
Primary Classification	Taxable Benefits

Field	Value
Secondary Classification	NA
Category	Standard

2. Enter the name, reporting name, description and effective date.
3. Set Euros as the input currency.
4. Enter the fields as shown below:

Field	Value
Should every person eligible for the income automatically receive it?	No
What's the earliest entry date for this element?	First Standard Earnings Date
What's the latest entry date for this element?	Final Close
Category	Standard
At which employment level should this element be attached?	Assignment Level
Does the element recur each payroll period, or does it require explicit entry?	Recurring
Process the element only once in each payroll period?	Yes
Can a person have more than one entry of this element in a payroll period?	No
Process and pay element separately or with other earnings elements?	Select one of these: Process separately, but pay with other earnings Process separately and pay separately
What is the calculation rule?	Flat amount
What is the default periodicity of this element?	Calendar Month
Periodicity Conversion Rule	Standard Rate Annualized
How do you want the work units to be reported?	None
Is this element subject to proration?	No
Is this element subject to retroactive changes?	No
Use the element to calculate a gross amount from a specified net amount?	Yes
What's the PRSI class for this element?	Class A

5. Submit your changes for element creation.
6. After the element is created, search for and select the element and create the element eligibility.

7. Go to Gross Balance Exclusions under Element Overview. You'll see the relevant balances.

Note: You can exclude a balance that's not required when calculating the gross amount of the benefit. For example, a benefit may not be subject to PRSI or PAYE liability for the employee and you can exclude these as required. Ensure that you've set up the balance feeds for the balances. By default, the calculation includes these balances for gross up:

- Employee PRSI Paid
- PAYE Total
- USC

Create a Taxable Benefits Calculation Card at the Organization Level

You can optionally create a Taxable Benefits calculation card at the organization level if you provide loans to external entities and to your employees.

You can specify the market rate offered to the external entities or individuals in this calculation component. When loans are offered to the employees at a preferential rate, the market rate specified here is used to calculate any tax liability when the benefit is below the regulatory threshold.

Note: My Enterprise > Setup and Maintenance > Workforce Deployment > Legal Entity Calculation Cards

Note: My Enterprise > Setup and Maintenance > Workforce Deployment > Legal Reporting Unit Calculation Cards

1. Click Add to create a new flexible benefit plan calculation card.
2. Select the Name as Taxable Benefits, the effective date and continue.
3. When you create the calculation card, the Benefits Additional Information calculation component and details are automatically created.
4. In the component details, add the market rate that you offer for home loans and other types of loans. This is different from the rate that you offer to your employees.
5. Save and submit your changes.

Create a Taxable Benefits Calculation Card for an Employee

You need to create a Taxable Benefits calculation card for each employee. For each benefit that you provide to the employee, create a benefit calculation component to link to the employment ID. Use the relevant calculation card component to enter the required details.

Each component corresponds to different component details with attributes depending on the information required to calculate the cash equivalent for that benefit.

Note: My Client Groups > Payroll > Calculation Cards

1. Search for and select the employee.
2. Use the Add option to create a calculation card.
3. Select the effective date, the name as Taxable Benefits and continue.
4. The Benefit Calculation Information component is automatically created with component details. In the Benefit Calculation Details, you can add this information:

Field	Value
Protected Pay	Enter the minimum guaranteed amount.
Statutory Arrears Recovery Option	Specify how to recover the statutory arrears: <ul style="list-style-type: none">○ Maximum amount possible: Recovers arrears to the maximum value without breaching protected pay or reducing the net pay to 0.○ Spread over remaining tax period: Even distribution of the arrears amount over the remaining periods until the end of the tax year, that is, 31 December.○ Spread over remaining periods to legislative deadline: Even distribution of the arrears amount over the remaining periods until the legislative deadline of the last day of February.

5. Create the calculation components for each benefit type with the parent component and subprocessing order. For more information, see the taxable benefits calculation component and component details.

Note: You need to set up one Benefit Calculation parent component that's linked to the employment ID the first time the employee receives the benefit .

6. Configure the calculation component details for each benefit and define associations, if required.
7. Save and submit your changes.

Taxable Benefits Calculation Components and Component Details

You can enter a unique reference as context value for each component.

1. Car and Car Fuel.

Field	Value
Registration Number	Registration Number of the car
Make	Make of the car.
Model	Model of the car.
Original Market Value	Price of the car.
Original Registration Date	Registration date of the car.
Annual Mileage	Miles traveled.
Employee Contribution Towards OMV	Amount the employee pays on the original value.
Available From Date	Date from when the prorated value of the annual amount of the taxable benefit will be calculated where the annual option is set.
Available To Date	Date to when the prorated value of the annual amount of the taxable benefit will be calculated where the annual option is set.
Number of Days Unavailable	Periods when the car isn't available during the tax year.
CO2 Emissions	As per legislative data.
Cash Equivalent Override	Amount to override the calculated value of benefit
Electric Vehicle	Indicates if it's an electric vehicle.
Apply Low Mileage Reductions	Indicate whether to apply low mileage rules

2. Van and Van Fuel.

Field	Value
Registration Number	Registration Number of the van.
Annual Mileage	Miles travelled
Employee Contribution	Amount the employee pays towards usage.
Available From Date	Date from when the prorated value of the annual amount of the taxable benefit will be calculated where the annual option is set.

Field	Value
Available To Date	Date to when the prorated value of the annual amount of the taxable benefit will be calculated where the annual option is set.
Original Market Value	Price of the van.
Number of Days Unavailable	Periods when the van isn't available during the tax year.
Electric Vehicle	Indicates if it's an electric vehicle.
Apply Low Mileage Reductions	Indicate whether to apply low mileage rules

3. Medical and Dental Insurance.

Field	Value
Start Date	The date from when the benefit is available to the employee.
End Date	The date when the benefit ends for the employee.
Adults Covered	Number of adults covered in the benefit
Children Covered	Number of children covered in the benefit
Premium Amount Paid by Employee	Amount paid by the employee
Gross Premium Paid by the Employer	Total amount paid by the employer
Cash Equivalent Override	Overrides the calculated value by the formula.

4. Preferential Loan.

Field	Value
Loan Start Date	The date from when the loan is available to the employee.
End Date	The date when the loan ends for the employee.
Original Loan Amount	Total amount of loan
Loan Type	Home Loan Other Qualifying Loans
Preferential Rate Given	Rate offered to employee compared to the market rate
Cash Equivalent Override	Overrides the calculated value by the formula.
Outstanding Loan Amount	Remaining amount to be repaid
Calculation Method	Based on Reducing Loan Balance Based on Start of Year Balance

5. Furniture Provided.

Field	Value
Start Date	The date from when the benefit is available to the employee.
End Date	The date when the benefit ends for the employee.
Description	Details of Furniture provided.
Employer Cost	Furniture's market value or cost to employer
Employee Contribution	Any amount the employee pays towards use
Cash Equivalent Override	Overrides the calculated value by the formula.

6. Use of Assets or Assets Transferred and Goods Provided.

Field	Value
Start Date	The date from when the benefit is available to the employee.
End Date	The date when the benefit ceases for the employee.
Description	Details of use of asset.
Value of Goods or Assets	Asset's market value or cost to employer
Employee Contribution	Any amount the employee pays towards use
Cash Equivalent Override	Overrides the calculated value by the formula.

7. Staff Discounts.

Field	Value
Start Date	The date from when the benefit is available to the employee.
End Date	The date when the benefit ceases for the employee.
Employer Cost	Retail value of the cost to employer
Employee Contribution	Any amount the employee pays towards use
Cash Equivalent Override	Overrides the calculated value by the formula.
One-Off Benefit	Indicate Yes for one-time staff discount

8. Staff Awards.

Field	Value
Start Date	The date from when the benefit is available to the employee.
End Date	The date when the benefit ceases for the employee.
Employer Cost	Retail value of the cost to employer
Cash Equivalent Override	Overrides the calculated value by the formula.

Field	Value
One-Off Benefit	Indicate Yes for one-time staff award.

9. Payments made on behalf of employee and subscriptions or other payments.

Field	Value
Start Date	The date from when the benefit is available to the employee.
End Date	The date when the benefit ceases for the employee.
Description	Details of the payment made on behalf of employee.
Employer Cost	Retail value of the cost to employer
Employee Contribution	Any amount the employee pays
Cash Equivalent Override	Overrides the calculated value by the formula.
One-Off Benefit	Indicate Yes for one-time staff discount

10. Miscellaneous Vouchers.

Field	Value
Start Date	The date from when the benefit is available to the employee.
End Date	The date when the benefit ceases for the employee.
Description	Details of the payment made on behalf of employee.
Employer Cost	Retail value of the cost to employer
Cash Equivalent Override	Overrides the calculated value by the formula.
One-Off Benefit	Indicate Yes for one-time staff discount

11. Free and Subsidized Accommodation.

Field	Value
Start Date	The date from when the benefit is available to the employee.
End Date	The date when the benefit ceases for the employee.
Annual or Part Value of Accommodation	Cost to the employer.
Additional Expenses Incurred	Any other expense amounts.
Employee Contribution	Any amount the employee pays towards this accommodation.
Cash Equivalent Override	Overrides the calculated value by the formula.

12. Submit your changes.

Statutory Arrears Recovery

Typically, employers pay the arrearage amount for the benefits and then recover them from the employees. The exception to this is the Net-to-Gross benefits where the employers cover the tax liabilities.

All arrears are automatically processed by payroll.

You need to recover the arrears by the last day of February. For example, arrears created in the tax year 2023 can be recovered until the end of February 2024.

To manage the recovery of arrears, you can configure protected earnings and define how you want to recover the statutory arrears. You can set this in the Basic Calculation Information component on the Taxable Benefits calculation card for the employee.

When the statutory deduction calculation including Notional Pay results in a negative net pay, the respective statutory calculation increases the net pay to cover the shortfall.

The recovered amount will reduce Net, Net Pay, and Total BIK Statutory Arrears balance.

