Newsletter February 2018

Integrity + Quality + Clarity

WELCOME

Welcome to our February 2018 edition of the StewartBrown newsletter. We hope to keep you informed of the important tax developments and issues affecting businesses in Australia today. In this issue we bring you two important articles; the first being a reminder about the Single Touch Payroll system that soon becomes mandatory and secondly a new Government initiative aimed at reducing some pressure on housing affordability.

SINGLE TOUCH PAYROLL ("STP")

STP is a government initiative to further simplify business reporting obligations. It is a mandatory reporting requirement for employers and has been introduced as part of the Budget Savings (Omnibus) Act 2016, passed by Parliament in September 2016. It will require employers to report payments such as salaries and wages, pay as you go (PAYG) withholding and superannuation information to the Australian Taxation Office ("ATO") directly from their payroll systems <u>at the same time employees are paid</u>. It will eventually apply to every payroll system in Australia.

STP has three primary elements to it:

(1) Payroll reporting
(2) Super payment reporting
(3) Employee commencement

It is our understanding that super payment reporting and employee commencement will not be mandatory at this stage.
At the end of each financial year employers won't need to complete payment summaries for their employees as the payroll information would have been reported to the ATO in real time throughout the year. Employees will be able to download their own annual Payment Summary from their personal MyGov account.
STP will become mandatory for all employers with 20 or more employees from 1 July 2018, and 1 July 2019 for businesses with fewer than 20 employees. Employers with fewer than 20 employees will also have the option to adopt STP earlier if they so choose.
From 1 July 2019 no employers will be permitted to use manual forms when reporting this payroll information to the ATO; this applies to every payrun that a business carries out.
Again, we stress that this reporting is mandatory.

Key dates
The official start date for STP is 1 July 2018.
Before that, on 1 April 2018, employers will need to do a head count of their employees. If employers have 20 or more employees on that date, they'll need to make sure their payroll software is STP compliant from 1 July, 2018.
The ATO is working with a small number of employers right now on a "limited release" of STP.
Software suppliers are also working with the ATO on being ready in time. We understand MYOB and Xero will have payroll software that is "STP ready" in time for these deadlines.

What this will also mean is that the ATO will be able to pre-fill information concerning wages and PAYG with-holding tax in your business' BAS returns. Labels W1 and W2 will arrive on your portal (or in paper format if you still lodge manually) with those numbers already completed for you.

The ATO has stated that the introduction of STP reporting will streamline the way that employers report tax and superannuation payments to the ATO. Once information is submitted, the ATO will have greater capacity to review and

analyse information to detect errors and identify non-compliant organisations on a real-time basis.
Employers will therefore need to ensure their payroll systems are adequate to be able to report through STP. Some may only need to upgrade their existing systems and others may need to implement entirely new software systems. Current payroll cycles do not need to change and employers can continue to pay employees weekly, fortnightly or monthly and in different cycles for different employees.

StewartBrown strongly recommend that businesses with 20 or more employees review current payroll systems and processes to ensure readiness for 1 July 2018. Your StewartBrown Partner or Manager will be able to provide further information and assistance on STP.

DOWNSIZING SUPER CONTRIBUTIONS

From 1 July 2018, the Australian Government will introduce a package of reforms to reduce pressure on housing affordability in Australia. One of these initiatives is the introduction of the so-called superannuation (downsizing) measure.
If you are 65 years old or over and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your superannuation fund of up to $300,000 from the proceeds of selling your home. For a couple this could therefore mean an extra contribution of up to $600,000 into their retirement savings.
Importantly, your downsizer contributions will not count towards your contributions caps or be affected by the total superannuation balance test in the year you make the downsizer contribution.

Eligibility for the downsizer measure

You will be eligible to make a downsizer contribution to super if you can answer yes to **all** of the following:

(1) You are 65 years old or over at the time you make a downsizer contribution (there is no maximum age limit).
(2) The amount you are contributing is from the proceeds of selling your home where the contract of sale was exchanged on or after 1 July 2018.
(3) Your home was owned by you or your spouse for 10 years or more prior to the sale.
(4) Your home is in Australia and is not a caravan, houseboat or other mobile home.
(5) The proceeds (capital gain or loss) from the sale of the home are either exempt or partially exempt from capital gains tax ("CGT") under the main residence exemption, or would be entitled to such an exemption if the home was a CGT rather than a pre-CGT (acquired before 20 September 1985) asset.
(6) You have provided your super fund with the downsizer contribution form either before or at the time of making your downsizer contribution.
(7) You make your downsizer contribution within 90 days of receiving the proceeds of sale, which is usually the date of settlement.
(8) You have not previously made a downsizer contribution to your super from the sale of another home.

Please contact your StewartBrown Partner or Manager if you would like more information about this new superannuation opportunity.

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