

WELCOME

Welcome to the special Single Touch Payroll edition of our client newsletter where we hope to inform you about this new mandatory payroll reporting system and how it affects you.

SINGLE TOUCH PAYROLL (“STP”)

STP is perhaps the biggest change in accounting for business in Australia since the introduction of the GST in July 2000!

STP is a government initiative to further simplify business reporting obligations. It is a mandatory reporting requirement for all employers and requires them to report payments such as salaries and wages, pay as you go (PAYG) withholding taxes and superannuation information to the Australian Taxation Office (“ATO”) directly from their payroll systems at the same time employees are paid. It will eventually apply to every payroll system in Australia.

By way of background, in December 2014, the Minister for Small Business, Bruce Billson MP, announced that the government will “...cut red tape for employers by simplifying tax and superannuation reporting obligations through a regime to be known as “Single Touch Payroll”.

Under STP, employers will be required to electronically report payroll and super information to the ATO when employees are paid, using Standard Business Reporting-enabled software.

In addition, STP will streamline tax file number (TFN) declarations and Super Choice forms by providing a digital channel to simplify the process of taking on new employees. It could also cut red tape by notifying super funds and government agencies, such as the Department of Human Services when an employee ceases employment.



WHO DOES IT APPLY TO?

STP has been mandatory for all employers with 20 or more employees from 1 July 2018 and from 1 July 2019 will be so for businesses with fewer than 20 employees. From 1 July 2019 employers will not be permitted to use manual forms when reporting this payroll information to the ATO; this applies to every payrun that a business carries out.

Employers will therefore need to ensure their payroll systems are STP compliant. 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.

This means that all wages paid to employees must be reported every pay period from 1 July 2019 to the ATO. As an employer this means if you pay weekly wages to staff the information will need to be exported out of your system to the ATO each and every week. There are some concessions available to certain categories of employers as follows:

(1) Small business employers

The ATO have announced that small business employers (less than 20 employees) will have until 30 September 2019 to get their STP reporting systems up and running. However, we strongly advise that all employers “go live” with STP on or before 1 July 2019 so that the entire 2019/2020 financial year is covered by the STP system.

(2) Micro business employers

Some small (micro) businesses with between 1 and 4 employees may be eligible for some concessions from STP reporting for the first 2 years (post 1 July 2019). These employers will be allowed to rely on a registered tax agent or BAS agent to report their STP information quarterly for the first 2 years, rather than each time the payroll is run.

(3) Closely held payees

Closely held payees will be given a one-year exemption from STP reporting so the commencement date for them will be 1 July 2020.

It is likely these employers will be able to report STP information on a quarterly basis.

The ATO's definition of a closely held employee is one who is a non-arm's length employee, directly related to the entity from which they receive payments, including family members of a family business, directors of a company and shareholders or beneficiaries.

Going forward the ATO will probably move to quarterly reporting obligations for these employers and will look to align its STP approach to the current closely held lodgement concessions for PAYG withholding payment summary annual reports.

For these employers it therefore won't be pay day reporting, but a once a quarter reporting with their quarterly activity statement.

Whilst other businesses will have to provide their finalisation declarations by 14 July each year, the ATO has granted an extension to closely held payees to the due date of their income tax returns.

WHAT EMPLOYERS NEED TO DO (IN SUMMARY)

- You need to report your employees' tax and super information to the ATO on or before each pay day. You will send this information from your STP-enabled payroll software.
- You will no longer need to provide payment summaries to your employees for the payments you report and finalise through STP. Payments not reported through STP, such as Employee Share Scheme (ESS), will still need to be reported on a payment summary. In addition Reportable Fringe Benefits will need to be included on Income Statements as part of the finalisation process.
- You will no longer need to provide the ATO with a payment summary annual report at the end of the financial year for the payments you report through STP.
- Employees will be able to view their year-to-date payment information in ATO online services, which they will access through their [myGov](#) account. Your employees can also request a copy of this information from the ATO.
- You will need to do a finalisation declaration at the end of the financial year. The information you report through STP will not be tax-ready for your employees or their registered tax agent until you make this declaration.
- You will report your employees' super liability information for the first time through STP. The liability is the amount that you would normally

provide to your employees on their payslip. Super funds will then report to the ATO once you have paid the super amount to your employees' chosen or default fund.

- For those employers who have already taken up STP from 1 July 2018, they will need to submit their annual finalisation declarations to the ATO by 14 July 2019.
- PAYG payment summaries (formerly group certificates) will now be called "Income Statements" under the STP system. As alluded to above they will no longer be issued in paper (or email) format but will instead be available from an employee's MyGov account. It would probably be a good idea for employers to let employees know this well in advance so that employees become familiar with their MyGov account.



STP SOFTWARE

Most of the online accounting software packages are capable of handling the reporting requirements of STP but we strongly advise that you check your accounting systems now to ensure you will have the capability to comply as this is mandatory for all employers.

The Government recognised that it didn't want to impose substantial financial burdens on employers in complying with this reporting system and so asked software providers to come up with some low cost options (less than \$10 per month). There are many options available now and more are being released in the coming weeks. Included below is a link to the list of STP software providers however we recommend that you call us first to assist in choosing the most appropriate option for your business.

Your payroll software provider may offer STP reporting in one of the following ways:

- An end-to-end solution, which allows you to run your payroll and send the STP information directly to the ATO from your software.
- A solution which allows you to run your payroll and send the STP information through a third party sending service provider (SSP) which is integrated into your software.
- A solution that allows you to run your payroll and requires you to send the STP information through a third party sending service provider (SSP) outside your software.

Your software provider (eg Xero, MYOB etc) can let you know which solution they offer. You can also ask a third party, such as a payroll service provider, to report on your behalf. It is your obligation as an employer to make sure they will be reporting through STP.

Our major preferred accounting software providers Xero and MYOB have STP compliant software for you to use. Should you require any assistance with implementing STP through your software or would like some advice about how to be compliant and implement software to handle the STP requirements, please contact your StewartBrown Manager or Partner for assistance.

The new regulations may require you to find a new service provider or move to online payroll software that complies with STP. While that could be a pain initially, there are upsides. Automation or outsourcing will make compliance and transaction processing less of a time burden for your business and will also have the added advantage of providing real time financial information about your business.

For first time STP users it is imperative that you provide the ATO with your (employer) SSID (software service ID) during the setup of STP. This is just a once off notification that is required upfront before you start reporting as an employer and informs the ATO what service you'll be using to report through. Without it you won't be able to send in your STP reports. The ATO advise that this has been the major problem with employers using STP to date.

You can either call the ATO with this information, send through the Access Manager on the ATO Portal or your software provider can arrange this for you.

Further information about STP is available on the ATO website at ato.gov.au/singletouchpayroll or speak with your StewartBrown Manager or Partner if required.

The ATO also maintains a register of STP software providers at: <https://api.gov.au/productregister/> (current as at 5 June 2019).



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