

SINGLE TOUCH PAYROLL

ARE YOU READY?

Single Touch Payroll (STP) is an initiative being introduced by the Australian Tax Office (ATO) to provide real time visibility over the accuracy and timeliness of organisations' payroll processes. STP proposes to streamline the administration of employee payroll, tax and superannuation obligations for employers.



Single Touch Payroll (STP), is a more regular and streamlined way of sending payroll and superannuation data from employers to the Australian Tax Office (ATO) which will start on 1 July 2018.

In the world of payroll, this is a big deal. It represents one of the most significant changes by the ATO in many years and Australian businesses with employees will need to ensure they are ready to meet these new obligations.

The STP roll out will happen in two stages.

- Firstly, it will become compulsory for 'substantial employers', which are businesses with 20 staff or more, **from 1 July 2018,**
- Secondly, employers employing less than 20 staff will be required to be compliant **from 1 July 2019.** This is subject to legislation being passed in parliament.

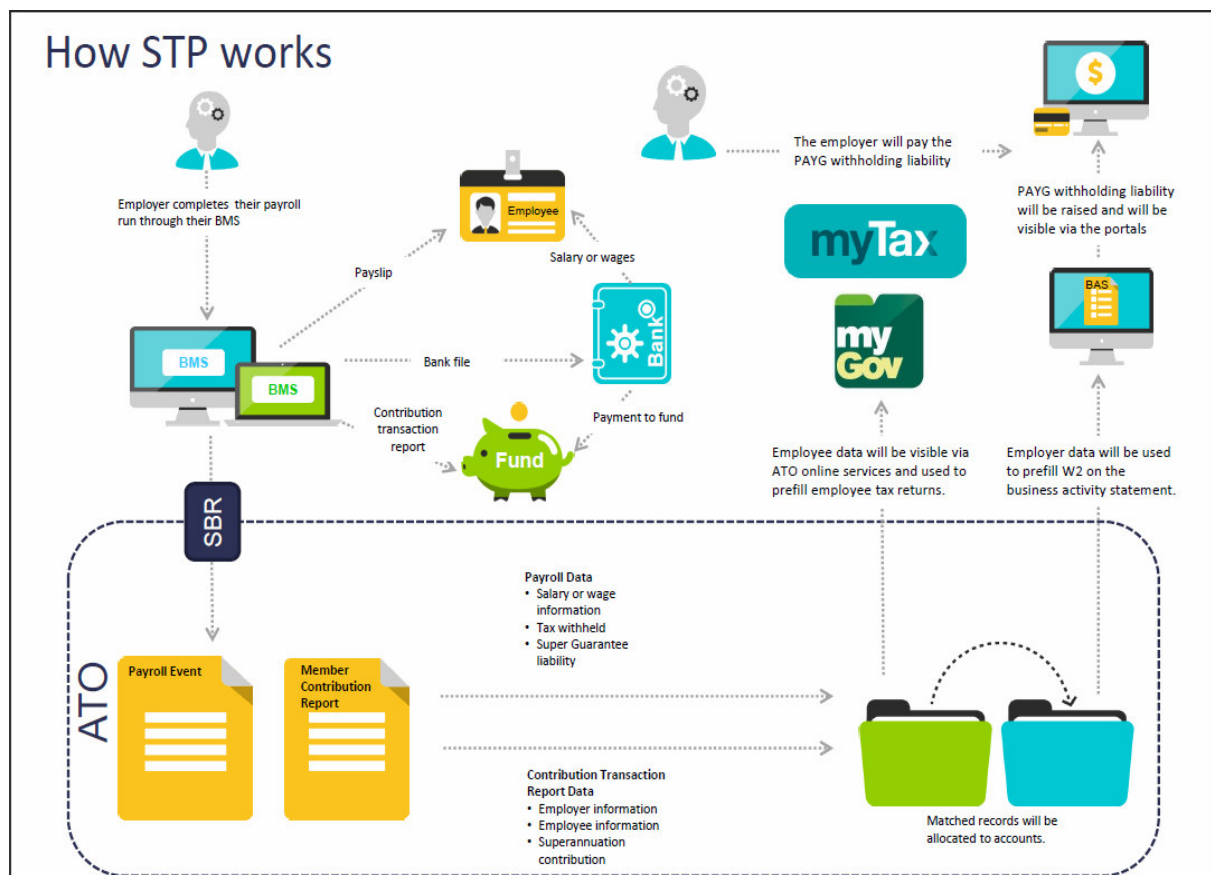
In the first stage, the ATO requires every business employing 20 staff or more employees based on a headcount **as at 31 March 2018** to be STP compliant. The headcount includes each employee hired, regardless if they are full-time or not, ie part-timer, casual employees and those on leave get included in the count.

In short, you will meet your obligation by sending the ATO an electronic message at the time employees are paid. That message must contain all of the following details for each employee:

- Gross Wages / Salaries;
- PAYG Withholding Tax amounts;
- Net Wage / Salary Payments;
- Superannuation Contributions when paid;
- details of new employees, and lastly
- details of when employees are terminated.

Employers currently report Pay As You Go (PAYG) withholdings via their Business or Instalment Activity Statement (BAS / IAS) but under the new STP scheme, this information will be submitted to the ATO each time you pay your employees, via your payroll software or payroll service provider.

Once fully implemented, STP will stop the need for businesses to produce PAYG Payment Summaries for employees and will provide the ATO with a substantial real-time information on every payroll transaction across Australia.




What's remained the same?

- Payment of the PAYG Withholding (PAYGW) liability - If the employer does not elect to pay their PAYGW Liability at the same time they report under the STP there is no change to the due date for the payment. The PAYGW payment cycle is as follows: Large employers remit weekly | medium employers remit monthly | small employers remit quarterly.
- Superannuation guarantee - STP does not change the payment due date for superannuation guarantee, being generally on the 28th day following a financial quarter.
- Payroll cycle – this will not change, you continue to pay your employees as you currently do ie weekly, fortnightly or monthly.

What's changed?

The main changes employers will notice when adopting the STP are:

- Superannuation contributions will be reported to the Commissioner at the time the contributions are paid.
 - Employers will have to acquire SBR-enabled software to comply with their PAYG withholding obligations.
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- New employees will have the option of completing TFN declarations and Super Choice forms online. The employer will be able to invite their employees to complete Tax file number declaration, Superannuation standard choice form and Withholding declaration online. This feature will not be available immediately.
 - The STP reports for PAYG withholding will become the approved form for reporting PAYG withholding (currently this is the Business / Instalment Activity Statements ('BAS / IAS')). A failure to lodge in the approved form will attract an administrative penalty.
 - Employers that have reported their PAYG withholding obligations via STP will have their PAYG withholding prefilled by the ATO on their BAS / IAS
 - The ATO envisages that employers will be provided with the option to pay their PAYG withholding at the same time they lodge their STP reports to further align the reporting and payment of PAYG withholding through the payroll system. That is, the amounts will be remitted earlier than is necessary under the legislation.
 - Employers will no longer be required to submit an annual PAYG report to the ATO
 - Employers may no longer need to provide payment summaries to employees, as the employees will have access to their payroll information via their myGov account. It is recommended that employees whose employers are changing to STP set up a MyGov account before the change takes place, in order to access to their salary information at year end.

STP – HEADCOUNT REQUIREMENTS:

Count the employees on your payroll as of 1 April to see if you need to get ready for Single Touch Payroll. The following employees should be included in the headcount?

- Count each employee, not the full time equivalent (FTE).
- Count the employees who are on your payroll on 1 April 2018.
- If you have 20 or more employees on 1 April 2018, you will need to continue reporting through STP even if your employee numbers drop to 19 or less – unless you apply for, and are granted, an exemption.
- You don't need to send the ATO your headcount information. Your official headcount is for you to determine if you need to start STP reporting from 1 July 2018. It is recommended that you keep a copy for your records.
- If you are part of a company group, you must include the total number of employees employed by all member companies of the wholly-owned group.

When conducting your headcount, the following employees **MUST** be included:

- full-time employees
- part-time employees
- casual employees who are on your payroll on 1 April and worked any time during March
- employees based overseas
- any employee absent or on leave (paid or unpaid)
- seasonal employees (staff who are engaged short term to meet a regular peak workload, for example, harvest workers).

When conducting your headcount, the following employees are **NOT** included:

- any employees who ceased work before 1 April
- casual employees who did not work in March
- independent contractors
- staff provided by a third-party labour hire organisation
- company directors
- office holders

Directors and office holders are not included in the headcount as they are not considered employees within the common law meaning of the term. However, when you start reporting through STP you will need to report their payment information because the payments are subject to withholding and are currently reported in the Individual non-business payment summary.



DO YOU NEED TO APPLY FOR A DEFERRAL?

If you don't think you will be ready for Single Touch Payroll (STP) reporting by 1 July 2018, you can apply for a deferral. There are two types of deferrals available:

[Payroll Software Providers \(PSPs\)](#)

Some PSP's will not have their payroll solution ready to offer STP to their clients by 1 July 2018. The PSP can apply for a deferral and, if granted, the deferral will apply to existing customers of the specific software version. These customers will need to start reporting through STP on or before the deferred date.

[Employer Deferrals](#)

If you are unlikely to be ready for STP by 1 July, or if you need extra time beyond your PSP's approved deferral period, you can apply for an Employer Deferral. The Australian Taxation Office (ATO) will consider a deferral if you:

- are unable to get ready by your PSP's deferred start date
- are transitioning to a new STP-enabled solution
- are using a customised payroll solution and you need time to configure and test your updated product
- have complex payroll arrangements and need additional time to transition to STP
- have entered administration or liquidation
- have been impacted by a natural disaster
- are affected by other circumstances which are out of your control.

If you need assistance requesting a deferral that meets the ATO's requirements, please contact our office.

MYOB CLIENTS:

MYOB Account Right 2018.2 is now STP ready to ensure clients using this version can comply with STP reporting when it becomes mandatory on 1st July 2018. All MYOB users will need to upgrade their software to the latest 2018 versions to ensure they can comply with STP Reporting.

Due to the lateness of getting their software STP compliant MYOB have secured a 6-month deferral for their clients to become compliant with STP. This ensures a smooth transition with the EOFY being a stressful time.

RECKON CLIENTS:

We have been advised that All Reckon software with payroll functionality including Reckon One, Accounts Hosted, Reckon Accounts 2018 and Payroll Premier 2018/2019 will be STP-enabled and ATO compliant by 1 July 2018, however we have not received any confirmation as yet that this has happened.

XERO CLIENTS:

XERO is working closely with the ATO to roll out STP through their Payroll module over the coming months. They will roll out STP progressively to users starting 1 July rather than switch everyone over at once.

XERO will make it a simple process to set up and process pay runs in compliance with the new requirements. When it's time for a payroll administrator to opt-in to STP, a banner will appear on the XERO pay-run screen. Until then, clients can process payroll as normal in XERO and still remain in full compliance with the ATO requirements as XERO has secured a 6-month deferral for all their clients to ensure a smooth rollout of STP. XERO expects to have all XERO users switched to STP before the end of December 2018.

NOTE: If an employer begins using STP after 1 July, there is no additional catch-up reporting requirements to the ATO as each STP filing includes all year-to-date payroll information.

WHAT DO I NEED TO DO?

If you're running your own payroll, PLEASE follow the following steps:

- 1) Review and update your organisation details such as the ABN address if required;
- 2) Review and update all your employee details such as dates of birth, tax file numbers and residential addresses. It is Critical that the payroll data matches the ATO;
- 3) Review your internal processes to make sure you have a STP Champion / Expert within your organisation;
- 4) Ensure you have in place the following:
 - ATO AUSKey;
 - Access to the ATO Business Portal;
 - Access to the ATO Access Manager;



- 5) In the ATO Access Manager you will need to nominate your hosted SBR software service provider;
- 6) Payroll data – check the payroll categories and the STP-related payments are reported under the correct pay codes and the latest tax scales are installed;

NOTE: Before you can report payroll and super information to the ATO, you need to assign an ATO reporting category to your payroll categories. This includes wages, allowances, deductions and superannuation categories. The ATO category indicates the type of payment you're reporting. While it's similar to how categories were assigned to payment summary fields, there are important differences. For example, some ATO reporting categories have been renamed and you now need to report superannuation amounts.

- 7) Superannuation data – check your superannuation contributions are calculating correctly, your SuperStream solution is compliant and you have the correct employee and superannuation fund setups;
- 8) Employers will still need to submit a payment summary annual report (PSAR) for the Financial Year ending June 2018. This EOFY obligation does not change for the 2018 year;
- 9) Employers still need to prepare and lodge their BAS / IAS statements as normal.



Due to the various software providers only just becoming STP Compliant, we recommend ALL clients that need to comply with STP by 1 July 2018 contact this office so that we can schedule a time before 31 December 2018 to correctly setup of your software for STP.

If you have any concerns or need further clarification on the above points please do not hesitate to contact Director Henry Mischel or Director Vick Fak for more information.

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