

# Single Touch Payroll

## **The new Single Touch Payroll obligations are about to become compulsory for all employers effective 1 July 2019**

Big changes are coming to the way your small business reports its employee tax and super obligations to the Australia Tax Office (ATO).

Single Touch Payroll (STP) is a reporting change for all employers. It will enable you to report payments such as salaries and wages, pay as you go (PAYG) withholding and super information directly to the ATO at the same time you pay your employees. **As a result, your payroll will be seen by the ATO ... ALL YEAR ROUND**

The new system was launched for employers with 20 or more employees last year but, following legislation passed on 12 February 2019, it now applies to all employers (those with less than 20 employees) effective from 1 July 2019.

No matter how few staff you employ (ten, two, three or just yourself), the new STP rules will still impact you, even if you don't currently use a payroll software package, many small employers still prepare payroll and payment summaries manually.

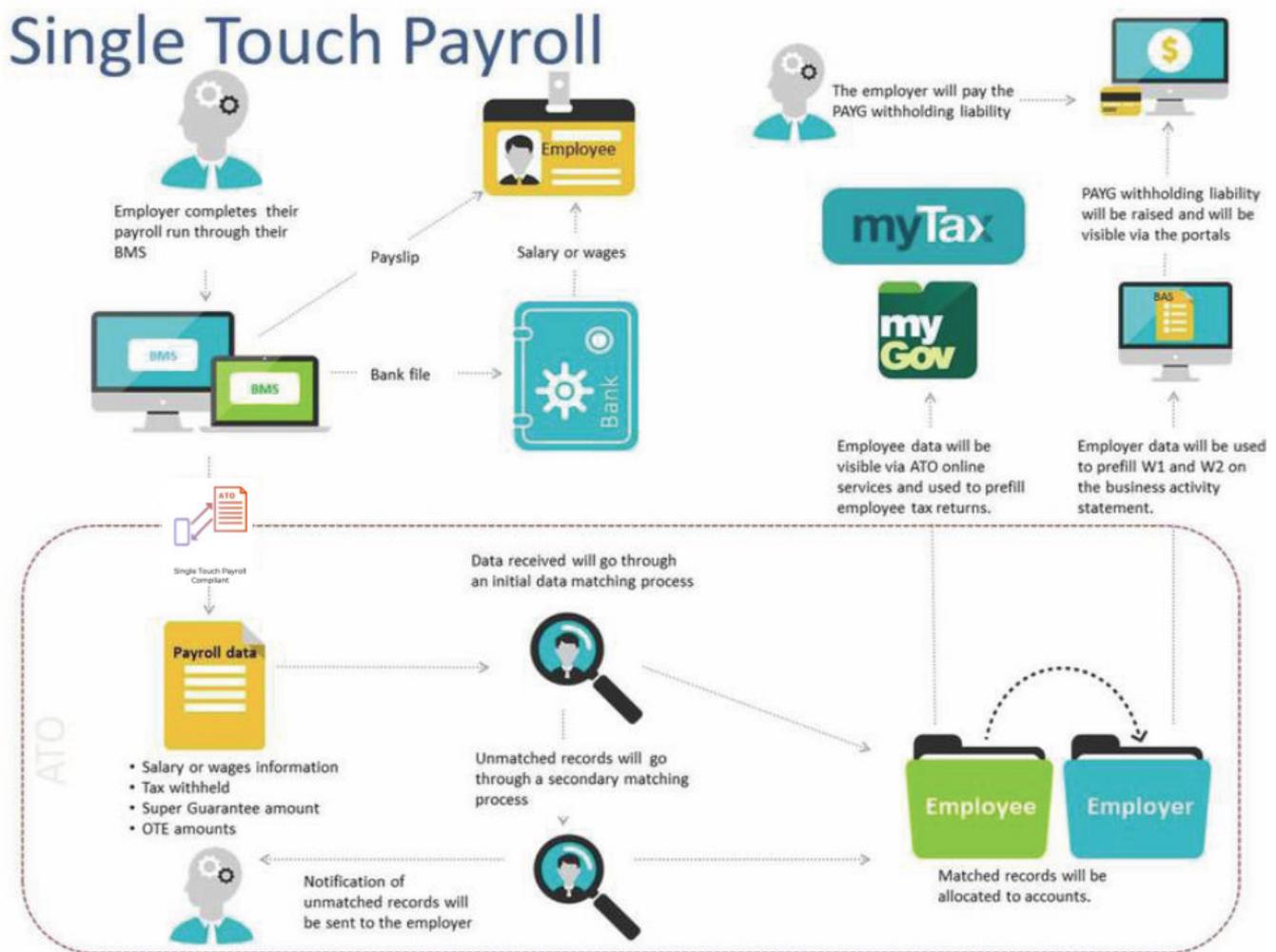
The introduction of STP provides a great incentive for organisations to look at and improve internal processes and potentially review their payroll software for a more compliant reporting model. Greater efficiency through better payroll processes and solutions can only be better for your business.

## **What is Single Touch Payroll?**

Single Touch Payroll (STP) is a change in the way you the employer will report your PAYG and super information to the ATO. You will now be required to send certain employee payslip information including year-to-date totals of gross salary & wages, allowances, PAYG withholding and Superannuation for each employee being paid electronically to the ATO at the same time you process your pay run rather than previously where reporting was done monthly, quarterly or yearly. In addition to PAYG, super information must now also be reported, which previously wasn't required.

The law requires employers to submit their STP report on or before the day they pay their employees. If the employer makes an out-of-cycle payment, this can be reported in the next regular pay cycle. The ATO will not be issuing penalties for late reporting in the first year of STP reporting (year ended 30 June 2010). However, if the employer is consistently late submitting their reports, the ATO will issue reminders and in repeat offender cases they will be subject to late lodgement penalties after the first twelve months of STP reporting.

## Single Touch Payroll in Action



## WARNING

As part of STP reporting, superannuation payment information will also be sent to the ATO not only by you via Super Stream but also by various Superannuation Funds.

This information will be used by the ATO to

- 1) check whether or not employers are paying their SGC payments on time
- 2) check the amount of super actually being paid into super funds
- 3) whether each employer is calculating the correct super amount payable

The ATO will gain greater visibility of all employers, enabling earlier activity on any employer who doesn't appear to be doing the right thing.

## **How does Single Touch Payroll benefit employers?**

The main benefits for employers with Single Touch Payroll is that it will streamline the process of reporting to the ATO by being able to submit payroll information as pay runs are completed. Payroll cycles won't change, you will still be able pay employees weekly, fortnightly, monthly or whenever cycle you normally pay.

By doing this the ATO will be able to pre-fill the BAS (W1 and W2) for you, eliminating potential errors and double handling. Additionally, the need to generate and distribute payment summaries at the end of the financial year may be eliminated for employees as this information will be made available online via myGov.

The ATO is also allowing employers to collect tax file number declarations and super choice information online via myGov when a new employee starts.

Other benefits that the new STP requirements aims to deliver are:

- Giving employees real-time visibility of tax and super information via their MyGov account
- ATO pre-filling employment data on Income Tax returns
- Data matching of employer super payments against payments to the employee's super fund
- Help reduce or even eliminate the incidence of non-compliance of employers

## **When does Single Touch Payroll start?**

From 1 July 2018, Single Touch Payroll became mandatory for all employers with 20 or more employees unless an exemption was provided to your software provider.

For employers with 19 or less employees, single touch reporting will be mandatory from 1 July 2019.

For Micro employers (1-4 employees), there will be a number of alternative options that are not available to other employers, such as initially allowing Mischel & Co Group your registered Tax Agent to report quarterly for you, rather than each time you run your payroll.

## **How will Single Touch Payroll impact my payroll?**

In essence, nothing will change in how you process your payroll.

- Payment due dates for PAYG withholding and superannuation contributions will not change, however, you can choose to make these payments earlier.
- You **MUST** still provide a payslip to your employees each payday. Although some information will be available online at myGov.

The main thing that will change is that after each “payroll run” you will now have to send some additional reporting information to the ATO. The obligation is on you the employer to send the information to the ATO – not the software provider.

Although this process should be seamless, you will need to provide the authorisation to report this information to the ATO each pay day by setting up your software correctly. If you need any assistance Mischel & Co Group Pty Ltd as your registered agent is able to provide this to you.

If your software provider doesn't support Single Touch Payroll, or if you are using an older non-compliant version and you employ 4 or more employees, you may need to look for another accounting software provider before by July 1 2019.

## **Setting up Single Touch Payroll**

To report under the new STP system, you need to make sure your current payroll / accounting software provider offers STP reporting, if they don't then you may have to choose a new accounting package that has payroll software that is STP enabled.

Alternatively, you can ask a third party such as Mischel & Co Group Pty Ltd as your registered tax agent to report on your behalf.

Once your software is STP-enabled, before you can start reporting under Single Touch Payroll, you need to follow the below steps:

- 1) Check all employee and company information to ensure it is up to date and accurate:
  - All employees' information such as first / last name, date of birth, tax file number (TFN), address – including suburb, state and postcode needs to be reviewed and updated as required
  - Business details, including the business name, business ABN, contact details, email address, telephone number & postal address – including suburb, state and postcode needs to be reviewed and updated as required

- 2) Assign an ATO category to all your payroll categories
  - This include Wages, Allowances, Deductions, Salary Sacrifice and Superannuation categories
- 3) Connect to the ATO
  - Once connected you will be provided with a Software Subscription ID (SSID) if you are using cloud-based software or online software.
  - If you are not using cloud-based or online software to send your STP file to the ATO, then you will need an AUSKey. This is the secure login that identifies you when you use government services online on behalf of a business
- 4) Tell the ATO your Software Subscription ID (SSID)
  - You or your registered tax agent (Mischel & Co Group Pty Ltd) will need to call the Tax Office on 1300 852 232, to advise them of the SSID number

Once the above steps have been completed, your STP enabled payroll / accounting software will be ready to send the information to the ATO.

Each pay run your software will trigger a requirement to report to the ATO, this will require the nominated contact to confirm that the pay information is true and correct before submitting the file to the ATO.

When your payroll file is submitted to the tax office, you will receive either:

- A confirmation message that your STP report has been received by the ATO. This will generally be displayed in your software. You can also check the Business Portal to see the STP reports that have been lodged. or
- An error message providing details of the error, allowing you time to review and correct the error.

#### Determine who will authorise your STP reports each pay cycle

If you are the business owner or public officer you are already authorised to send reports. If someone else in your business will authorise reports (such as the payroll manager) you will need to give them the authority to do so through your payroll software. Instructions on how to do this should be part of your STP setup with your software provider. You do not need to contact the ATO to set up this authorisation.

If a third party (such as a payroll service provider, or a registered tax or BAS agent) will report on your behalf they need to be linked to you at the ATO as part of the initial set-up. If this is something you wish Mischel & Co Group Pty Ltd to undertake on your behalf please contact the office.

## **Do I need an AUSKEY?**

A common point of confusion for small business is whether an AUSKey is required as part of STP regime.

Whether a business will need its own AUSKey will depend on the accounting software used. All the major accounting software products for the SME market like MYOB and Xero won't require you to get your own AUSKey, as the software will connect directly to the ATO using a software service ID (SSID) which is usually displayed during the STP setup.

Some of the larger and very small accounting packages won't have a software service ID (SSID) which will mean that an AUSKey device will need to be applied for to enable you to connect directly to the ATO.

Another option is your software may connect to the ATO through a sending service provider (SSP). If this is how your software connects to the ATO, you do not need to contact the ATO to set up a connection. Your SSP will do this for you.”

If you are unsure if your software uses a software service ID (SSID) or whether you need to apply for an AUSKey please contact the office and we are more than to help you.

## **Does a Business need a MyGov Account?**

Small business owners **will NOT** need to open a myGov account to be STP compliant.

MyGov allows access to individuals to a number of government services, through one sign-in. What that allows is for an individual taxpayer to see their superannuation information that had been reported, as well as their STP information (likes wages, PAYG Withholding etc) reported by their employer.

We do recommend that you notify your staff ahead of the transition to STP that personal income summaries will no longer be issued, and that this information will be made available to them through their own myGov account.

## **Correcting a Payroll File Submitted to the ATO**

If you submitted an STP report in error, or if it contained significant incorrect data, you can submit a full file replacement within a 24-hour period. A full file replacement gives you the ability to completely replace the latest STP report sent to the ATO in error, or which contained significant incorrect data.

If there have been changes made to your payroll data which has resulted in the employee(s) year-to-date information last reported to the ATO not matching the information in your payroll system, then you should submit the updated information STP file to the ATO either:

- within 14 days of the need for a correction being identified; or
- in the next regular pay event where the affected employee(s) have continuity of employment.

The ATO may also send an error message to you relating to the employee data you have reported which needs fixing or amending, the above timelines also apply to correcting these errors.

## **Which accounting software is STP enabled?**

List below are a few main accounting software providers that currently support STP together with the existing cost for the software licence:

### **Online and / or Desktop Version**

- MYOB AccountRight 2018.2 and later - \$109 per month
- MYOB AccountRight Premier - \$140 per month

### **Online Only**

#### *Unlimited employees' payroll*

- MYOB Essential - \$60 per month
- Reckon One - \$28 per month

#### *Up to 10 employees' payroll*

- Xero - \$75 per month
- QuickBooks - \$40 per month

### **Desktop Only**

- MYOB AccountEdge Pro - \$95 per month
- MYOB AccountEdge Network - \$120 per month
- Reckon Accounts Plus - \$49.17 per month
- Reckon Accounts Premier - \$59.17 per month

## **What happen if your current accounting software is not STP enabled ?**

- For employers using MYOB AccountRight v19 and below, you have to upgrade your software to 2018 to stay compliant or otherwise choose a different payroll software
- For Micro employers, there is a range of no-cost or low-cost STP solutions available at or below \$10 per month.

### **No-cost and Low-cost solutions for Single Touch Payroll – Micro Employers**

If you have 1–4 employees, you are known as a micro employer and there are a number of options available to help you transition to STP reporting. Micro employers who don't need payroll or accounting software can choose a simple no cost or low-cost STP solution. Alternatively, you may be eligible to report quarterly until June 2021 through your registered tax or BAS agent.

No-cost and low-cost STP solutions currently available:

<b>Software Providers</b>	<b>Solution Type</b>	<b>Pricing (include GST)</b>	<b>Website link</b>
GovReports – IAM STP	Online	\$99 Annual cost (unlimited number of employees)	<a href="http://govreports.com.au/STP">govreports.com.au/STP</a>
MYOB Essentials Payroll	Online	\$10 per month (1-4 employees)	<a href="http://myob.com/au/accounting-software/essentials-payroll">myob.com/au/accounting-software/essentials-payroll</a>
Xero Payroll	Online	\$10 per month (1-4 employees)	<a href="https://www.xero.com/au/stp/1-4/">https://www.xero.com/au/stp/1-4/</a>
Reckon One Payroll	Online	\$10 per month for unlimited number of employees	<a href="https://www.reckon.com/au/payroll-software/">https://www.reckon.com/au/payroll-software/</a>
ePayroll	Online	\$5.50 per employee per month (capped at \$11 for 4 employees)	<a href="http://epayroll.com.au/micro">epayroll.com.au/micro</a>
CloudPayroll Micro	Online	\$9.90 per month (1-4 employees)	<a href="http://cloudpayroll.com.au/micro/">cloudpayroll.com.au/micro/</a>
Single Touch - Lite	Online	* \$8.25 per month for 30 payrun. (unlimited number of employees)  or  * 27.5cent per employee per transaction	<a href="http://singletouch.com.au">singletouch.com.au</a>  (coming soon)

Software Providers	Solution Type	Pricing (include GST)	Website link
Free Accounting Software Pty Ltd	Desktop	Free	<a href="http://freeaccountingsoftware.com.au/single_touch_payroll">freeaccountingsoftware.com.au/single_touch_payroll</a>
Reckon Single Touch Payroll	Mobile app	Free	<a href="https://www.reckon.com/au/single-touch-payroll-app">https://www.reckon.com/au/single-touch-payroll-app</a>  (coming soon)

For full list please refer to <https://www.ato.gov.au/business/single-touch-payroll/in-detail/low-cost-single-touch-payroll-solutions/>

Our office is able to provide support for employers transitioning to STP reporting especially those who are not currently using software.

Please call Ajit Khokhar on 03 9684 9999 to set up a time for assistance with setting up STP before the 1 July 2019 deadline

*The information supplied in this memorandum has been sourced from numerous publications available to  
The Mischel & Co Group of Companies  
including the Australian Taxation Office website and other tax specialist.*

*The content of this information memorandum is general information only and hasn't taken your circumstances into account.  
It is important to consider your particular circumstance before deciding what is right for you as it does not reflect all the tax legislation and announcements  
but simply highlights those points which we believe are most likely to affects our clients.*

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