



SINGLE TOUCH PAYROLL

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Understanding STP obligations

Single Touch Payroll ('STP') is a Government initiative aimed at cutting red tape for employers and improving visibility of compliance with business obligations such as:

- salary and wages and similar payments;
- Pay As You Go ('PAYG') withholding; and
- certain superannuation related information;

by requiring 'real time' reporting of payroll information directly to the ATO.

Importantly, STP is designed to extract information that already exists in an employer's payroll system.

As such, it is not intended to impose any additional burden on employers, other than requiring them to report the information to the ATO sooner.

From a practical perspective, businesses must use **STP compliant software** to comply with the new obligations. This will necessitate updating or changing their current payroll software.

Generally, most payroll software providers will have already adapted their software to ensure the required reporting capability has been incorporated.

Once a business has adopted the appropriate software, ongoing reporting obligations should be dealt with as part of an automated software function.

Effectively, employers will send their employees' relevant payroll information required under STP to the ATO each time they run their payroll and pay their employees.

Crucially, in complying with their STP obligations employers will **not** change their payroll cycle.

When a business reports to the ATO via STP, the relevant employees will be able to view their year-to-date tax and super information through myGov.

As a result of STP reporting, a number of ongoing compliance obligations for employers will be streamlined, and/or removed. Some benefits for employers under STP include the following:

- The removal of the need to issue an annual '*Payment Summary*' to employees for payments reported to the ATO via STP, provided an employer lodges a '*finalisation declaration*' (i.e., generally by 14 July, although extensions are in place for the first year of STP implementation).
- The removal of the need to lodge a '*Payment Summary Annual Report*' for payments reported through STP.
- From 1 July 2019, STP will enable the pre-filling of BAS Labels **W1** (gross salary and wages and other payments) and **W2** (amounts withheld from salary, wages and other payments) for employers that are small or medium withholders.
- The streamlining of employee documentation such as the lodgment of '*TFN Declarations*' and '*Withholding Declarations*' via enabled software.

Editor: It is important to understand that STP does not impact or change when employers must actually remit PAYG withholding amounts to the ATO or make super contributions. The new STP obligations simply affect when employers must report these payments to the ATO.

Original commencement date

STP commenced from **1 July 2018**, for employers with 20 or more employees (i.e., substantial employers).

When determining whether or not the 1 July 2018 start date applied, an employer was required to do a headcount of the number of employees they had on 1 April 2018.

Broadly included in the headcount were all full-time and part-time employees, casual employees who

worked at any time during March 2018, overseas employees, any employees absent or on leave (paid or unpaid) and seasonal employees.

Pending STP commencement date for small employers now law

Small employers (being those with *less than 20* employees) are now technically required to commence their STP reporting obligations from **1 July 2019**.

The intended STP obligations on small employers has only recently become law, with the *Treasury Laws Amendment (2018 Measures No. 4) Bill 2018* finally being passed by both houses of Parliament on 12 February 2019.

This means that from 1 July 2019 **all** employers, no matter their size, will generally be required to comply with the STP reporting obligations.

The ATO says it will be writing to small employers who have 19 or less employees and already use payroll software to tell them about STP, and remind them that if their payroll software offers STP, they can update their software and start reporting now.

Solutions for micro employers

For micro employers (generally defined as businesses with one to four employees) who do not currently have payroll software, a range of simple, low-cost solutions are expected to be available from early 2019.

These solutions may include mobile apps, simple reporting solutions and portals.

An alphabetical list of the companies intending to offer these solutions has been published on the ATO website (and reproduced for your reference below).

The ATO does not (and nor does our firm) specifically endorse any of the suppliers listed below:

- AccXite Pty Ltd
- BAS Off Pty Ltd
- Catsoft
- Easy Pay Slip Pty Ltd
- Employment Hero Pty Ltd

- e-PayDay Pty Ltd
- ePayroll
- Etax Accountants Pty Ltd
- Free Accounting Software
- Globe BD
- GovReports
- Intuit Australia Pty Ltd
- LodgeiT Pty Ltd
- Ironbark Software
- Myaccountant Technology Pty Ltd
- MYOB Australia Pty Ltd
- OB Secure Messaging
- Sodapay
- PwC Australia
- Reckon Australia Pty Ltd
- Single Touch Pty Ltd
- SRI Enterprise Software Pty Ltd
- Xero Australia Pty Ltd

Flexible ATO implementation

The Commissioner of Taxation, Chris Jordan, recently made a personal guarantee that the ATO's approach to STP will be "*flexible, reasonable and pragmatic*".

In particular, despite the 1 July 2019 start date for small employers, the Commissioner has stated that they can start STP reporting any time from **1 July 2019 to 30 September 2019**.

This effectively provides a **three-month implementation reprieve** for small employers.

The ATO has also indicated that there will be no penalties for mistakes, missed or late reports for the first year and exemptions will be provided from STP reporting for employers experiencing hardship, or in areas with intermittent or no internet connection.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.