

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

Single Touch Payroll (STP)

What is Single Touch Payroll (STP)?

- Single Touch Payroll is a government initiative which changes the way employers report their employee's wages, tax and superannuation to the Australian Taxation Office.
- When employers report through STP, they submit their employee's payroll and superannuation information electronically to the ATO each Pay Event.
- This eliminates the need to prepare PAYG Payment Summaries at the end of the financial year. The ATO will make this information available to employees through their MyGov account. Tax agents will also have access to this information, for employees who do not have a MyGov account.

How will this work?

- The way employers pay their employees will not change. They will still be paid for the period they work, whether it be weekly, fortnightly or monthly.
- An employer is still required to provide an employee a payslip each Pay Event.
- The only difference will be the submission of the Pay Event information to the ATO. This will be submitted through your payroll software. Please contact your software provider to ensure your software is set up correctly for STP reporting.
- For employers who currently prepare their payroll manually, and do not currently use payroll software there are low cost solutions available. MYOB, Reckon and Xero have released payroll only products for a low cost of around \$10 per month to assist businesses to report with STP.
- To finalise STP for year end employers must submit the last pay event with a finalisation declaration. Employers who are reporting using STP in the 2018-2019 financial year have until 31 July 2019 to submit their finalisation declaration. If the employer needs more time they can apply for an extension.
- You can make a finalisation declaration for any employee at any time during the financial year. For example, if an employee has ceased employment.

Who is Required to report using STP?

- Employers with 20 or more employees were required to begin using STP on 1 July 2018.
- Employers who employ 19 or less employees will be required to report using STP from 1 July 2019.
- Employers with closely held employees have a deferred start date to being reporting with STP until 1 July 2020. These employers will still be required to report STP on any employees who are at arms length.
- Closely held employees are employees who are a non-arms 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
- There are exemptions for those with 1-4 employees, who will have further time to transition and can continue reporting their payroll through quarterly BAS's for the next 2 years.

Why have the ATO made this change?

- The ATO have devised the new system for various reasons:
 - They would like to gain greater visibility of all employers, enabling earlier activity to ensure that employers are meeting their PAYG Withholding and Super Guarantee Contribution obligations.
 - The ATO will be able to data match the submitted information from the Pay Events to ensure employers are keeping up to date with their obligations. For example, paying employee's super each period.

- This has also removed the need for employers having to produce payment summaries at the end of the financial year. The ATO will now provide these via MyGov.
- The ATO will also prefill this information into tax returns and soon the ATO will be able to prefill W1 & W2 onto IAS and/or BAS's.
- In the future, the ATO will report this information to Centrelink to minimise the risk of people taking advantage of government assistance programs, such as newstart or youth allowance.

What information do employers need to provide the ATO?

1. Employee Information:

- You will pay your employees as normal, whether it be weekly, fortnightly or monthly. Once the pay event is complete, this is submitted to the ATO.
- You will need to ensure that all employee information is correct and up to date in the payroll system prior to submitting the Pay Event to the ATO. If you do not have these details, an error will appear upon submitting the pay event to the ATO.
- The information required for each employee includes:
 - Tax File Number
 - Full Name
 - Date of Birth

2. Software Information:

- If you are an employer submitting through payroll software, you will need to provide the ATO with the Software Subscription Identification (SSID) information.

3. Employer Information

- All company information needs to be correct and matching to what the Australian Taxation Office has on their database. For example, the companies legal name linked to the ABN.

Our aim is to provide relevant information to inform and help create opportunities for our clients. 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 of the information's applicability to their particular circumstances. If you require further information regarding the contents of this newsletter please do not hesitate to contact our office.