




Single Touch Payroll

The Next Evolution

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SINGLE TOUCH PAYROLL

THE NEXT EVOLUTION OF PAYROLL IN AUSTRALIA

A woman with short brown hair, wearing a dark blue, high-necked, short-sleeved dress, is shown in profile from the waist up. She is holding a light blue ceramic mug in her left hand and a smartphone in her right hand, looking down at the phone. The background is a brick wall with a window frame visible on the left side.

Single Touch Payroll (STP) is a new payroll reporting requirement being introduced by the Australian government effective the 1st of July 2018. Single Touch Payroll was legislated on the 16th of September 2016, as part of the Budget Savings (Omnibus) Act 2016. Any organisation with 20 or more employees will need to comply with the requirements of Single Touch Payroll Reporting on the 1st of July 2018, with a plan to expand the requirement on the 1st of July 2019 to include organisations with less than 20 employees from this date onwards (subject to legislation being passed in parliament).

KEY DRIVERS AND IMPORTANT DATES

KEY DRIVERS FOR INTRODUCING SINGLE TOUCH PAYROLL

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| <p>Changing client expectations in a digital world</p> | <ul style="list-style-type: none"> → 90 percent of businesses use the internet for banking transactions → 95 percent of businesses are connected to the internet |
| <p>Global Changes</p> | <ul style="list-style-type: none"> → The UK implemented Real Time Information (RTI) in 2013 with great success → NZ is implementing a Business Transformation program which will see most tax transactions managed directly through accounting software |
| <p>Government Digital Transformation Agenda</p> | <ul style="list-style-type: none"> → Focused on reducing the regulatory burden for all Australians → Reducing red tape |

KEY DATES TO WATCH OUT FOR

-  **1ST APRIL 2018**
Establish Headcount
-  **1ST JULY 2018**
STP commences for business with 20 or more headcount
-  **1ST JULY 2019**
STP commences for business with less than 20 headcount



KEY BUSINESS BENEFITS

Reduced effort on Payment Summary Production

Reduced effort on Part Year Payment Summary Production

Reduced effort on producing Annual Summaries

Ability to remit PAYG reporting with each payrun

STP's main aim is to improve transparency of information to the ATO, and increase compliance levels of Employers by simplifying and automating the reporting process.

A secondary goal is to enable real-time data transfer between government agencies rather than data sharing after the fact.

This real-time cross agency sharing of information is a key benefit to the initiative and will enable more accurate and higher levels of service from agencies that rely on the data.

WHAT HAS CHANGED?

- ▶ Ordinary Time Earnings, salary and wages, allowances, deductions, superannuation information and Pay-As-You-Go (PAYG) withholding information will be reported and available to the Commissioner in 'real time' when payroll is periodically processed by the employer
- ▶ Employers will need to acquire SBR-enabled software to comply with their PAYG withholding obligations
- ▶ New employees will have the option of completing TFN declarations and Super Choice forms online
- ▶ The STP reports for PAYG withholding will become the approved form for reporting PAYG withholding as opposed to the information being in the activity statement
- ▶ Employers that have reported their PAYG withholding obligations via STP will have their PAYG withholding pre-filled by the ATO on their BAS
- ▶ Large withholders will no longer report PAYG withholding on their activity statement
- ▶ 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
- ▶ 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



WHAT HAS NOT CHANGED?

- ▶ If the employer does not elect to pay their PAYG withholding liability at the same time they report under STP, there is no change to the due date for payment of the PAYG Withholding liability. The payment cycle depends on the size of the employer. Large employers need to remit weekly, medium sized employers remit monthly, and small employers remit on a quarterly basis
- ▶ Likewise STP does not change the payment due date for superannuation guarantee, being generally on the 28th day following a financial quarter
- ▶ Employers will continue to be able to adjust or correct data in their activity



WHAT IF YOU ARE NOT READY OR FIXING ERRORS

What happens if I am not ready to report or can't report?

The Commissioner can provide a safety net via a limited-time exemption or deferral.

What happens if I make a mistake?

A grace period will be provided for corrections to a Single Touch Payroll report. There will also be relief against the failure to lodge penalty for the first year of compulsory reporting

How do I report a fix?

1. An employer should report a fix within 14 days from when the issue is detected.
2. An employer may choose to report a fix in the next regular pay cycle for an employee, where this is later than 14 days from when the error is detected. Additional time will be allowed to the next regular pay cycle for the employee. E.g. monthly pay cycle
3. An employer may report a fix in an update event

Note: Errors which relate to an employer's PAYG W liability and gross payments should be able to be corrected in the relevant BAS period and large withholding payment period



WHAT YOU CAN DO NOW TO GET READY?



Review your current payroll processes and assess the ability and impact to adhere to the STP requirements



Work with your payroll provider to understand when your specific payroll solution and version will be ready (or alternatively search for a solution that will be made compliant if your current solution will not be)



Start developing a transition/ implementation strategy, if this requires you to move to a new solution or version that is not just a technical upgrade, ensure you have enough time to source, design, implement, test and transition to the new software or solution



Keep informed by talking to your advisor, if required, seek legal and tax advice from an authorised representative



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