

23 February 2015

Single Touch Payroll

Concept ICB are a supporter of a Single Touch Payroll concept.

We completely support the development of software integration with some Government services that assist employers to manage their payroll more efficiently.

The ATO must recognise that most employers seek to comply, lodge and pay on time. It is incorrect regulatory behaviour to impose significant burden on “most employers” because of the actions of the non compliant.

ICB support the discussion and development of a Single Touch Payroll (STP) and ICB seeks to continue our engagement with and to assist in the implementation of a successful and appropriate STP program.

What is the ATO STP proposal?

Where is the purpose statement? What is it that STP is aiming to achieve?
We suggest something like “Supporting employers using best practice”.

We suggest “The ATO are seeking to facilitate easier compliance reporting and possibly payment systems for all employers. The proposed “Single Touch Payroll” system would change the way an employer interacts with the ATO in relation to SGC and PAYGW obligations. STP includes enhanced reporting of SG activity enabling earlier detection and action to employers who fail to meet their SG obligations”

Our description of the Payroll Process for an employer

1. Registration (ABN, TFN, PAYGW)
2. Registration (superfunds, SuperStream, super clearing house)
3. Acquisition of payroll knowledge (internal or consultant)
4. Establishment of software (acquisition, training, set up) alternative non-software system set up
5. Engage employees
 - a. Interview and offer process
 - b. Employment contract
 - c. Employee details to be acquired (“Commencement”)
 - i. Award details to be determined and applied
 - ii. TFN Dec information
 - iii. Super information
 - d. Establish employees in the payroll system
6. Receive payrun processing instructions
7. Process payrun
 - a. Calculate gross amounts to be paid
 - b. Apply taxes etc
 - c. Verification and authorisation to make payments
 - d. Payslips to be provided to the employee
 - e. Payment instructions for the employee’s net pay (preferably through payment gateway in the software) and make payment

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8. Monthly or Quarterly Activity Statement:
 - a. Review process (varies in extent but tends to be in conjunction with SGC verification)
 - b. Declare accumulated Gross Pay
 - c. Declare accumulated PAYGW
 - d. Verification and authorisation to lodge complete Activity Statement
 - e. Lodge Activity Statement
 - f. Payment as part of Activity Statement debt
9. Quarterly SGC obligations
 - a. Review process (tends to be scrutinised to ensure obligations are known)
 - b. Utilise Software SuperStream capabilities to
 - i. Send required messaging
 - ii. Send payment to clearing house with instructions
10. Pre End of Year
 - a. May or June SGC review to enable employer to make tax deductible contributions
11. End of Year
 - a. Total reconciliation and payroll review
 - b. Preparation of Payment Summaries for employees
 - i. RESC amounts to be determined
 - ii. RFBTA amounts to be determined
 - c. Lodgement of Payment Summaries with the ATO
 - d. Tends to be the time to facilitate any corrections to SG as the payroll has been more intensely reviewed
 - e. Tends to be the time to reconcile PAYGW amounts to final year's payroll figures enabling final Activity Statement adjustment
12. Cessation of employment
 - a. Termination pay (often subject to later correction due to incorrect application of tax).
 - b. Notice of separation

a. Commencement

The ATO STP proposal includes a system for an employee to maintain their personal "profile" on the ATO Online facility. The STP enhancement is that with a push of a button the employee can have transmitted to a new employer their tax and super details. This is implemented by the government but must then be implemented by the respective payroll software companies.

The employer system could be that

- knows they have a new employee to set up
- advises the employee how to and where to send their TFN data (this is a replacement to providing them with a TFN Dec form today)
- the software then needs to know to expect the data to be received and presumably report or flag it has been received or hasn't been received (same)
- the system (or software) then needs to determine whether that information received is valid (same process as today)
- the system then needs to establish the payroll parameters in the software to pay and tax the person appropriately (same)
- must still comply with record keeping obligations



If the software has an automated system to track that it is expecting a transmission of “TFN Dec” data and then reports those still outstanding etc, then we have improved a current inefficiency in the obligations. Arguably this tracking system is already in place but we agree an electronic interaction would be an improvement.

b. Payroll

The ATO STP proposal is that on the instance of each and every payrun (weekly, fortnightly, monthly etc) when the “button” is pushed to finalise the pays, send the payslips, authorise and arrange the payment to the employees; that same button will transmit details of that payrun to the ATO. This would need to be implemented by each software company but the ATO system must be able to receive the data.

The ATO will use that information to monitor the employer’s PAYGW and SGC pattern and also payment. Option A is that it will only be “reporting” each payrun. Option B is that the PAYGW and SGC will be paid to the ATO at the same time i.e., each and every payrun. Significant system changes at the ATO end, but also software companies will need to rapidly develop the process within their software to facilitate such STP processes, let alone the Superfunds.

The ATO concept is that because they are receiving payroll information at the time of each payrun they will not require PAYGW information on Activity Statements nor will they require end of year payment summaries.

The Effect of the ATO STP program:

For the sake of completeness we note (at worst) that STP replaces:

1. 12 monthly activity statement reports of two numbers (total PAYGW and total Pay)
2. the end of year payment summaries (one per employee) and copy to ATO
3. SGC reporting quarterly and in some cases monthly due to awards.

Under STP this scenario will now be required to submit:

- A. 26 pay details for each employee (assuming fortnightly) to the ATO
- B. 26 SGC details for each employee to SuperStream

It does not effect

- i. Pay slips to the employees (including annual reporting)
- ii. Payment summaries: employees will expect some report at the end of each year to verify their final position. It may be a digital report! Alternatively YTD figures are provided on every pay slip.

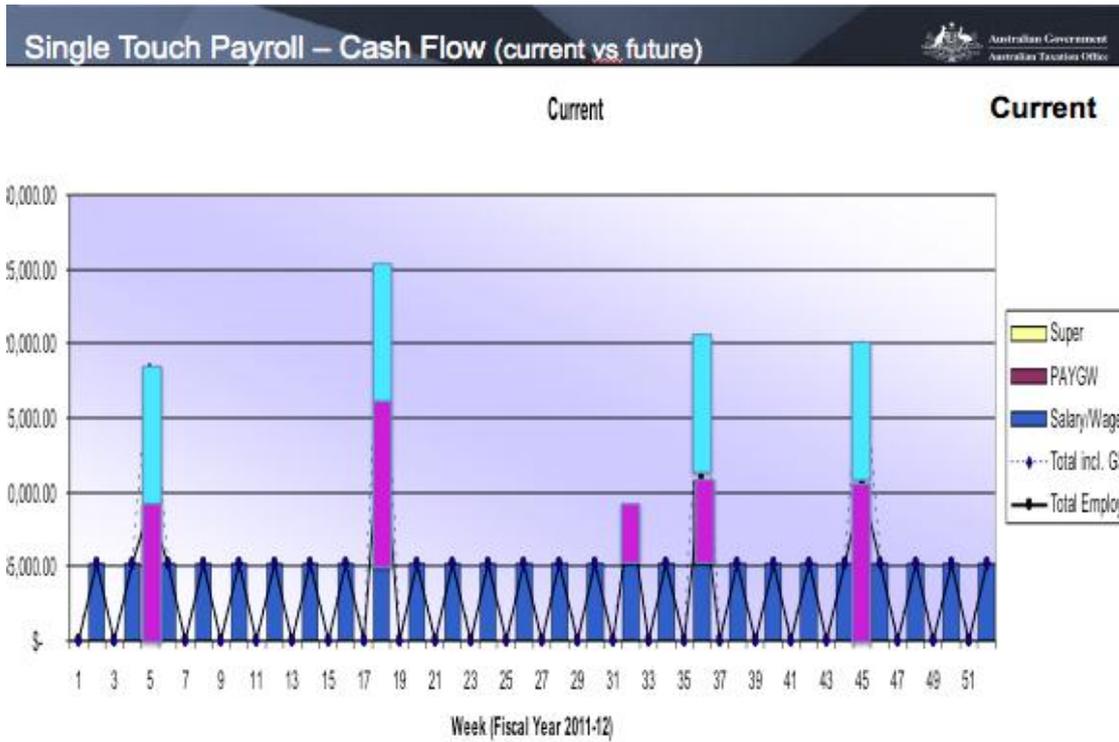
Depending on what the ATO do with the data received the burden of responding to queries raised will further create a red tape burden.

There must be certainty provided to the business who complies:

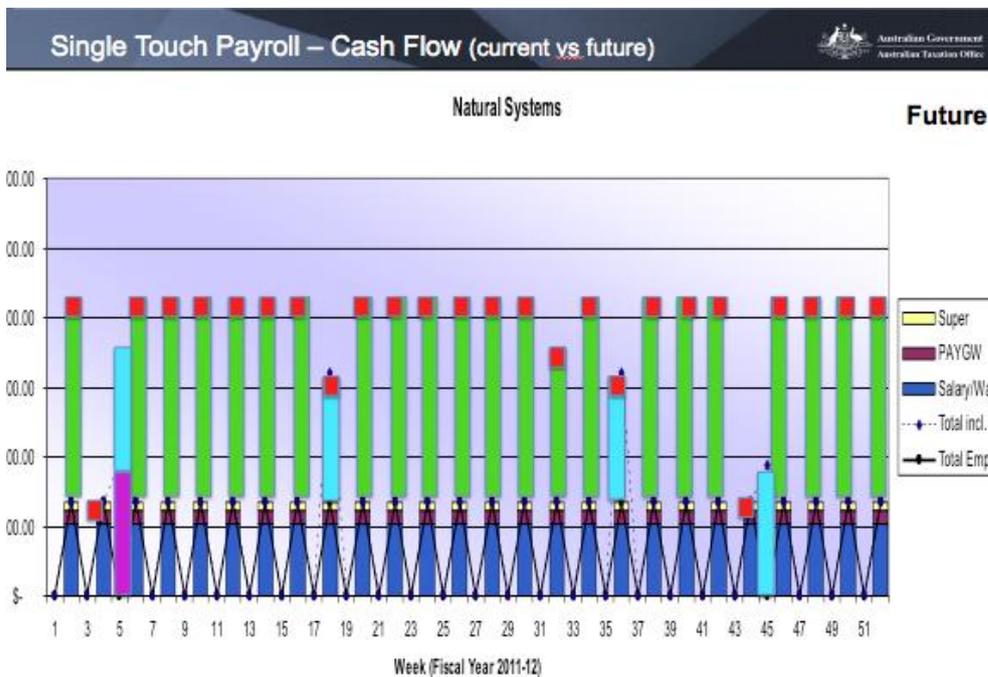
- i. as to the style of queries that will be raised
- ii. the ease of being able to respond to any queries
- iii. that there will be no automatic adjustments by the ATO
- iv. avoidance of a system that will require more formal objection routines
- v. easy and accepted adjustments to prior reports without needing to explain to the ATO



Item 1 is the ATO view of cash flow (employer based)



Item 2 adds supplier and the STP payments each month



We note that the red boxes indicate now “unfunded” previous payments to the suppliers. We also note that the week five PAYG/SGC payment remains as it relates to the prior year.

Cessation of employment

The ATO STP proposal is that when a person’s employment ceases then at the push of the termination button information is submitted to the relevant government agencies.

