Australian Government
Australian Taxation Office

Single Touch Payroll: ATO consultation paper

Disclaimer

This consultation paper outlines how the Commissioner intends to apply the law as proposed to be amended by Schedule 23 - Single touch payroll reporting of the Budget Savings (Omnibus) Bill 2016 (the Bill), as introduced to Parliament on 31 August 2016.

The purpose of this consultation paper is solely to facilitate the consultation process between the Australian Taxation Office (ATO) and the recipient, with a view to publishing our administrative approach to Single touch payroll reporting, including the form guidance may ultimately take. It should not be taken as representing either an ATO view or compliance approach.

All content within this consultation paper is subject to consultation and passage of the Bill by Parliament, and cannot be relied upon for protection from tax, interest and penalties in its current form.

Overview

On 31 August 2016, the Budget Savings (Omnibus) Bill 2016 (the Bill) was introduced to Parliament. Schedule 23 of the Bill contains Single touch payroll reporting, which proposes to amend Schedule 1 to the *Taxation Administration Act 1953* (TAA) to require employers that are substantial employers to align the reporting of their Pay As You Go (PAYG) withholding (PAYGW) and superannuation contributions to their payroll processes.

The ATO is seeking your input through this consultation paper, so we can keep your obligations under this measure as simple as possible. We are also seeking your input to highlight any areas you think are unclear, or cause difficulties in understanding your obligations.

We welcome your answers to our five consultation questions on our proposed approach, including the form and channel you consider would be most appropriate for the guidance once finalised.

The five questions are:

- **Consultation Question 1**: In what circumstances should the Commissioner grant an exemption on a class basis?
- **Consultation Question 2**: In what circumstances should the Commissioner grant an exemption to a particular employer?
- **Consultation Question 3**: In what circumstances should the Commissioner exercise his discretion to allow an employer to defer the STP reporting of a payment to an employee? For example, should fortnightly payers be able to report all payments on a fortnightly basis?
- **Consultation Question 4**: What materiality thresholds should be specified in the legislative instrument about correcting errors? For example, what are appropriate time

limits to correct errors and error value limits for small, medium and large withholders?

- **Consultation Question 5**: When should the Commissioner give an employer a warning notice about failing to lodge STP reports on time?

Responses can be provided to SingleTouchPayroll@ato.gov.au (mailto:SingleTouchPayroll@ato.gov.au) by 14 October 2016.

Introduction

- Single Touch Payroll (STP) aims to align employer reporting of Pay As You Go (PAYG) withholding (PAYGW) and superannuation contributions to an employer's payroll processes. Entities that report under STP are able to obtain relief from obligations to provide payment summaries to individuals and a payment summary annual report to the Commissioner.
- Proposed Division 389 of the Bill contains the core provisions to implement STP. This document provides guidance on:
  - who will be required to report
  - when the Commissioner may consider granting an exemption
  - amounts required to be reported
  - relief from current obligations, and
  - the Commissioner's approach to penalties.

- This document also provides guidance on consequential amendments to other taxation laws contained in the Bill which will facilitate STP reporting. These amendments propose to:
  - enable the ATO to implement streamlined commencement procedures for employees to complete superannuation standard choice forms and TFN declarations on ATO Online (the Commissioner's online service), and
  - improve the Commissioner's capacity to validate TFN information.

Who is required to report?

Meaning of 'substantial employer'

- You will commence reporting under STP from 1 July 2018 if you are a 'substantial employer' on 1 April 2018.
- You are a substantial employer if you have 20 or more employees, or you are a member of a wholly-owned group, and the group has 20 or more employees in total. See Meaning of 'employee'
- If you have 20 or more employees on 1 April in a later year, you will commence reporting under STP from the next 1 July. This means you will have a minimum of three months to organise your systems and procedures in order to commence reporting under STP from 1 July of that year.
- Once you become a substantial employer you must continue to report under STP, even though you may no longer have 20 or more employees, unless the Commissioner grants you an exemption. See Exemptions from STP reporting

Meaning of 'employee'

When applying the 'substantial employer' test

- To determine if you are a substantial employer, you only need to count individuals that are your employees as defined under the ordinary (common law) meaning of 'employee'.

- This means that contractors and other individuals that are employees under the extended meaning of 'employee' in the *Superannuation Guarantee (Administration) Act 1992* (SGAA) are excluded from the headcount if they do not meet the ordinary meaning of 'employee'.
- As a headcount is to be used to determine the number of employees, your employee's full-time equivalency (FTE), the casual nature of their employment or the fact that they work overseas is not relevant.
- Paragraphs 24 to 60 of SGR 2005/1 explain the Commissioner's view on who is an employee within the ordinary meaning of 'employee'.

When determining amounts to be reported

- The SGAA extended definition of 'employee' (excluding for subsection 12(3), which relates to contractors) is used in the Bill in relation to amounts to be reported under STP. See Reporting of payments of salary or wages and ordinary time earnings

Voluntary STP reporting

- Any employer (whether or not they will become a substantial employer) may choose to report under STP from 1 July 2017. This will support the transition to STP reporting before the law is proposed to apply from 1 July 2018.
- If you choose to report under STP voluntarily you will receive relief from your current obligations sooner. The Commissioner may use his existing powers before 1 July 2018 to relieve you from having to give payment summaries to individuals (in most instances), and a payment summary annual report to the Commissioner. You may also commence voluntarily reporting under STP at any time after 1 July 2018 if you have not yet become a substantial employer.
- If you later decide to stop voluntarily reporting under STP, the Commissioner will support you to return to non-STP reporting arrangements. This means you will have to give payment summaries and a payment summary annual report.

What if I am not ready?

- If you become a substantial employer and you are not ready to report under STP from your start time (generally the next 1 July), the Commissioner may:
  - defer your start time for STP reporting, or
  - exempt you from STP reporting on a class or individual basis.

- If you are granted a deferral or an exemption from STP reporting you will continue to:
  - report your PAYGW liability using your current process,
  - give payment summaries to your employees, and
  - give a payment summary annual report to the Commissioner.

Deferred start time for STP reporting

- The Commissioner may use his existing powers to defer your lodgment time for STP reporting, including to defer your start date within an income year.
- If you are granted a deferral to commence STP reporting part-way throughout a year, your first STP report will need to contain year-to-date (YTD) information for each individual.
- This will ensure you will be able to be relieved from having to provide payment

summaries to those individuals and a payment summary annual report to the Commissioner at the end of the year. See What are my end-of-year obligations?

Exemptions from STP reporting

- The Commissioner will have a broad power to grant an exemption from STP reporting, both on a class of entity basis and an individual basis.
- The exemption may be limited to a specified extent, such as:
  - in relation to a particular income year
  - for a specified period, including a number of income years,
  - for part of an income year, or
  - in relation to particular reporting obligations, such as superannuation contributions.

Exemptions on a class basis

- The Commissioner will consult on the circumstances under which he will provide a class exemption. For example, as standard business reporting-enabled software (SBR-enabled software) is essential to reporting under STP, the Commissioner will have regard to the common circumstances in which people may find it difficult to report electronically. These include:
  - remote locations where there is no or unreliable internet connection
  - cultural or religious reasons
  - impacts of a natural disaster.

Example 1: When the Commissioner may provide a class exemption

Robert Co is an opal miner with 40 employees in Mosquito Valley, a remote area of Queensland where there is little, if any, reliable internet connection. The Commissioner decides to issue a legislative instrument that provides an exemption to all substantial employers who are located in Mosquito Valley, unless those employers conduct their administration activities elsewhere. Robert Co is automatically exempt from having to report under STP as long as it is located in Mosquito Valley. However Robert Co may choose to voluntarily report under STP if it is able to do so.

Consultation Question 1: In what other circumstances should the Commissioner grant an exemption on a class basis?

Exemptions on an individual employer basis

- You will be able to apply to the Commissioner for an exemption from STP reporting. The Commissioner may also provide you with an exemption in the absence of an application.
- The Commissioner will consult on the circumstances under which he may provide an individual exemption.
- If the Commissioner grants you an exemption, he will notify you of the decision in writing.
- The Commissioner will consider your circumstances in deciding:
  - whether to grant an exemption,
  - the period of exemption, and

  - the extent to which you are exempt from reporting under STP.

- For example, the Commissioner may decide to provide an exemption to an employer that becomes a substantial employer on 1 April as a result of temporarily employing 20 or more individuals.

Example 2: When the Commissioner may grant an employer an exemption

Harbour Co farms oysters in Sydney. Harbour Co employees 10 individuals on a permanent basis to manage its farms, negotiate sales contracts and deliver oysters to its customers.

During its main harvest period (March and April), Harbour Co employs an extra 15 individuals on a casual basis to meet its customers' demands for freshly harvested oysters. At the end of its harvest season in May, Harbour Co ceases to employ these 15 individuals.

As Harbour Co had more than 20 employees on 1 April, Harbour Co is a substantial employer and would be required to commence STP reporting on 1 July. However, as Harbour Co ordinarily employs only 10 individuals, Harbour Co may apply to the Commissioner for an exemption.

Consultation Question 2: In what circumstances should the Commissioner grant an exemption to a particular employer?

When the Commissioner may refuse an exemption application

- The Commissioner will not unreasonably refuse an application for an exemption.
- However, the Commissioner is unlikely to a grant an exemption to a substantial employer that is likely to continue to employ 20 or more individuals and that has the capacity to report under STP. In such a case, the Commissioner may only provide an exemption for a short period of time, or from certain requirements.
- The Commissioner's decision to limit an exemption, or to not grant an exemption, is a reviewable decision.
- The Commissioner will endeavour to inform you of a decision to limit, or not grant an exemption within 28 calendar days of receiving all relevant information. If you have not been notified of a decision within this period, the Commissioner will generally use his existing powers to defer your STP reporting obligations until the decision is made.
- If the Commissioner has not made a decision on an application for an exemption within 60 days of receiving it, he is taken to have refused the application. This means the Commissioner's decision (or deemed decision) can be reviewed under the existing objection and review processes.

What do I report?

- STP aims to make it easier for you to notify the Commissioner of:
  - payments made to individuals and amounts withheld from those payments,
  - payments of salary or wages and ordinary time earnings (OTE) and
  - superannuation contributions you make for the benefit of your employees.

Reporting of payments and amounts withheld

- You will be able to report to the Commissioner payments you make to individuals through your payroll system, and the amounts required to be withheld from those payments. These payments are listed in Table 1 below.
- Payments that are not included are payments made by payers to recipients that are generally not made via their payroll system (e.g. payments to contractors, payments of superannuation income, payments of dividends, interest and royalties etc.).
- If you report the payments included in Table 1 below and amounts withheld from these payments using STP software, you will be relieved of your obligations to give payment summaries to those individuals and the Commissioner a payment summary annual report covering these same amounts.

Table 1: Withholding payments reported under STP

Reference	Description	Payment summary
Subdivision 12-B - Payments for work and services		
Section 12-35	A payment of salary etc. to an employee	INB or FEI
Section 12-40	A payment of remuneration to the director of a company	INB
Section 12-45	A payment of salary etc. to an office holder (e.g. a member of the Defence Force)	INB
Section 12-47	A payment to a religious practitioner	INB
Section 12-50	A return to work payment to an individual	INB
Subdivision 12-C - Payments for retirement or because of termination of employment		
Paragraph 12-85(b)	A payment for termination of employment	EMP
Section 12-90	An unused leave payment	INB
Subdivision 12-D - Benefit and compensation payments		
Paragraph 12-110(1)(ca)	A payment of parental leave pay	INB
Paragraph 12-110(1)(cb)	A payment of dad and partner pay	INB
Subdivision 12-FC - Seasonal Labour Mobility Program		
Section 12-319A	A payment of salary, wages etc. to an employee under the Seasonal Labour Mobility Program	INB
Legend: INB = PAYG payment summary – individual non-business (NAT 0046) FEI = PAYG payment summary – foreign employment (NAT 73297) EMP = PAYG payment summary – employment termination payment (NAT 70868)		

- The Commissioner will consult on information specifications which detail the information you should report each time you make a payment listed in Table 1. The consultation will inform the amounts about which the Commissioner may collect information about, which will be specified in a legislative instrument.
- These specifications are expected to broadly reflect the information contained in the payment summaries identified in Table 1. This will enable the Commissioner to pre-fill your employees' income tax returns.

How do I report other withholding payments?

- If you make a payment from which an amount is required to be withheld that is not included in Table 1, you will continue to notify your PAYGW liability in relation to these payments using your current process. This may be via a business activity statement (BAS) or, if you are a large withholder, using your EFT code ending in '70' (PPI70).
- Similarly, you will continue to give payment summaries covering payments that are not in scope to recipients, and a payment summary annual report to the Commissioner in relation to these amounts.

Reporting of payments of salary or wages and ordinary time earnings

- You will also be able to report payments to employees of salary or wages and employees' ordinary time earnings (OTE) that are not already reported as a withholding payment: See Reporting of payments to employees and amounts withheld.
- For the purposes of reporting amounts of salary or wages and OTE, the extended definition of 'employee' contained in the SGAA, excluding contractors, is used. This recognises that contractors are not generally paid through an employer's regular payroll process.
- This definition is broader than the ordinary meaning of 'employee', which is used to determine whether an employer is a substantial employer. As a result, employers may report salary or wages and OTE of individuals that were not included in the original headcount, but that meet the extended definition of 'employee'.

Example 3: Employees for STP reporting purposes

On 1 April, Dot Co employs 100 individuals that meet the ordinary definition of 'employee', so Dot Co is a 'substantial employer'. In addition, Dot Co's Board of Directors comprises 12 company directors in total. Company directors do not meet the ordinary definition of 'employee', but are within the SGAA extended definition that is used for STP reporting purposes (which excludes contractors). This means Dot Co will have to report payments of salary or wages and OTE under STP in relation to both the 100 employees, and the 12 company directors.

- The Commissioner is aware some payroll software does not separately identify payments of salary or wages or an employee's OTE (as defined in the SGAA). Rather, the software calculates the superannuation guarantee contribution an employer is liable to make.
- As an alternative to reporting a payment of salary or wages and an employee's OTE, the Commissioner will accept the amounts of contributions that you are liable to make for a specific period (for example, the period to which a pay slip relates).

Reporting of superannuation contributions

- You will also be able to report superannuation contributions paid for the benefit of your employees.
- Employers may already use SuperStream-compliant software packages, clearing houses or intermediaries to produce contribution transaction reports.
- The Bill proposes to leverage an employer's existing SuperStream requirement to report on superannuation contributions paid to a complying superannuation fund or Retirement Savings Account (RSA) at the time contributions are paid.
- To align with your existing processes, the Commissioner will accept the lodgment of the same information contained in contribution transaction reports to satisfy your

obligation to report these amounts under STP. The Commissioner will consult on information specifications which detail these requirements.

When do I have to report?

Reporting of payments to individuals

- Under the Bill, your STP report of payments to individuals (e.g. employees) from which you were required to withhold (even if the amount withheld was nil) is due 'on or before' the date the amount is required to be withheld. Generally, you will be required to withhold at the time you make the payment to your employees.
- In order to leverage off your payroll processes, you may lodge the report with the Commissioner at the same time you prepare pay slips for your employees and a payment file for your financial institution to pay your employees. The Commissioner will support a framework to correct reports lodged with errors. See What if I make a mistake?
- This may mean that you lodge your report with the Commissioner before the day your employees receive their pay. This does not affect the day your employees are actually paid. The payment date (the due date for the report) remains the day you intend your employees to receive their pay.

Example 4: When is my payment day?

On 27 June, Paul Co uses its STP SBR-enabled software to prepare pay slips, a payment file for the James Bank, and a report to the Commissioner for its 30 June pay day. Paul Co submits its payment file and report to the Commissioner on 27 June.

While some employees (who also bank with the James Bank) receive their pay on 29 June, most receive their pay on 30 June. Paul Co's payment date is therefore 30 June, and it will have lodged its report with the Commissioner before its due date.

- Generally, payments made to employees occur on a regular payment cycle - for example, each week, fortnight or month.
- From time to time, you may make irregular or ad hoc payments (outside of your regular payment cycle). Examples of irregular payments include employment termination payments (ETPs) or casual salary or wages.
- The date when such payments are required to be reported to the Commissioner may not correspond with your regular payment cycle due dates, and under the Bill a separate report would have to be sent to the Commissioner.
- To align STP reporting to your payroll processes, the Commissioner has the power to exercise his discretion to defer reporting of irregular payments until the next regular reporting date.

Example 5: Deferring due dates to align with regular payroll cycles

Chris Co is a substantial employer that runs a day care business. Chris Co pays his employees fortnightly. Chris Co makes regular payments of salary to its employees on 12 May and 26 May. On 19 May, Chris Co makes an employment termination payment (ETP) to its employee Haydon, and withholds an amount from this payment. Under the Bill, Chris Co would be required to report this to the Commissioner on (or before) 19 May. However, the Commissioner exercises his discretion to defer Chris Co's due date for reporting to its next regular payroll cycle date, being 26 May.

Consultation Question 3: In what circumstances should the Commissioner exercise his discretion to allow an employer to defer the reporting of a payment to an employee? For example, should fortnightly payers be able to report all payments on a fortnightly basis?

How do I report and pay?

Reporting your PAYGW via SBR-enabled software

- You will be able to use STP compatible SBR-enabled software to lodge STP reports to the Commissioner as part of your payroll process.
- SBR-enabled software allows employers to automatically report information that is already produced by an employer as part of their payroll processes to the Commissioner at the time the relevant process is undertaken.
- The Commissioner will treat reports that are attempted to be lodged in a different manner as a failure to lodge in the approved form. However, the Commissioner will not be imposing a failure to lodge penalty in the first 12 months an employer is required to report under STP, unless notice is given. See No penalty for failure to lodge STP reports on time

Paying your PAYGW liability

- The Bill does not propose to change your current due date for the payment of your PAYGW liability. However, to further align your reporting and payment of PAYGW to your payroll process, you will have the option to pay at the same time as you lodge STP reports.
- For most employers, the due date of PAYGW liabilities is aligned to their BAS due date. This allows employers to reconcile their other liabilities or credits into a single amount payable or refundable for a period.
- The ATO will undertake consultation and a co-design process with employers and their representatives to determine the best way to optimise employers' reporting obligations. A pilot will be conducted to test solutions for small business employers.
- The ATO does not expect system changes (if any) that would be required to implement the outcome of the consultation and co-design process will be implemented by 1 July 2017. Accordingly, current PAYGW payment processes (payment via BAS or PPI70 for large withholders) are likely to remain in place at 1 July 2017.

What are my end-of-year obligations?

Relief from payment summaries and annual reports

- Amounts you withhold from payments will be reported under STP throughout the year in line with your payroll process. Accordingly, the Bill grants employers relief from providing some payment summaries and a payment summary annual report to the ATO.
- If you do not report amounts through STP, you will continue to be required to provide payment summaries to your employees.
- You can choose to also report reportable employer superannuation contributions (RESC) and reportable fringe benefit tax amounts (RFBT) in an STP report by 14 July in the next financial year. If you choose to report these amounts through STP, you may be fully relieved of your obligations to give payment summaries and a payment summary annual report to the Commissioner. If you do not report these amounts through STP,

you will continue to be required to give payment summaries to your employees and a payment summary annual report to the Commissioner.

- In order to be relieved of your obligation to give payment summaries to your employees and a payment summary annual report, you must make a declaration in the approved form to the Commissioner by 14 July that you have fully reported for the financial year for each of your employees.

Example 6: Relief of current obligations for amounts reported under STP

Throughout the 2019-20 financial year, Sue, a substantial employer, made payments to her employees that she reported through STP. Sue also withheld amounts from payments she made to individuals in accordance with voluntary agreements she had with those individuals (section 12-55).

On 12 July 2020, Sue reports to the Commissioner reportable employer superannuation contributions (RESC) and reportable fringe benefits (RFB) amounts for her employees under STP; and makes a declaration to the Commissioner to finalise her STP reporting for the 2019-20 financial year.

Sue does not need to give her employees payment summaries or the Commissioner a payment summary annual report in relation to payments reported through STP or her employees' RESC and RFB amounts.

Sue will continue to be required to give payment summaries to individuals, for whom she withheld amounts under voluntary agreements, and the Commissioner a payment summary annual report to cover these amounts.

Relief from part-year payment summaries

- You will also be relieved from giving part-year payment summaries to an employee upon request, to the extent that you have reported these amounts under STP.
- The Bill also exempts all payers, not just substantial employers or voluntary STP reporters, from having to give a part-year payment summary throughout the year if the payer has made a reportable employer superannuation contribution (RESC) in respect of the recipient's employment during the year.
- This will align the treatment of RESC with the treatment of reportable fringe benefit (RFB) amounts. Under the existing law, payers have to provide a part-year payment summary within 14 days of the recipient requesting it, unless the recipient has an RFB amount. The Bill will extend this exemption to circumstances where the payer has made a RESC in relation to the recipient's employment during the financial year.

What if I make a mistake?

- The Commissioner recognises the difficulty you may face in correcting previous STP reports. Accordingly, you will generally not need to amend an original STP report to correct previous errors.
- You will be able to correct errors in a later STP report (subject to materiality thresholds – see below).

False or misleading statement penalties

- You will not be liable to a penalty for a false or misleading statement if you make a mistake which affects your liability to pay an amount to the ATO, but correct it within the timeframe determined by the Commissioner.

- The Commissioner will determine by legislative instrument the timeframe for correcting errors, which may differ for different classes of entities. The Commissioner will also have the power to provide a different period for individual employers.

Individual employer basis

- The Commissioner may determine the period within which you may correct errors in your STP reports without penalty. The Commissioner's determination is a reviewable decision.

Class basis

- The Commissioner will have the power to determine by legislative instrument a different period for correcting errors for different classes of entities. This is a similar approach to that currently used for correcting GST errors. The GST determination sets out circumstances (such as materiality and the length of time since the error was made) which determine when an error can be corrected.
- The Commissioner proposes to consult widely on the circumstances covered by the legislative instrument, including the size of the withholder and quantum of the error of the amount withheld.

Consultation Question 4: What materiality thresholds should be specified in the legislative instrument about correcting errors? For example, what are appropriate time limits to correct errors and error value limits for small, medium and large withholders?

No penalty for failure to lodge STP reports on time

- The Commissioner acknowledges that under STP employers may report payments made to individuals earlier and more frequently. Acknowledging the impact this transition may have, the Bill provides for specific penalty relief from the failure to lodge (FTL) penalty during the first twelve months you are required to report under STP.
- You will not be subject to a FTL penalty for a late STP report unless the Commissioner has previously given you a warning notice in relation to earlier missed STP reports, advising you that you may be liable to a FTL penalty in the future if you do not give a later STP report on time.

When the Commissioner may give you a warning notice

- The Commissioner anticipates he will rarely give warning notices in the first twelve months. In the first instance, the Commissioner will make contact to provide support to help in the transition to STP reporting.
- There will not be a minimum number of late lodgments before the Commissioner gives a warning notice.
- The Commissioner will only give a warning notice where it is considered appropriate, having regard to the circumstances and behaviour of an employer on a case-by-case basis. For example, an employer that refuses to comply with STP reporting.

Consultation Question 5: When should the Commissioner give an employer a warning notice about failing to lodge STP reports on time?

Streamlined employee commencement

- The ATO will provide a streamlined employee commencement service on ATO Online. This service will enable employees to make their tax file number (TFN) declaration and superannuation fund choice online directly with the Commissioner. This will reduce the paperwork associated with taking on a new employee and, for employees, starting a new job.

- Employers that have acquired the necessary SBR-enabled software to retrieve information from the ATO may inform employees that they are able to use this service. If an employee has used the service, the ATO will be able to provide this information directly to the employer on the employee's behalf via this software.
- It is not compulsory for employers to acquire compatible SBR-enabled software in order to retrieve employees' information. Similarly, it is not compulsory for employees of employers with compatible software to use the service, and existing processes will continue to be available.
- Benefits for employees include:
  - assistance in completing the form through pre-fill information about their taxation circumstances and
  - the ability to choose an existing superannuation fund.

- Benefits for employers include:
  - receiving validated information about an employee
  - not having to key information from paper forms and
  - the ability to store the information in an electronic-only format.

- While TFN declarations and the choice of a superannuation fund are usually made by new employees, existing employees of employers with compatible software may also use ATO Online to make a new TFN declaration or choose a new superannuation fund.
- The ATO will explore opportunities to extend this service to employers without compatible SBR-enabled software required to retrieve the information from the ATO in order to provide them with the benefit of validated information about an employee.

TFN declarations

- As an alternative to completing a TFN declaration on a paper form or using internal software, individuals will be able to make a TFN declaration to the Commissioner using ATO Online.
- If an employee makes a TFN declaration using ATO Online, and an employer has compatible SBR-enabled software, they will be able to retrieve the employee's TFN information from the Commissioner. As a result, an employer will not need to counter-sign the TFN declaration and send it to the ATO, as currently required. If an employer retrieves an employee's TFN with PAYGW information within 14 days of the employee commencing their employment, an employer will not need to notify the ATO of the new employment arrangement, as currently required.
- If you receive your employee's TFN from the ATO because your employee used this service, you must continue to on-disclose an employee's TFN to a superannuation entity.

Example 7: TFN declaration made to the Commissioner

On 12 July 2017, Lauren gains employment with Pettary Hire Co. During induction, Pettary Hire Co's Human Resources manager, Nathan, informs Lauren that if she has a myGov account she can make a TFN declaration using ATO Online.

On 13 July, Lauren accesses ATO Online and makes a TFN declaration in relation to Pettary Hire Co. On 14 July, Pettary Hire Co retrieves Lauren's TFN declaration and PAYGW information using SBR-enabled software.

Pettary Hire Co must keep a record of this information and on-disclose Lauren's TFN to her superannuation fund if it makes superannuation contributions for her. Pettary Hire Co is not required to sign and return Lauren's TFN declaration to the

Commissioner.

Example 8: TFN declaration made to an employer

On 12 August 2017, Lauren gains casual employment with Cattary Hire Co. During induction, Cattary Hire Co's HR manager, Fiona, informs Lauren that she can use its internal software to make a TFN declaration. Lauren uses Cattary Hire Co's software to make a TFN declaration in relation to Cattary Hire Co.

On 14 August, Cattary Hire Co uses its software to electronically sign and submit Lauren's TFN declaration to the Commissioner. Cattary Hire Co must keep a record of this information and on-disclose Lauren's TFN to her superannuation fund if it makes superannuation contributions for her.

Superannuation choice

- An employee will also be able to choose their superannuation fund using ATO Online and, if their employer has compatible SBR-enabled software, they will be able to retrieve the employee's superannuation choice information from the Commissioner.
- The current process, where an employee gives a completed standard choice form to their employer, will remain available.
- The Bill does not propose to:
  - broaden the scope of employees entitled to superannuation choice.
  - alter an employer's obligation to provide a standard choice form to employees in several circumstances (because employer must continue to inform employees of its default fund). For example, within 28 days of an employee commencing their employment.
  - change an employee's superannuation fund choice applying separately to each employer.
  - change the limits on funds that may be chosen – a fund must be an eligible choice fund for an employer and contributions to a fund must be possible for a fund to be an employee's chosen fund.
  - An employer must have knowledge of an employee's chosen fund in order to make contributions accordingly. Therefore, a fund does not become an employee's chosen fund until two months after the Commissioner informs an employer of the employee's choice. An employer may decide to give effect to the choice at an earlier time after being informed of the employee's choice.

Example 9: Choice of fund made to the Commissioner

On 12 May 2017, Best Building Co gives its new employee, Ross, a welcome pack which includes a paper TFN declaration and standard choice form. The standard choice form states Best Building Co's default fund is Ellen Industry Super Fund. Best Building Co advises Ross that if he has a myGov account he can use ATO Online to make his TFN declaration and choose a superannuation fund as an alternative to returning the paper forms.

On 16 May 2017, Ross uses ATO Online to make his TFN declaration and chooses Andrew Super Fund as his superannuation fund for contributions from Best Building Co.

On 1 June 2017, Best Building Co uses SBR-enabled software to retrieve Ross' TFN declaration and choice of fund information from the ATO. Andrew Industry Super Fund becomes Ross' chosen fund for contributions by Best Building Co on

1 August 2017, or at an earlier time determined by Best Building Co.

Example 10: Choice of fund for another employer using employer's software

On 10 December 2017, Ross obtains weekend employment with Liam All Trades Co. Liam All Trades Co gives Ross a welcome pack which informs Ross he is able to use its internal software to make a TFN declaration and choose a different superannuation fund if he does not want contributions to be made to its default fund, Alexandra United Super Fund.

On 12 December 2017, Ross uses Liam All Trades Co's internal software to choose Andrew Super Fund as his chosen fund for contributions from Liam All Trades Co. Andrew Industry Super Fund becomes Ross' chosen fund for contributions by Liam All Trades Co on 12 February 2017, or at an earlier time determined by Liam All Trades Co.

TFN validation

- The ATO will be able to provide a TFN validation service to all payers of PAYGW payments.
- Currently, the Commissioner is only able to advise payers that the TFN quoted in a TFN declaration has been cancelled or withdrawn since the TFN declaration was made or is otherwise wrong. However, if the payer is an employer who is seeking to validate details of an employee for whose benefit they will be making a contribution to an eligible superannuation entity or a regulated exempt public sector superannuation scheme, the Commissioner is able to provide an employer with a validation notice that an employee's TFN, name, date of birth and (optionally) address provided by the employer matches (positive validation) or does not match (negative) the ATO record for that employee.
- The ATO could implement TFN validation in different ways. For example, the ATO could provide a similar service to 'EmployerTick'. This would enable payers to validate details of recipients that have previously made a TFN declaration in relation to them, prior to lodgement of information (eg STP report) about the recipient with the Commissioner.
- The ATO intends to provide employers reporting under STP with ongoing validation of information contained in STP reports.
- The ATO will check details contained in STP reports against the ATO records each time an STP report is lodged and provide a notice that recipient's information has or hasn't been matched to the recipient's ATO record. For that reason, STP reports are required to obtain a recipient's TFN (if held), name and date of birth. Where an employee's information does not match the ATO record for that employee, the ATO will notify both the employer and the employee, in line with current the process where a TFN declaration cannot be matched.

Example 11: Validation of recipients' information contained in an STP report

On 12 July 2018, Jilly Co submits an STP report containing gross payments and PAYGW amounts for its employees Jenny, Anthony and Tom. Also included in that report are Jenny, Anthony and Tom's full names, TFNs, and dates of birth, as recorded in Jill Co's payroll software.

On receipt of the report, the ATO attempts to match the information reported for Jenny, Anthony and Tom to their ATO records.

The ATO is not able to match the information reported for Jenny to an ATO record.

The ATO will consider issuing a notice to Jilly Co to advise that it was able to match the information for Anthony and Tom to the ATO records, but it was not able to match the information to an ATO record for Jenny. The ATO can also contact Jenny to let her know that the information could not be matched.

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