

INSTITUTE
OF CERTIFIED
BOOKKEEPERS

SINGLE TOUCH PAYROLL

Introduction to the basics of STP

Institute of Certified Bookkeepers

Based on ATO Documentation and Consultation Discussions

20 September 2017

STP to think about today

- **STP is Not:** Super Payment Reporting
 - ▶ It is changing to be the SuperFunds problem
- **STP is Not:** Employee Commencement
 - ▶ It is not here yet
 - ▶ We do it already (TFN Dec and Super Choice)
- **STP IS:** Reporting when you pay an employee

What do you report?

- For each pay run:
 - ▶ How much did you pay?
 - How much Gross Wages (including allowances) i.e. W1 on the BAS?
 - How much PAYG Tax Withheld i.e. W2 on the BAS?

For each pay run (weekly, fortnightly, monthly or all three)

- For each employee:
 - ▶ What is their new Year To Date (YTD) totals for:
 - Gross Salary and Wages (YTD)
 - Allowances and Deductions (YTD)
 - Tax Withheld (YTD)
 - Super Liability accrued (YTD)
 - ▶ Everything you put on a payslip or used to put on a payment summary

Each pay run

- Send the ATO an electronic submission which includes:
 - ▶ Identify the employer:
 - By ABN or WPN
 - Include the Branch (if entity has ABN Branches registered with the ATO)
 - By a mandatory unique Business Management System identifier (BMS ID) for each payroll system
 - ▶ Identify which pay run i.e. which period by date range
 - ▶ For each pay run:
 - ▶ How much employers Gross Wage (total gross wage for the period) (W1)
 - ▶ How much employers Gross Tax Withheld (for the period) (W2)
 - ▶ The employees who are paid and their YTD values

End of Year

- Same reconciliations
- Same verifications
- Same process to add:
 - ▶ Reportable Employers Superannuation Contribution (RESC) for the year
 - ▶ Reportable Fringe Benefits Tax Amount (RFBA) for the FBT year (to 31 March)
- No Payment Summaries to employees (the ATO will do it)
- No separate EMPDUPE file to be lodged
 - ▶ “Final” flag is set to true



End of Year - Finalisation

- Can happen during the year
- Can happen per each employee, individually or all at once
- Declare that the employee information is “Final” and system sets the “Final” flag to true
- Must be lodged normally by the 14 July
 - ▶ Extension until 28 August 2018 and 31 July 2019
 - ▶ If you don't then you must supply the employee with Payment Summaries

End of Year – Finalisation: Amend

- Fix the values in the employers system
- Send an "Update" event with the new "Final" YTD numbers
- Must be lodged within 14 days of identifying the issue
- You can "Update" the ATO by turning the "Final" indicator off
 - ▶ Then "Final" when you have fixed the YTD values

What the ATO does

- Prefill the BAS
 - ▶ ATO will add up all the payevent amounts of W1 and W2 for all systems for the ABN (branch if applicable)
 - ▶ Prefill the amounts into the fields on your IAS or BAS
 - ▶ You may alter the values to correct the prefill if it needs correction
- Provide the employee with information on myGov
 - ▶ The YTD values for each paysystem will be displayed on the employees myGov account
 - ▶ Following the end of the year this information will be “Final” and replaces the need for any payment summaries
- Prefill Tax Agents software for preparation of Tax returns

Does your payroll process change?

- Yes/No
 - ▶ Payroll Business Process remains the same
 - ▶ Your priority remains to pay the employee and meet your Fair Work obligations
 - ▶ Report to the ATO at the same time your employees are paid
- Software should do the hard work for you
 - ▶ STP reporting is a complex report provided regularly and your payroll software should do the hard work for you
 - ▶ We expect the software to provide a better authorisation of payroll process (see below)
- You must ensure that your payroll data is complete and clean
 - ▶ In effect the checking you might do at the end of year payment summary process needs to be performed before

How to start STP?

- When your software is ready!
- Connect your software to the ATO
 - ▶ Your own AUSkey as a direct connection (unlikely for most)
 - ▶ By using your software providers Unique Software ID number
 - Advise the ATO through Access Manager
 - Advise the ATO by ringing them
- Identify Registered Agents in your software
- Ensure you have the required Authorisations and Declaration process
- Start anytime
 - ▶ Employee information is YTD so the first submission can be your next pay run
 - ▶ Recommend doing an update for all employees to start STP reporting

Deferring your start date

- Normally your required start date is:
 - ▶ 1 July 2018 for Substantial Employers (more than 19 employees as at 1 April 2018)
 - ▶ 1 July 2019 for all other employers
- Unless:
 - ▶ Your Software provider advises an ATO approved deferral, or
 - ▶ Your Registered Agent advises an ATO approved deferral, or
 - ▶ You apply and are granted an implementation deferral
- Note:
 - ▶ We expect that there will be no penalties for “other” employers until 1 July 2020



Mistakes

- Employers records are the source of truth
 - ▶ You don't need to reconcile to the ATO records, you update the ATO
- If you identify a mistake:
 - ▶ Fix it in your payroll system (pay the employee if required)
 - ▶ Advise the ATO the new YTD figures
 - Within 14 days (by a special "Update" event, or
 - At the next pay run for the employee
- If the correction results in an underpayment to the employee then it is a new withholding event and could be reported as a new payevent
- Software should do the hard work for you
 - ▶ STP reporting is a complex report provided regularly and your payroll software should do the hard work for you
 - ▶ We expect the software to provide a better authorisation of payroll process (see below)
- You must ensure that your payroll data is complete and clean
 - ▶ In effect the checking you might do at the end of year payment summary process needs to be performed before

If the BAS prefill is wrong

- Change it
- Recommend you don't accept prefill without your normal BAS verification and reconciliation work

What changed?

- ATO sees your payroll information in detail more often
- ATO sees how much super you have accrued
 - ▶ Superfunds report how much super you have paid so they will chase you if you don't pay
- BAS is prefilled
 - ▶ Not a big win for the employer
- End of Year Process improved
 - ▶ ATO provides payment summaries to the employees
 - By myGov or
 - Employee contacts the ATO
 - ▶ EMPDUPE file replaced by sending the "Final" indicator
- lodgement has to be correctly authorised



Who authorises the report to the ATO?

- For each pay run, the employer must make a declaration, either
 - ▶ A: If you are providing the information to someone else to prepare and lodge
 - You declare that the information you are providing is everything to enable a true and correct Payroll to be prepared and reported, and
 - You authorise that person to lodge the report with the ATO (see detail elsewhere)
 - ▶ B: If you have prepared your own payroll and are authorised to lodge lodge
 - You declare that the payroll report you are lodging is true and correct
 - That you are legally allowed to lodge the report
- For any pay run where you are an intermediary lodging the report then the intermediary must make the declaration
 - ▶ Declaring that the payroll report you are lodging is true and correct based on all the information provided by the employer, and
 - ▶ That you have been authorised to lodge the report with the ATO (see detail elsewhere)

Using an intermediary to help with payroll

- Intermediary:
 - ▶ Your own employee
 - ▶ A registered BAS Agent / Tax Agent
 - ▶ A payroll bureau (Common Law Agent)
- Your own employee:
 - ▶ Under the law acts on your behalf and any payroll report lodged must be performed under authority delegated in writing
 - They act as the business as an authorised representative
 - Hopefully the software will provide appropriate user controls and authority roles and processes

Using an intermediary to help with payroll (2)

- A Registered BAS Agent / Tax Agent
 - ▶ May liaise with the commissioner on your behalf i.e. lodge reports
 - They act as a Registered Agent on behalf of the business
 - They must be identified within the information sent to the ATO in each payroll report
 - They may use the business software and therefore the Business software authorisation process to the ATO
 - They may use their own authorisation process to the ATO, if the software provides that process
- A Payroll bureau / Common Law Agent
 - ▶ May not liaise or represent you to the ATO
 - They perform services under contract to you but you must specifically declare their work to be true and correct and you must authorise the lodgement
 - They are not identified in the information reported to the ATO
 - They may use the business software which provides your declaration
 - If they use their own payroll software then you must still make the declaration, however they may be authorised to facilitate the lodgement using their AUSkey connection to the ATO

ATO Compliance Program

- No penalties in the first year
 - ▶ Substantial employers exempt from penalties until 30 June 2018
 - ▶ Smaller employers start 1 July 2019 but expect no penalties until 2020
 - ▶ Unless the ATO warns you first
- If you miss lodgements
- If you lodge late
- If you Finalise late
- If you don't pay your super
- If you don't accrue super
- If you don't pay your PAYGW
- Details to follow



Super Payment Reporting

- The law will be changed
- Superfunds will provide this information to the ATO when they receive payment:
 - ▶ Monthly
 - ▶ Each employee
- ATO will match payment information to your accrual information
- Nothing for employers to do:
 - ▶ Other than accrue and then pay your super
 - ▶ SG to be paid so that fund receives before the 28th of the month after each quarter

Employee Commencement

- Another system for providing the ATO with the TFN Dec
- A system for validating information on the Super Choice form
- Still being designed
- Should be integrated with your payroll system
 - ▶ Improving the process
 - ▶ Verified TFN details and Super Choice details



Further Information

- www.ICB.org.au/STP
- Your software company
- www.ATO.gov.au/SingleTouchPayroll



ICB Involvements in STP

- ICB have been involved in the co-design processes with the ATO as a member of
- STP Advisory Group (Project Governance and Oversight)
- Design Working Group (including Focus Group and Micro Focus Group)
- Readiness Working Group (including Focus Group and Micro Focus Group)
- Small Employer evaluation consultation
- Employee Commencement Design Working Group

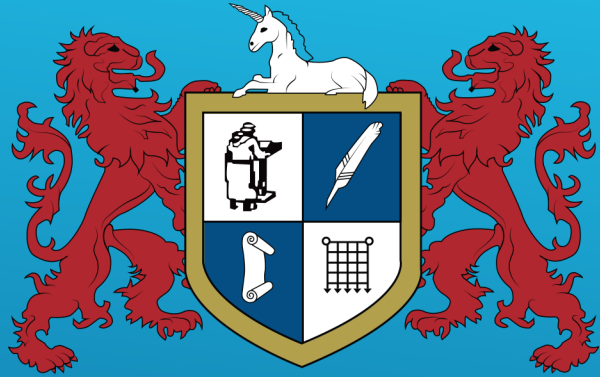


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