

# Single Touch Payroll and Small Employers

## Strategies to implement Single Touch Payroll (STP)

### Recommendation

An employer has many obligations to meet all the different compliance regimes

- Workers compensation
- Fair Work: Awards, Leave, payslips
- Tax: PAYGW etc
- Super: Super Guarantee etc

We recommend any employer strongly consider computerising their payroll process to streamline the required information gathering, reporting and retention.

**Why?** A basic requirement of every employer is to provide (legal) payslips to the employee each time they are paid. The easiest way to produce this is for it to be created at the same time as the pay is being calculated by a payroll program. Typically at the same time all other records can be calculated and created to meet all other compliance obligations. It takes less time to use a properly featured payroll product.

**Recognising:** Some employers do not have the computer capacity to achieve this in their own right. For some it is an infrequent process, for some it is paying themselves what it is deemed they can afford, when they can afford to.

**Therefore:** The ATO have provided the following strategies

1. Quarterly Reporting (in line with the BAS)
2. Low cost reporting solutions (cheap software)
3. Deferrals and/or exemptions (too hard come back later)
4. Simplified reporting requirements (less information to report)

## Which employers does this apply to?

### Small or Micro or other

For STP the “Small” definition is employers with 19 or less employees.

Small employers may consider each of the above options. The ATO presentations have stated that #1 Quarterly Reporting would only be available to the Micro (1-4 employee) businesses. However if a disconnected (no internet or no computer capacity) employer was able to report quarterly rather than seek an exemption ICB are confident the ATO would accept this arrangement.

Irregular employment patterns (eg seasonal only) may be eligible for exemptions as well as those with no or unreliable internet or computer capacity.

### Compliant

To access these concessions for STP, the employer must

- Any amounts owing to the ATO are either not yet due for payment or subject to a payment plan, and

- All lodgment obligations are either not yet due or subject to a deferral

## ICB Explanation

**Quarterly Reporting:** Eligible employers will be permitted to lodge one STP report for each Quarter (in line with their Activity Statement requirement). The logic being that the employer would have to report the W1 and W2 figures on their BAS and do their super calcs therefore they have to create and have the payroll information available. The STP report would be for the Quarter, for each employee paid, it continues to be the YTD values. The STP report uses the same base information required for the BAS and Super calcs.

Many businesses engage with their Bookkeeper (or other intermediary) to meet their quarterly obligation. Even the DIY businesses must meet these obligations at least quarterly.

Aligning the STP reporting with the Activity Statement etc allows the Agent to continue to assist the business (who wants to do business not compliance paperwork)

This concession has been designed to apply until July 2021 at which time the strategy will be reviewed.

**Low Cost Reporting Solutions:** The ATO are working with software providers and others to have them provide low cost (less than \$10 per month) payroll solutions that will enable STP reports.

This aligns with the strategy to computerise the process while trying to limit the cost exposure.

Details available from the ATO: [ATO Website STP Low Cost](#)

ICB will endeavour to monitor these solutions and advise: [ICB Software Status Report](#)

**Deferrals / Exemptions:** We did have deferrals from STP, generated by the Software companies working with the ATO as to when their software would be ready. All of those deferrals will expire before 30 June 2019 (We do hear that some will be renewed however mostly in the very big complex solutions).

Employers may need to apply to the ATO for an exemption from STP reporting if their own individual circumstances mean that STP reporting is not possible.

The ATO advise this system will be an online application and it will be provided when STP applies to the small employer (it is not law yet (as of January 2019)).

**Simplified Reporting:** This concept is that the low cost reporting solution may be providing a simplified payroll solution and therefore able to submit a limited amount of data to comply with STP. "Simplified" may mean that the software doesn't perform for instance Eligible Termination Payments. Maybe it doesn't provide Allowances or Deductions etc.

ICB perceive that this aspect of Small Employer concession will be coupled with the Low Cost Reporting Solution.

## Solutions

GovReports provide a lodgment portal for Agents to manually enter and then lodge STP reports. This service can be used for regular normal payroll reporting or alternatively can be used to lodge the Quarterly report.

We envisage that each of the software providers which work with Bookkeepers and provide STP reporting to employers will provide an interface that allows the Bookkeeper (who is employed in the business or is a Registered Agent) to enter details and lodge on behalf of disconnected or quarterly reporters.

## Closely Held Employers

The concession for “closely held” employers relates to that employer who employs family or related people. The concession permitted the “salary” to be finalised at the same time as the Tax Return hence in some cases the payment summary would be finalised as late as June the following year.

This recognises the reality of family owned businesses.

The Quarterly lodgment system (described above) will be permitted for such businesses. The Family business will need to make a “reasonable estimate” each quarter of the amount to be paid to the relevant employees and tax withheld.

Other employees of these businesses will need to have payments to them reported in line with normal STP requirements.

## Your voice

ICB have been involved in the co-design discussions with the ATO about applying STP to employers who are considered small, disconnected or micro (1-4 employees).

The role of Bookkeepers continuing to provide services to assist these communities meet their compliance obligations is recognised by the ATO.

## Resources

[ATO Single Touch Payroll Website](#)

[ICB Single Touch Payroll Resources](#)