

EXTRACT of the key points raised by John Shepherd as part of the discussion

The ATO Update as of 11 April 2019

Single Touch Payroll:

essentially it means that all employers be reporting their Pay As You Go, withholding salary and wages, their super, to the ATO every time they run their payrolls.

It is about reporting through natural business processes, and those natural business processes are your payroll process and system, where you use a system to do that. Overtime, we are looking to streamline employers' reporting obligations, particularly to government, as we use that data to meet other obligations.

The legislation has passed for all employers to enter STP by 30 September 2019. Larger employers by 1 July 2019 at the latest

over 81,000 employers have already transitioned to Single Touch Payroll, We're getting about 700 or 800 employers starting STP each day.

including 33,000 small employers.

5.7 million employees

we're anticipating over 100,000 employers will be in STP by June, which means they won't need to be providing payment summaries. And they'll be on behalf of around 9 million employees by then.

Using STP Data

the payment summaries the removal of that obligation - now,

pre-fill of that data, for example in the BAS

the budget plans to extend Single Touch Payroll, and particularly look at data to support the welfare system to try to reduce the amount of times that agencies go back to employers to get information on income. Single Touch Payroll will be the source of employees' income, that can be used for a range of different things, to make it easier for employers over time.

From an employee perspective: superannuation compliance and making sure people get the right amounts of super There is a documented superannuation guarantee gap of 2.8 billion a year. That's what we estimate people are being effected by non-payment or late payment of super.

we hope to also be able to help them prevent end of year tax debts and surprises that they get now - for example, perhaps not having enough tax withheld, or they've got a higher education loan.

the big one that a lot of employers seek is just a level playing field, making sure people (all employers) are paying their fair share.

STP information displayed in ATO online services,

what's that going to look like?

1/ there won't be a solution where an employer or an agent on behalf of an employer can submit STP information.

2/ for individual taxpayers, they will see in close to real time throughout the year how much they've been paid, what is the tax withheld, and how much super has been accrued by the employer, or how much super the employer has reported.

3/ information we are gathering from super funds, is that they can also see what's been deposited, what super funds they've got, what are the balances, It's a change where you will have visibility for your clients throughout the year of what's coming in and what's gone into the super funds.

4/ it gives opportunities to be able to answer questions and give advice to clients throughout the year, as well as seeing whether they are getting their super guarantee entitlements all the way through.

5/ general tax planning for clients, the fact you can log into the online services for agents, and if client is working for an STP-enabled employer, you can see the year-to-date wages. So if they come in saying 'what's the effect if I buy a rental property that's negatively geared' You've got the information in front of you

ATO analyse the data

"So have you had any opportunity to analyse it and see what that data is telling us at this stage? "

The key learning (from overseas and in consultation) with that (analysis and response to data) is not to over-engineer our interactions, with that sort of volume: "Don't go back to the employer and question every anomaly we see."

We are in a learning phase at the moment, with some careful reach outs to people to test what we think we're seeing. As we learn from that, we will look to extend some of those interactions and models we will need to use. There is also a lot (for us) to learn about payroll processes. This is different to a form coming in.

We know there's adjustments made to payroll, corrections made. That flow-through of corrections for STP, importantly, happens in the next pay period, so we need to be good at predicting what will self-correct, and not pull up (react to) anomalies.

30 June 2019 – whats different in STP

the payment summaries are not required by an employer (who is reporting through stp) to be given to their employees.

the requirement for employers as they finalise their STP data this year by the 31 July

and

communicate that change to their employees.

From an employee perspective, this is a new way of getting your payment summary'. So rather than your employer giving it –But what people will do that are in the STP system is go to one place to get their payment summaries, even if they have two or three employers.

They'll go into myGov, into ATO online services, can print a copy of their payment summary if they want. But importantly, if they're doing their tax return, or they're using an agent, the pre-fill will still be available in mygov or the accountants software. (There will also be a phone number to ring the ATO and obtain the "Income Statement" if digital is not feasible)

The message for agents there is to make sure any employees or individuals they have, wait for that data to be finalised; it will be available, and they can see their information being reported. But they should wait until it is finalised before they complete the tax returns.

small employers?

we released a statement from the Commissioner, which is on our website, talking about our flexible, reasonable and pragmatic approach for small employers.

We know that 1 July is not far away,

- small employers have until 30 September to start their reporting, without needing to apply for additional time.

- there will be no penalties in the first 12 months. we want people to help them get it right and not to have people be afraid there will be a penalty if they make a mistake.

- deferrals and exemptions - We've released online forms in the business portal, in the agent portals, and in the new online services

On behalf of your clients, you can apply for a deferral, and in most cases you will get an immediate response. If you meet one of our exemption categories, things like, no internet, you can put those exemptions through that online form and get an immediate response.

Please note we will NOT be enabling submission of STP payroll reports through the portals or the new online services and not through the clearinghouse. You will have to have an STP-enabled reporting solution. (more detail below)

Low cost solutions:

we have worked with the industry to create a register of low-cost solutions.

- quick and easy to use.
- \$10 or less per month, and on the register we already have free options.
- there will be a variety of solutions, not just payroll. portal-like options, and we expect some apps as well,

These are lightweight options for those who only have a couple of employees and don't want to take on a payroll product, notwithstanding the benefits payroll will bring. That register is available now at ATO.gov.au/STP solutions.

quarterly reporting for agents

for the first two years, particularly clients that are paper-based and who rely heavily on the agent to do things like BAS.

When they come to do their quarterly BAS, not on the BAS, but they will be able to submit their STP reports on behalf of their client at that quarterly period, and they'll be able to do that, again, through some solutions on the register, there are some practitioner solutions there, and there's also the option of course of working with your employer to get them onto a low-cost solution, and helping them out for the first couple of years before you set them free to do their own payday reporting.

closely held payees

immediate family members or directors of the business who don't draw a regular wage and don't have a payroll process to report under.

Have a quarterly reporting requirement,

The "final" stp report for the end of the year still has the tax agent's exemption, allowing the payroll to be finalized when they come to do their tax returns.

However: Important, we're giving closely held employees an extra year before commencing STP.

Practitioners Comment: "From an industry point of view, I think this is one of the biggest changes we've had since GST. There is an awful lot of chat about how this will work. But from looking at an employer, your obligations for being an employer are much deeper than just providing a Group Certificate at the end of the year. And you really need a decent payroll system to be meeting those obligations. So I think it's a no-brainer. Excel has to go. It's the cost of doing business; you need to move to an electronic payroll system. "

So I do think businesses have to change their mindset around it and I think they have to realise, like I said, a lot of them don't understand their obligations around providing payslips, calculating leave - there's more to it than just reporting the tax withheld, and the superannuation, there's a lot of obligations that employers probably aren't getting right. And an electronic solution just makes it so much easier.

Employees told when STP Income Statements are ready for Tax Returns

We'll send a message that goes out to the individual taxpayer that all STP data is finalised,

If you've got two or three employers, and one might be finalised the message will say wait for the others, and once they're finished it'll say "They're all ready to go, good to do your tax return."

Key Message: Be alert, not alarmed

Also around the small employer implementation, there are lots of options, and there will be lots of good material coming out. We get this is a transition so, you know, this will take some time for

everyone to get across like all big change. But please keep asking us your questions, please keep actually giving us feedback about ways we can support you.