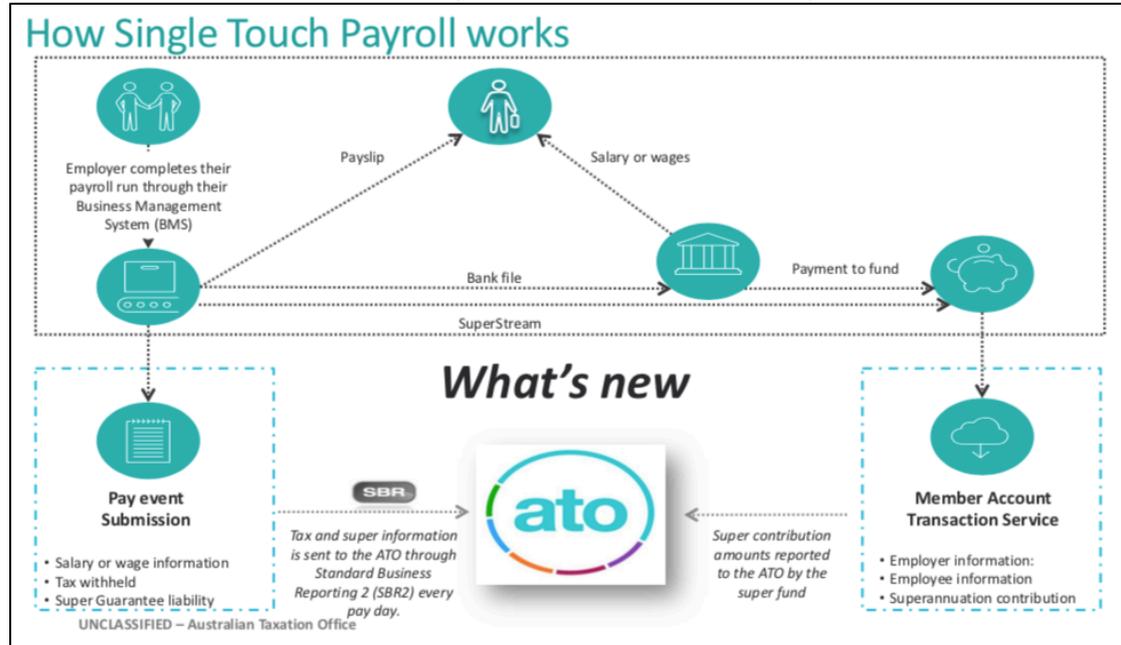


Annotated Extract from ATO Webinar – End of Year Processing – Finalisation

Presenter – Angela Lehmann:

Our way of explaining how Single Touch Payroll works and how it impacts the business processes around paying employees, and reporting for payroll.



as a general rule you still

- use your software or BMS to run your payroll.
- You still issue payslips, because that's a Fair Work requirement,
- You still pay your employees, as before
- your SuperStream obligations don't change because of STP.
 - the way that you pay contributions and report them through SuperStream now will remain the same,

what's new, so what does STP add to the process?

- when you run your payroll or complete a payroll run through your software, you now get a new report called the pay event submission. it includes the (YTD) salary and wage information for, those employees that were paid in that pay period. It also includes the tax withheld and the super liability.
- The pay event submission is due to the Tax Office on or before the pay date to your employees,

Super

Note the super liability: it doesn't have to be just the Super Guarantee liability, it can be the liability that the employer calculates, which may or may not include things like EBA top-ups or other amounts of superannuation liability that you accrue and would ordinarily report on say a payslip as a year-to-date as well.

End of Financial Year Processing Through Single Touch Payroll transcript

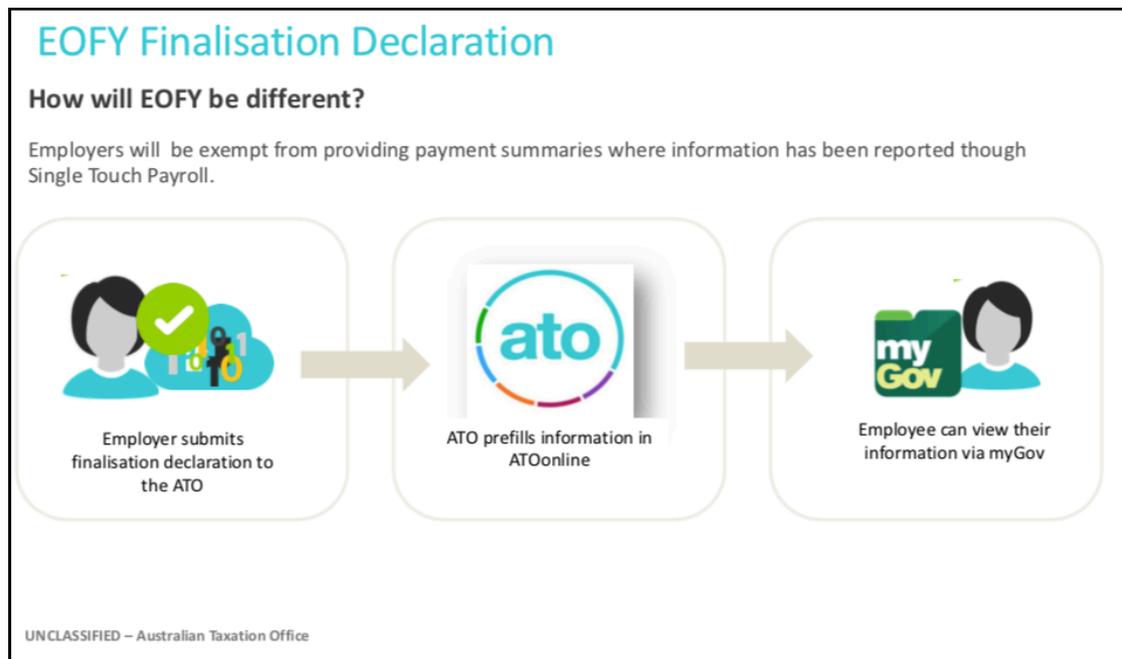
This is the first time the ATO have had this level of transparency and can see what superannuation liability you've put aside for those employees, and of course that helps us achieve the policy intent of making sure employees get their entitlements.

The other one is to the far right hand side of the above slide, is that we have started receiving, and we'll have most funds online by the end of the financial year, is the Member Account Transaction Service. The way it worked before STP, the Tax Office would only know whether an employer's made payments to their employee's fund once a year. What we see now is these Member Account Transaction Services report in almost near real-time when an employer has made payments into the fund. That gives us assurance that what you've reported as a liability is being paid. Obviously it's not a reconciliation process, we don't expect it to be reconciled to the dollar, we understand there's timing differences and other influences that may factor that, but it just gives us that assurance that the employer is trying to do the right thing and has paid the money to the fund.

End of Financial Year (Payroll)

End of financial year has typically meant payment summaries for a lot of you. Working right up to the stroke of the 14th to get them all out, and PSAR lodgements by the 14th of August. In STP we don't have a PSAR anymore, assuming that you meet all your obligations under STP, but we do have our 14th of July due date, there are some exceptions (discussed later)

The extinguishing of the requirement to issue payment summaries, has some provisos.



One of those provisos is that you actually submit the finalisation declaration to the ATO once you've completed all your reporting for an employee.

It's one thing to actually submit pay events per pay, but until we receive that finalisation flag you have not actually extinguished the obligation to issue payment summaries.

What that finalisation flag does is;

- it indicates that it is final (ICB: it replaces the lodgment of the PSAR file).
- It's a declaration to the Commissioner as well that you've done all you need to do for that employee, and
- The final data goes into
 - their ATO Online,
 - their myGov account, (ICB: which is only a gateway to ATO Online)
 - it pre-fills into their myTax if they use the online tax return system.
 - It also pre-fills through to their tax agentsSo it actually triggers the pre-fill right across the different channels.
- Removes the need to provide payment summaries to the employee.

if you have reported everything for that employee through STP and finalised, then great, no payment summary is required.

If there's something that you need to report for that employee that's not in the scope of STP for example Employee Share Schemes, or you've decided not to report it through STP, RFBA for example, then you'd still have to issue that employee with a payment summary for that information.

What if we finalise late? (ICB Additional section)

If you "finalise" your STP reporting later than required (31/7/2019 or 14/7/2020) then:

- You are required to provide payment summaries to the employees
- You can still lodge a "final" STP message ie do not lodge a PSAR. ATO do not want a late PSAR file for STP employers.

Finalisation during the financial year

It really is up to you in STP whether you finalise partway through the year or not. Realistically if you submit a finalisation declaration at any time during the year, that is the same thing as issuing a part-year payment summary.

It will update the employee's myGov to say that it's final ("Tax ready"). What it won't do, though, is it will not actually pre-fill anything. Pre-fill doesn't happen till after the financial year, so it doesn't actually give them the ability to pre-fill their return and lodge a return.

Finalisation during the financial year

There may be situations when an employer is required to finalise during the financial year i.e. End of Termination payment (ETP) - This can be done via update event or pay event



This replaces the employer's obligation to provide the employee with a part year payment summary

This declaration will update the employee's myGov

If employer makes another payment in the financial year they can either unfinalise the employee or submit another final pay event.

Finalisation after the financial year

Finalisation after the end of the financial year

Employers must provide the final event indicator for all employees by the due date 14 July or deferred due date.

The employer should request an additional deferral of the due date from the ATO, if they cannot finalise by the due date.



When

employer's must normally provide the final event indicator by

- the 14th of July or
- a deferred due date if applied for and approved, or
- for this transition year: all the employers who have started their transition into STP have till the 31st of July 2019 to finalise.

if you have closely held payees,

as a substantial employer there is an extension or a deferred due date for finalisation just for the closely held payee: "If you choose to report closely held payees quarterly you will have up to the due date of your income tax return to finalise the information you've reported for the year and make any adjustments"

[ATO Website](#)

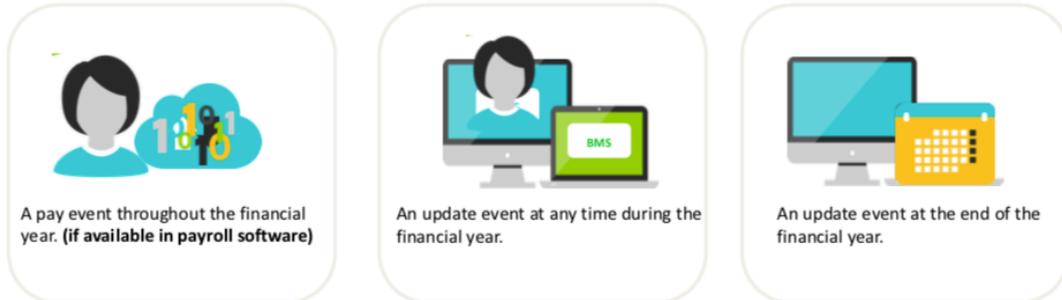
(this "finalisation" information for closely held is different than the transcript of the webinar and we believe the website is correct)

RFBA & RESC reporting

Reportable fringe benefit amount/Reportable employer superannuation contributions

Where an employee receives RFBA or RESC amounts these may be reported through STP.

An employer may report this information by:



Note: If the employer cannot (or makes a choice not to) provide RFBA or RESC via STP, then they must provide this information on a payment summary to their employees and provide a payment summary annual report to the ATO. **This payment summary must not include amounts reported through STP.**

We haven't mandated, that you have to report your RFBA (reportable fringe benefit amount) or your RESC (reportable employer superannuation contributions) through STP.

If you choose not to report through STP then you would still have to issue a payment summary with those amounts on them to that employee so that they have those amounts. *Their normal Payment Summary fields may still be reported and finalised in STP.*

There's a number of ways that you can report RFBA and RESC:

- If you have the functionality to you can report it in the pay event as you go. for example, if there's a salary sacrificed superannuation that's processed through the payroll every pay day then you may have the ability to put it through and report it every pay day.
- you can report it through an update, so that might be once you've done your FBT return in April or May that you decide to put it through at that point in time.
- the end of financial year: you can update the year-to-date with the RFBA and RESC at the end of the financial year any time up until the 14th of July, or whatever the due date for the finalisation is for that employer.

Note we (the ATO) understand that FBT is normally calculated outside of payroll, so the option of a once of year update that you may be able to use to bring through your RFBA and RESC.

Payments or amendments after finalisation

Amended finalisation after the EOFY

There may be situations when an employer is required to amend after finalisation



Where the need for an amendment is identified, the employer has **14 days** to report the amendment.

After the EOFY amendments to employee payroll information must be reported via an **update event**.

Employee's myGov display will be updated with the amended information

You can un-finalise an employee, so you can remove the finalisation flag to continue paying them, if you didn't mean to finalise them, or you no longer want them finalised because they've come back to work for you.

Alternatively, if it's just a matter of you need to update their year-to-date figures, you can actually lodge another final over the previous final, which will override it. It will be an amendment to your final,

if you establish an amendment is required you have 14 days from the day you make that discovery to report the amendment through to the ATO, you can use an update event. The system must actually indicate the financial year that any update relates to, so it can say it's actually related to the '18/'19 year, even though you're already in the '19/'20 year.

An update event and a pay event, the difference

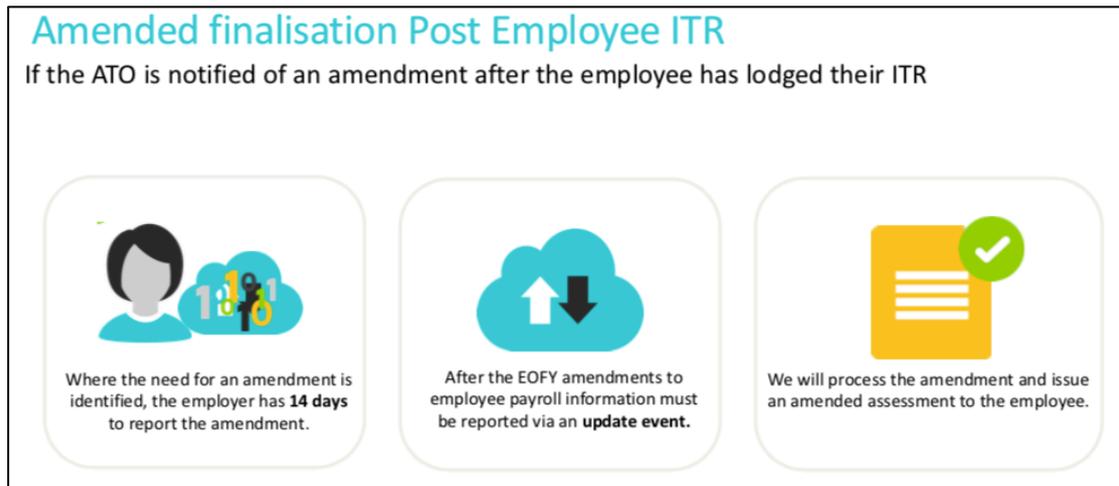
The pay event would be used where you actually make payment to that employee, and an update event can be used if you are just updating the year-to-date but not making any more payments to that employee.

Either one can be used to finalise for the first time, or to rewrite the finalisation again to override it.

ETP payment summary rules,

For non-stp reporting: we have to have an ETP payment summary out by the 14 days of the termination being paid,

STP: you can finalise at any time, you can carry that forward and finalise at the end of financial year, or before the 14th of July.



When we get notification of the amendment, and we know that they've already lodged their income tax return, there's two ways in which we may proceed: if the amendment triggers a credit, i.e. a refund, we will automatically process that refund and we will send out an amended assessment and the refund out to the employee. They will also get notification through whichever channel for notifications they have opted for.

If that amendment in fact is a debit amendment, which means it actually makes them have a higher payable than they had in their original assessment, we do not automatically process that, we contact the employee first. We tell them of the amendment, and again that notification will be in whichever channel they've opted for their notices, so it could be myGov, it could be a letter, it could be through their agent.

We give them the opportunity to review and/or dispute the amendment before we process it. It gives them the opportunity to see what's been lodged, if they have an issue with it to contact the employer and have a chat to the employer, and then if all else is fine we will go ahead and process that through for them and issue them an amended assessment.

We will manage most of the process directly with the employee, once you've finalised, or if you do lodge an amendment.

where you have a Lump sum E to report,

Lump sum E

This represents the amount for back payment of certain amounts including a payment of salary or wages that accrued more than 12 months ago



An employer must issue the employee with a letter detailing which amounts relate to which financial years.
Refer to ATO website.



Where an employer makes multiple lump sum E payments for different income sources e.g. Individual Non-Business (INB) and Foreign Employment Income (FEI) a single YTD figure should be reported.

being the amount of back payment that relates to wages that may have accrued 12 months ago, over 12 months ago, so in the previous financial year,

- it does get reported through STP, and
- you will still need to issue the letter to your employee which details which amounts refer to which financial years, so that they can use that for their income tax return when they go visit their tax agent, or if they're in fact lodging their own tax return.

The other thing we wanted to just touch on is that if you make a multiple Lump sum E payment and they actually refer to different income types, so if an employee actually has part-year INBs, or individual non-business income, and then they also have foreign employment income, you would just amalgamate the two together and report it as one Lump sum E figure. We don't have the ability for you to report them as separate Lump sum Es.

Lump sum D.

Lump sum D

This represents the amount of genuine redundancy payment or early retirement scheme payment below the tax-free threshold.



A lump sum D amount should only be reported if the employee has other amounts to be reported for the relevant financial year.



Lump sum D should not be included in the Parent total.

Note: Where an employer makes multiple lump sum D payments for different income sources e.g. Individual Non-Business (INB) and Foreign Employment Income (FEI) a single YTD figure should be reported.

the same rules as payment summaries

Lump sum D, which is the tax free portion of a redundancy or retirement scheme

End.