

# WHAT IS SINGLE TOUCH PAYROLL?

*Single Touch Payroll is a Government initiative that will change the way you report on your payroll to the ATO from 1 July 2019.*

Under Single Touch Payroll (STP), all businesses will report on salary or wages, pay as you go (PAYG) withholding and superannuation directly to the Australian Taxation Office (ATO), electronically, and at the same time as you pay your employees.

This new streamlined reporting to the ATO will make it easier for you to meet your payroll processing obligations.

Single Touch Payroll (STP) was introduced on 1st July 2018 for all businesses with 20 or more employees. The laws to extend the Single Touch Payroll (STP) reporting requirements so they apply to all employers with less than 20 employees has now passed the Senate and will be Law.

**This means STP is set to be rolled out in stages to smaller businesses with less than 20 employees as at 1 July 2019.**

Whilst there are still elements of the STP rollout for smaller businesses that need to be defined by the ATO, what is clear is that you need to be aware of what STP is, and what it will mean for you into the future.



## WHAT DO YOU NEED TO KNOW?

STP will require you to have your payroll transaction data transferred to the ATO each time your employees are paid. This may require you to use a software solution that will transmit the data to and from the ATO on your behalf.

This payroll or reporting system must be STP Compliant, so that each pay cycle you can report the following items to the ATO:

- each employee's name and tax file number (TFN)
- gross amount paid
- tax withheld on the gross
- ordinary time earnings for the period, and
- any superannuation guarantee obligations.

The ATO will then report to you each month or quarter the correct amount of PAYG tax withheld to pay in your activity statement. Also, each quarter there will be

information available regarding your superannuation obligations to either pay the ATO clearing house or your independent provider.

As part of the new regime, the reports and liabilities owing will be available to you in real time. This means that, if you wish, you will be allowed to make payments towards PAYG tax withheld and superannuation contributions in your pay cycle before the due date.

If your accounting system is already automated with reports that can provide the information listed above for every pay cycle, all you need to do is confirm if your product is STP compliant.

If you are using Xero (as most of our clients are) then you can rest assured – Xero is STP compliant!

However, if your system is still manual it is now time to discuss and review your internal processes. The STP regime is mandatory for employers of more than 20 staff from 1 July 2018, and will be mandatory for all employers by 1 July 2019.

The ATO has also just released the following update about STP:

- **Micro employers (1-4 employees)** will have time to transition and your Accountant will be able to report quarterly for you for the first two years.
- **Small employers (5-19 employees)** will be given a grace period of until 30 September 2019 to be submitting live pay data.
- **Deferrals and exceptions are available** for employers experiencing hardship, or in areas with intermittent or no internet connection.
- **Closely held businesses** have been granted a 1 year exception.

Our advice is to become STP ready to avoid any fines or penalties in the future from the ATO. In the event that you need a solution or just want your system reviewed, we are happy to help by advising a suitable cost effective solution.

# KEY QUESTIONS

## WHAT DOES IT MEAN FOR ME AS AN EMPLOYER?

Digital connectivity is becoming a necessary part of running a business in Australia. Instead of typically reporting payment once at the end of a financial year, employers will now be required to send information to the ATO with every pay run.

## DO I STILL NEED TO SUBMIT A BAS?

Yes, businesses still need to submit a BAS. If you've set up the W1 and W2 values in Xero Payroll, they will continue to show up in BAS/ IAS as usual.

## DO FBT, ETP, AND RESC NEED TO BE REPORTED VIA STP?

Yes. ETP (employment termination payments) and RESC (reportable employer super contributions) are reported when you process and file your pay runs. And FBT (fringe benefits tax) is reported when you finalise STP.

## DO I NEED TO ISSUE ANNUAL PAYMENT SUMMARIES TO EMPLOYEES ANYMORE?

Once you start STP, you won't need to produce payment summaries or a payment summary annual report. Instead there's a simple end-of-year process for finalising STP. This process just sends a confirmation that you have fully reported for the financial year and for each of your employees.

## WHAT HAPPENS IF I MAKE A MISTAKE?

If you spot a mistake in a pay run that you've filed with STP, you can still make a correction. You have a few options here depending on the mistake you've found. You can either:

- revert the pay run, make your required changes, post and file, or
- complete an unscheduled pay run and fix the mistake in time for your next pay run.

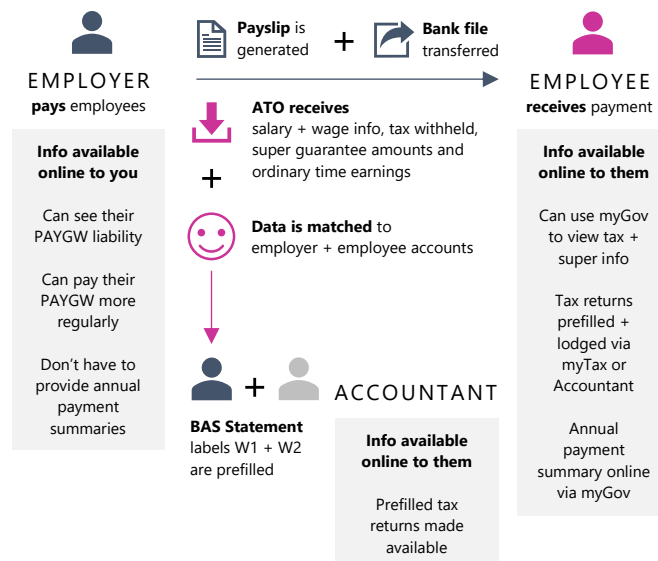
## WILL I NEED TO FILE PART YEAR INFORMATION IF I DON'T START STP AT THE BEGINNING OF THE FINANCIAL YEAR?

No there'll be no need for that. With STP, your accounting software files the financial year to date payroll information, which means that you only have to start filing information from when you opted into STP.

## 3 KEY STEPS TO BE STP READY

1. **Does your payroll software support STP reporting?** If you are unsure, contact us immediately and we can help you review your business accounting and payroll systems.
2. **When do you need to start reporting using STP?** If on 1 April 2018 you had 20 or more employees, STP was mandatory from 1 July 2018. For businesses with 19 or less your deadline for mandatory reporting is 1 July 2019, however you can opt in for it now.
3. **Is your payroll team aware of these new changes, and your employee data up to date and accurate?** You don't want to start using STP with inaccurate employee information – ask your employees to confirm all the personal details you hold on file for them.

## HOW STP WORKS?



## WANT TO KNOW MORE?

For further information or assistance in reviewing your payroll software solutions and processes to ensure you are ready for the 1 July 2019 deadline, please contact our team of experts today!



**a** Suite 97, Level 3  
515 Kent Street  
Sydney NSW 2000  
**p** 02 9267 1688  
**e** [enquiries@gockcpa.com.au](mailto:enquiries@gockcpa.com.au)  
**w** [www.gockcpa.com.au](http://www.gockcpa.com.au)