

NOVEMBER 2017

TAX ALERT: SINGLE TOUCH PAYROLL REPORTING STARTS 1 JULY 2018

What is STP?

Single Touch Payroll (**STP**) is a new reporting regime being introduced by the Australian Tax Office (**ATO**) to provide real time visibility over the accuracy and timeliness of organisations' payroll processes. STP will enable employers to report salary or wages, pay as you go (**PAYG**) withholding and super information directly to the ATO at the same time they pay their employees.

When does STP start?

The new STP reporting regime will commence on 1 July 2018. Organisations with 20 or more employees will be required to start transmitting from 1 July 2018.

Who does it apply to?

It applies to all employers with 20 employees or more based on a headcount as at 1 April 2018. Employers with fewer employees can still report voluntarily, although this is not a requirement.

Organisations will need to count the number of employees on their payroll on 1 April 2018 to find out if they are a "substantial employer", and will need to report through STP from 1 July 2018.

Each organisation needs to include the following employees in their headcount:

- full-time employees;
- casual employees who are on the payroll system on 1 April 2018 and worked any time during March 2018;
- employees based overseas;
- part-time employees;
- seasonal employees (staff who are engaged short term to meet a regular peak workload, eg. harvest workers); and
- any employee absent or on leave.

During the headcount process, an organisation should not include:

- any employees who ceased work before 1 April 2018;
- independent contractors;
- staff provided by a third-party labour hire organisation;
- casual employees who did not work in March 2018;
- company directors; and
- office holders.



What are the main changes under the STP?

When adopting the STP, the main changes are:

- Employers will have to acquire STP-enabled software to comply with their PAYG withholding obligations.
- Ordinary Time Earnings, salary or wages and Pay-As-You-Go ('PAYG') withholding information will be reported in 'real time' when payroll is processed by the employer.
- Superannuation contributions will be reported at the time the contributions are paid. New employees will have the option of completing TFN declarations and Super Choice forms online.
- The STP reports for PAYG withholding will become the approved form for reporting PAYG withholding (currently done on the BAS). A failure to lodge in the approved form may attract an administrative penalty.
- Employers that have reported their PAYG withholding obligations via STPR will have their PAYG withholding prefilled on their BAS.
- Employers will no longer be required to submit an annual PAYG report to the ATO.
- Employers may no longer need to provide payment summaries to employees, as the employees will have access to their payroll information via their myGov account.
- Note that the STP does not change the payment due date for superannuation guarantee, being generally on the 28th day following a financial quarter.

What do Employees need to be aware of?

As the new STP reporting requirements will remove the need for employers to provide employees with an annual payment summary, employees will have to view their annual payment summary online through MyGov. This will require employees to set up an on-line MyGov account, which is an additional administrative obligation for both taxpayers and their tax agents.

The inconvenience aside, it is important for employees to note that once they have established a MyGov account, then all of their tax related information (such as assessments notices etc.) are sent to the MyGov account, rather than sent to them or their tax agent by post.

If the employee has a tax agent, there may be further administrative issue, as their tax agents will now need to obtain any ATO correspondence from their clients, instead of receiving it directly from the ATO, which differs from current practices.

It is recommended that employees, whose employers are changing to a STP system, set up their MyGov account before the change takes place, in order to access to their salary information at year end.

Please do not hesitate to contact your Lowe Lippmann Relationship Partner if you wish to discuss any of these matters further.



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