

Single Touch Payroll is here, is your business ready?

March 2018

Single Touch Payroll will be live on 1 July 2018, and with it comes changes to the way you report information to the Australian Taxation Office (ATO) ...

What is Single Touch Payroll? Single Touch Payroll (STP) is the new mechanism which requires businesses to report employee payroll information to the ATO each time they make a salary or wage payment. Essentially, STP will supplement the current wage and Pay As You Go (PAYG) withholding reporting through the Business Activity Statement (BAS) by prefilling the W1 and W2 labels:

- **W1** Total salary, wages and other payments
- **W2** Amounts withheld from salaries or wages and other payments shown at W1

Who is required to comply? As the legislation currently stands, significant employers (defined as employers with more than 20 employees) at 1 April 2018 will be required to report information to the ATO through Single Touch Payroll from 1 July 2018. If you are not a significant employer there is no requirement to report through STP, however draft legislation currently before parliament will require all employers, regardless of their number of employees, to report through STP from 1 July 2019.

How do I know if I'm a significant employer? Before 1 April 2018 employers need to complete a head count of their employees to determine if they are required to comply with the STP reporting requirements from 1 July 2018. It is important to note that the head count is independent of the Full Time Equivalent (FTE) count for a business.

The following need to be included in the head count:

- Current full time employees
- Current part time employees
- Casual employees who have worked any time during March 2018 (if no time was worked during March 2018 they can be excluded)
- Current employees based overseas
- Seasonal workers
- Any employees on leave or who are absent

Excluded from the head count are:

- Terminated employees
- Independent contractors

- Directors
- Staff provided by a third party labour hire company

What needs to be reported? Each time an employer completes a “payroll event” (that is, pays their employees during their regular pay cycle or makes an out of cycle payment), STP requires them to report the following information directly to the ATO at the time of the event:

- Gross payment, including allowances, completed through payroll
- PAYG withholding
- Salary and wages for Super Guarantee (SG) purposes or ordinary time earnings
- Superannuation amounts paid, distinguishable between SG contributions and payments in excess of SG obligations (for example, salary sacrificed amounts)

Payments to Directors via accounts payable (that is, invoicing) do not need to be reported and neither are payments to independent contractors or labour hire staff.

What else is changing? Importantly, there is no change to the due dates for payments of the reported PAYG withholding or superannuation amounts and there is no requirement for business to change their current pay cycles. However there is a new “finalisation declaration” which needs to be completed by employers by 14 July after the end of each income year (concessions have been provided by the ATO for each of the first two income years in which STP applies). These finalisation declarations are required to be completed for each individual employee and can be amended for up to five years after the relevant income year.

What's next? If you haven't already done so, we encourage you to contact your payroll software provider to ensure that you will be STP compliant. Should you require further advice surrounding STP reporting and how these changes may affect you, please contact one of our Fordham Partners for a confidential discussion.



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