



THE TAX INSTITUTE

CORPORATE TAX MASTERCLASS

Single touch payroll

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Written by:

John Shepherd
Assistant Commissioner
Single Touch Payroll
Australian Taxation Office

Presented by:

John Shepherd
Assistant Commissioner
Australian Taxation Office

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1 Single Touch Payroll – Streamlined business reporting

Single Touch Payroll builds on the government’s Digital Transformation Agenda to drive innovation and make it easier for individuals and business to access government services.

Over time, our clients will be able to interact with the ATO through digital end-to-end services and products that are streamlined and easy to access, understand and use.

For employers with 20 or more employees, Single Touch Payroll reporting starts from 1 July 2018. The first year will be a transition, and penalties will not apply. Employers will report payments such as salaries and wages, pay as you go (PAYG) withholding and super information to the ATO directly from their payroll solution at the same time they pay their employees.

The Australian Government has announced it will expand Single Touch Payroll to include smaller employers with 19 or less employees from 1 July 2019, subject to legislation being passed in parliament.

2 The Law for Single Touch Payroll

Single Touch Payroll was legislated on 16 September 2016, forming part of the Budget Savings (Omnibus) Act 2016

Substantial employers' with 20 or more employees will be required to report using Single Touch Payroll from 1 July 2018. Once an entity is classed as a substantial employer they will continue to be required to report under STP regardless of whether the entity's number of employees falls below the 20 employee threshold.

Employee for substantial employer test: Employees within the ordinary (common law) meaning of 'employee'. Does NOT include MPs, religious practitioners, company directors, contractors.

- The number of employees is defined by a head count on 1st April 2018 (or a later year where an assessment hasn't been undertaken in a prior year).
- If the head count on this date is 20 or more, then the employer is deemed a 'substantial employer' and must report under STP (in for life). These employers must still report under STP if the number of employees falls below 20.

3 What is required to be reported?

1. Payments to employees and amounts withheld
 - Payments for work and services
 - Payments for retirement or termination of employment
 - Benefit and compensation payments.
2. Payments of salary or wages and OTE
 - Extended definition of 'employee' (no contractors)
 - Commissioner will accept amounts of SG contributions you are liable to make as required on payslips.
3. SG contributions paid for employees
 - Superannuation contributions will be reported by the funds when they are allocated to a member's account.

Payment of PAYG withholding is not required at the same time as reporting, however an entity may make voluntary payments at the time of reporting if they choose.

4 How does it work?

Single Touch Payroll is a streamlined way of reporting payroll information to the ATO. When an employer pays their employees through their own payroll process, they will be sending us their tax and super information at the same time.

This will align an employer's reporting obligations to their normal pay cycle. In other words, employers will be interacting with the ATO at the point where they pay their employees. This will be through their accounting or payroll software, or an alternate business management solution. The majority of software developers are building updates into their payroll products to deliver Single Touch Payroll reporting.

When the ATO receives the payroll information, they'll match that to employer records, as well as their employees' records. The employer will not need to provide employees with a payment summary if they have reported their information through Single Touch Payroll. The ATO will provide that to employees through myGov and continue to provide this information in tax returns through pre-fill.

The Government recently announced that Super Funds will be required to provide the contribution transaction data to the ATO (rather than it being the employer's obligation).

The ATO has worked with the super industry to redesign large super fund reporting. This initiative is known as the *APRA fund superannuation reporting transformation*.

The data coming from the Fund will be called the MATS (Member Account Transaction Service), so the reference to "Contribution Transaction Report will be renamed "Member Account Transaction Service" and come from the fund rather the employer.

The initiative includes the requirement for super funds to report to the ATO more regularly, known as event-based reporting.

Initially, the Single Touch Payroll design required employers to report to the ATO both when they accrued a super guarantee payment obligation, and when that payment was made to the super fund. However, it was widely agreed by industry and government that super funds should report the payment of the contribution to the ATO, not employers. This will create visibility of non-payment or late payment of super entitlements and enable the ATO to take prompt action.

Greater visibility means early intervention and support for employers struggling to meet obligations.

5 Timeline

From 1 July 2017 – a limited release of Single Touch Payroll began for a small number of employers. These employers will be able to report payroll information through a Single Touch Payroll-enabled solution. Single Touch Payroll will operate with limited functionality for this select group.

October 2017 the ATO will be writing to substantial employers to advise them of their reporting obligations. We will write to all employers who we know have more than 15 employees – the letter will be tailored to employer size. Smaller employers (15-30 employees) will be encouraged to do their headcount on 1 April.

October 2017 the ATO will be publishing employer information as web content to ato.gov. This guide will be the detailed instructions and scenarios employers need to follow.

From October 2017 – myGov and updated payroll event functionality will be available. Payroll solution providers will be able to start releasing Single Touch Payroll products over time. They will most likely stagger their releases and will let their clients know as solutions become available. Once available, employers can choose to start reporting through Single Touch Payroll early.

March 2018 – Additional Functionality

Employee commencement – solution currently being designed.

On 1 April 2018 – employees will need to do their headcount. If employers have 20 or more employees on this date, they will need to start reporting through STP on 1 July 2018.

A tool to help employers do their headcount will be available on ato.gov.

From 1 July 2018 – Single Touch Payroll reporting will be mandatory for employers with 20 or more employees.

From 1 July 2019 Employers with 19 or fewer employees will be required to start reporting under Single Touch Payroll (subject to legislation being passed). This will make the distinction about whether a business is above or below the 19 employee threshold of less significance as, from 1 July 2019, all employers must report using Single Touch Payroll irrespective of size.

6 The compliance approach

Single Touch Payroll (STP) introduces significant changes to the client experience for employers and employees through digital, event based reporting and the increased currency and transparency of payroll data.

6.1 What's different in STP?

- The number of reporting events will increase to over 25 million per year. This is not just 'more data', but more client interactions occurring near real-time with the pay event.
- A real opportunity with the transparency of pay event data to start bridging the compliance gap and achieving a level playing field.
- Shifting the ATO's administrative approaches toward tailored early intervention and treatment strategies.
- We expect to be able to provide employers with pro-active, and at times, predictive help and support. For example, where we see a pattern of late lodgements emerging, we will be able to target a reminder to an employer a few days prior to their next reporting due date.
- Where we see repeated errors in payroll reporting, for example incorrect SG calculations, we will be able to pick these up early and provide prompts to an employer about fixing this.
- We will build a profile for each employer of their reporting, payment and engagement history which will allow us to tailor treatments based on this behavioural pattern.
- And of course, tax agents and other accounting service providers will play an important part in this new world. We will share communications and treatment actions with authorised intermediaries on the same basis as we will with employers. Tax practitioners will be in a position to advise and help their clients get it right on STP reporting, correcting and making adjustments in future payroll periods if needed and calling out for help or support if circumstances require it.

7 Who is impacted by Single Touch Payroll?

7.1 Employers with 20 or more employees (compulsory)

- Employers with 20 or more employees will need to transition to Single Touch Payroll from 1 July 2018.
- As updated payroll solutions become available, like accounting software, business management solutions or payroll software, employers and payroll service providers will be able to transition to Single Touch Payroll.
- To determine if they are required to report through Single Touch Payroll, employers will need to undertake a headcount of their employees on 1 April 2018.
- Those with 20 or more employees on that date will become part of the mandated group.

7.2 Solution providers and service providers

- Solution providers and service providers are a critical partner in the success of Single Touch Payroll. As they build Single Touch Payroll enabled solutions, their clients will be able to transition to Single Touch Payroll reporting.

7.3 Tax agents and BAS agents

- Tax and BAS agents that report payroll and super information to the ATO on behalf of clients with 20 or more employees should support those clients to report through Single Touch Payroll from 1 July 2018.

7.4 Employees

- Employees will be able to see more of their tax and super information online as their employer transitions to reporting to the ATO through Single Touch Payroll.

8 What you can do now to get ready

- Do a headcount of the employees you have on 1 April 2018
- Update your payroll solution when it's ready
- Start reporting through Single Touch Payroll when your solution is ready.

9 What is next?

The ATO is working closely with industry partners including software providers – to make sure the move to Single Touch Payroll reporting is a smooth one for employers.

We will be writing to employers to let them know about their reporting obligations so they can start getting ready for Single Touch Payroll.

We will continue to provide information to help employers understand what they need to do to get ready for Single Touch Payroll reporting.

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