

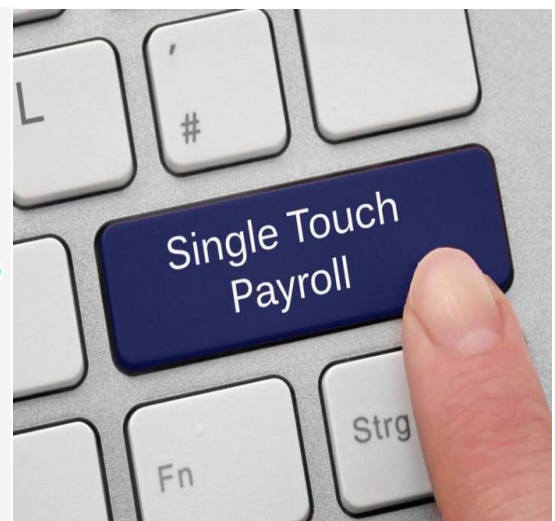
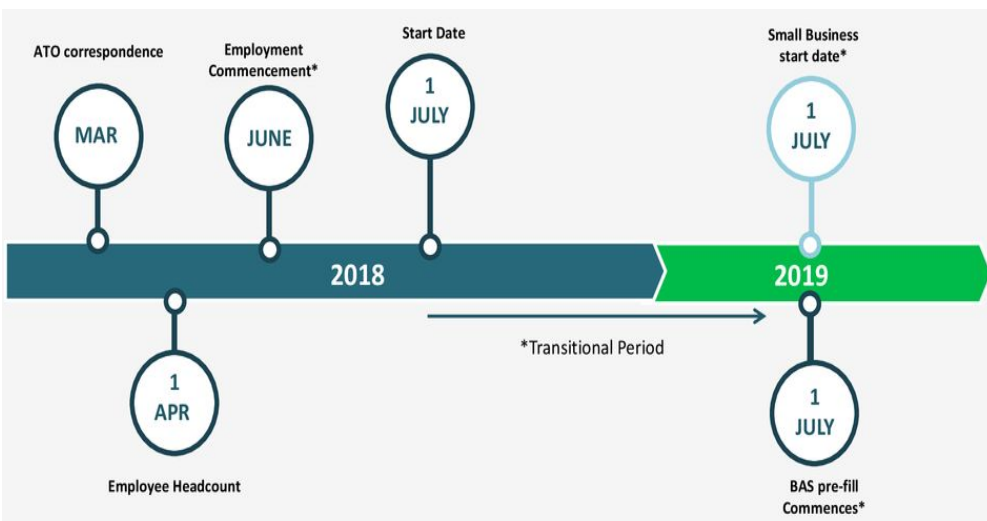
# MARCH 2019

## NEWSLETTER

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## Single Touch Payroll (STP)



### SOME THINGS WILL CHANGE, SOME WILL STAY THE SAME

One of the major upcoming reporting changes for small businesses will be the introduction of single touch payroll reporting. To help prepare you for the changes, we have compiled a list of frequently asked questions to inform you of what things will and won't change.

#### What is it?

Single touch payroll (abbreviated to STP) is a system of **reporting** payment of salaries and wages, PAYG tax withheld and superannuation to the Australian Taxation Office. At present, wages and PAYG information is included at labels W1 and W2 in the quarterly BAS. STP will change this because the aim is to submit this information to the ATO after each payroll (eg. weekly, fortnightly or monthly). Eventually, this information will be pre-filled on the quarterly BAS form, hence the term "single touch." Moreover, in the future the intention is that employers will no longer be required to issue group certificates/PAYG payment summaries to their employees at the end of the financial year as the ATO will already have the required information.

#### When is it being introduced?

STP has already begun for employers with more than 19 employees. However, small business employers will be required to commence STP on **1 July 2019**. The ATO has recently announced that a "grace period" will be granted for small businesses, allowing them up to an extra three months to commence STP reporting.

#### Why is it being introduced?

STP is a form of standard business reporting that enables the ATO to receive payroll information in "real time." The increased digitalisation of reporting and use of myGov accounts means that more information (including wages and tax withheld) is available to employees and more communication is being made to individual taxpayers through this online technology.

The inclusion of employer superannuation guarantee information as part of STP will also enable the ATO to perform data-matching. The ATO will be able to compare the employer STP reports with the information it receives from super funds to ensure that employees are receiving the correct amount of super contribution (the current minimum is 9.5% for most employees) to their super fund.

## Who will need to use it?

Any business that has employees and pays wages will be required to use STP, although for micro employers (see below), the ATO is trying to make the change as simple as possible. Businesses will continue to pay their employees according to their current payroll cycle (eg. weekly, fortnightly, monthly).

## Micro employers

Businesses that employ 1-4 staff are classified as 'micro employers.' The ATO is looking into providing a simpler process for micro employers to adopt STP. One option will be to initially report payroll information quarterly on your BAS.

## How does it work in practice?

Many small businesses use accounting software programs such as MYOB Account Right or Essentials, Xero, QuickBooks, Phoenix, etc. that include a payroll function. These software programs often generate a pay slip that is able to be sent to the employees by hard copy or email and can be integrated with the employer's bank account to enable the wages to be paid via electronic funds transfer to each employee's nominated bank account/s. STP-enabled software will build upon this function to submit the payroll information to the ATO at the same time. Please remember that employers already are required to give their employees a pay slip.

Small businesses that currently do not use payroll software will still be able to make their payments to employees in the same way as they currently do (cheque, funds transfer, etc.). However, they will need to submit the information on gross wages, any deductions, PAYG withheld and superannuation guarantee to the ATO upon each pay day, which is referred to as a "pay event" by the ATO.

## Be STP ready!

The ATO has indicated that it will be making contact with employers that use payroll software programs in the lead up to 1 July this year to encourage them to commence using STP.

The ATO website lists a number of low-cost (less than \$10 per month) providers of STP payroll solutions for such employers. If you are currently using a computerised accounting program, please speak with your software provider to check if and when they will be STP-ready.

If you do not currently use computerised payroll software, please contact us to discuss your options. The ATO has indicated that exemptions will be available to businesses that either have no internet or an unreliable connection. As this is a new system, we are expecting the ATO to provide guidance and support in the coming months as the implementation gets underway.

## The spotlight is now on the timely payment of super contributions

Don't forget that the compulsory 9.5% employer superannuation contribution needs to be paid within the required timeframe (being 28 days after the end of each BAS quarter) to avoid penalties. We anticipate that with the increased amount of data being electronically reported to the ATO, there may be increased scrutiny and penalties for late payments by employers.

For further information regarding STP and to keep abreast of current developments, please refer to: [ato.gov.au/stp](https://ato.gov.au/stp)

## The STP process

