

Single Touch Payroll - Are you compliant?

Legislation was passed on 12 February 2019 that requires businesses with less than 20 employees to commence Single Touch Payroll (STP) reporting from 1 July 2019. Businesses with 20 or more employees were required to commence reporting from 1 July 2018 unless an exemption or deferral was obtained.

We have seen a number of small businesses proactively commence with STP early, with initial feedback being very positive following the transition.

According to the ATO there are approximately 750,000 small businesses across Australia with 3.8 million employees. Microbusinesses with 4 or less employees account for 60% of this sector. Software provider Xero has estimated that 1 in 5 businesses in Australia still use pen and paper for payroll record keeping purposes. This poses potential risk for these businesses in migrating historical or back of the envelope data if it exists at all.

So why the change to Single Touch Payroll for small business?

The reason for change stems from current problems that exist within the payroll reporting framework. The Federal Government, as part of their review into non-compliance within the superannuation guarantee system, identified three main areas that needed to be addressed:

- High compliance costs and regulatory burden
- PAYG Withholding and SG non-compliance
- Inefficient Government service delivery

High compliance costs and regulatory burden

Under current law, a small business has multiple compliance obligations that contribute to high compliance costs and regulatory burden. As a small business owner, you will undoubtedly have this experience. A simple example of this is the payment of weekly wages in early January. That one payment results in the following obligations:

- A payslip is to be generated and provided to the employee at the time of their net salary being paid
- PAYGW to be reported and paid via an IAS or BAS either by 21 February, 28 April or 28 May, depending on how you lodge the BAS (electronic or paper)
- Superannuation guarantee attributable to that salary will be required to be paid by 28 April of that year
- The wage will be required to be included on an end of year Payment Summary that is to be provided to the employee by 14 July of that year
- That end of year Payment Summary is to be incorporated into end of year Payment Summary Annual Report which the Employer needs to provide to the ATO by 14 August

The above excludes other employee reporting obligations such as Workers Compensation and

Payroll Tax.

PAYG Withholding and SG non-compliance

There are some well-known drawbacks that result from the mismatch in timing of making a net salary payment and ultimately the payment of PAYGW and Superannuation Guarantee. These include:

- Unnecessary reconciliations by the employer
- Cash flow management difficulties resulting in employers “dipping” into super and PAYGW to settle other liabilities
- Unfair playing field between compliant and non-compliant small business
- Loss of retirement savings for employees
- Future cost to government to support aged pension for these affected employees
- Little visibility for employees to monitor payments of SG

Often the delay between the non-compliant activity of an employer and recovery action sought by the ATO is well in excess of 12 months. With employees having little visibility of when superannuation payments are made and the ATO’s inability to actively monitor compliance in real time, often non-compliant employers are insolvent by the time an employee makes a complaint or the ATO catches up with them. More often than not there is little to no opportunity to recover these unpaid amounts which ultimately places pressure on future Government spending.

Inefficient Government service delivery

The Federal Government is clearly aware that they need to improve and can improve on their service delivery. In the “Digital Australia - State of the Nation 2014” report, the government ranked as the worst business sector in terms of digital sector experience. Clearly there is a better way in which to improve both employer and individual’s experiences when interacting with the ATO.

Benefits of STP to small business

STP has undergone a rigorous consultation process over the course of the last three years in order to ensure it aligns with the natural business systems of an employer. The primary aim being to work with business in order to not create additional compliance. The benefits of STP are anticipated to be far reaching, including:

- Help employers streamline their reporting process to the ATO
- This information will be used to pre-populate the wage and PAYGW sections of the BAS which will eliminate potential errors and double handling
- Eliminates the need for payment summary processing and end of year reporting obligations
- Employees will now have real time access to payroll data via their MyGov account
- Allows the ATO to proactively monitor payments of PAYG and superannuation guarantee earlier and notify employees of non-compliance - complying employers will feel like they are now operating on a level playing field.

The Risk to Small Business

From an Employer's perspective the major risk is around the accuracy of salary calculations, utilising technology that they previously were not familiar with and the damage to brand for non-compliance. The ATO will now have immediate information regarding PAYGW and superannuation and can act accordingly should they see discrepancies. This can also be compounded by incorrect reporting of payroll tax and workers compensation amounts which may result in an investigation by the relevant governing bodies. We expect government authorities will only continue to improve their information sharing capabilities as further real-time data becomes available.

Fair Work has already taken action and handed down significant fines for businesses and owners that have been found not to be processing salary and superannuation payments correctly. Even minor breaches can result in significant financial cost to the business once on-costs such as payroll tax, workers compensation and the potential for fines and penalties are applied to both the employer and director.

Next Steps

Be proactive in preparing for STP. If you are processing your payroll in-house, ensure your software is up to date and STP compliant. Alternatively consider what other options are available to you. A good digital payroll solution will not only be STP compliant but will provide other tools such as employee self-service, time and attendance functionality and allow for award interpretation that can be built into the software.

Outsourcing your payroll function can also be a relatively inexpensive option. It provides you with the added comfort of knowing the payroll is compliant, processed by a payroll professional who can also provide advice in relation to various employee related matters. They will use the latest in technology to provide the benefits previously mentioned and provide an overall better experience for your employees

If you have any questions relating to the introduction of STP, please contact your Crowe Horwath business adviser.

For more information, view our STP factsheet [here](#).

About Crowe Horwath Payroll

Crowe Horwath can provide a fully managed outsourced payroll service utilising the latest in payroll technology - fully STP compliant and able to process payrolls from 1 to 5,000 employees. We have a dedicated team of payroll professionals who are specialists in the field and are constantly kept up to date with changes in legislation to ensure that your business is fully compliant.