Australian Government

Australian Taxation Office

Single Touch Payroll (STP) Update

ABSIA Forum – 7th September 2016

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Overview

- What's in scope?
- STP benefits
- Legislation update
- STP design
- Superannuation design
- Consultation
- Small business pilot

Scope

Businesses and employers will be able to…

> report salary or wages and PAYG withholding, and superannuation amounts to the ATO when they pay employees

> report super contributions to the ATO when they pay super funds.

Options:

> more frequent PAYGW payments

> streamlined process for individuals commencing employment.

Employees   Banks   Super funds
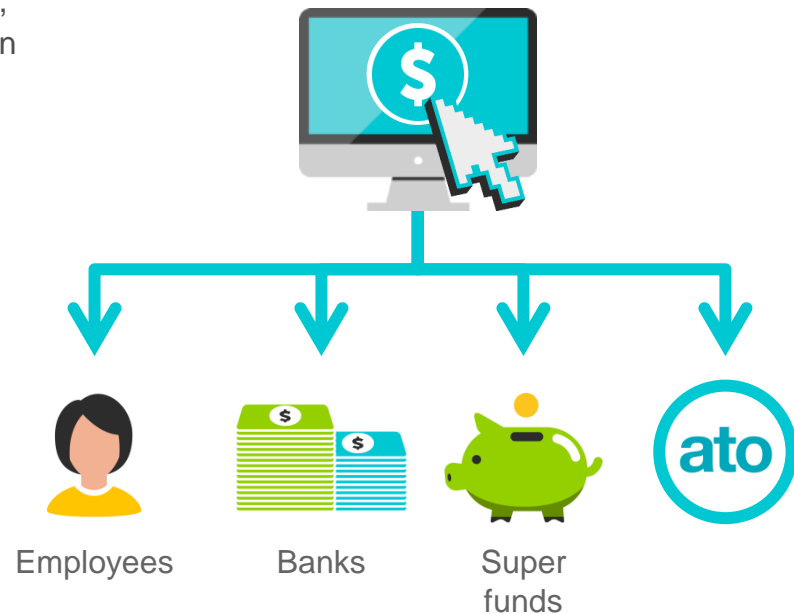
Single Touch Payroll (STP) timeline (indicative)

✅ From December 2016 integrated testing progressively available

✅ From April 2017 early adopter assurance testing

✅ From July 2017 STP available for employers with a certified STP solution to report on payroll event. In addition commencement of new employee functionality will be available (complete TFN declaration and SuperChoice forms via ATO online services)

✅ July 2018 Employers with 20 or more employees required to use STP (subject to successful passage of legislation)

✅ Late 2016/early 2017 non-production pilot will seek to explore and confirm benefits of STP for those employers with 19 or less employees.

What benefits does STP aim to achieve?

✓ Providing employees with *visibility* of their total year to date salary or wage income, PAYG withholding amounts and progressive tax position

✓ STP will enable employers and employees to be more assured that all eligible businesses are meeting their obligations. With earlier warning, the ATO can *better assist* employers struggling to meet their PAYG withholding and super obligations

✓ To *simplify* business reporting for employers by leveraging the natural business processes of paying their employees, to meet their PAYG withholding reporting obligation at the same time and remove end of year payment summary reporting

✓ *Streamlining* of employee commencement processes in relation to forms such as TFN declarations and Super Choice, making it more efficient for some employers and easier for employees to meet requirements through pre-fill in ATO online services or through their business management software

✓ The pilot will seek to *explore* and confirm the *benefits* of STP for those employers with 19 or less employees.

Legislation update

STP legislation and draft ATO guidance

STP legislation was introduced in the House of Representatives on 31 August 2016 as part of the Budget Savings (Omnibus) Bill 2016

http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r5707

At the same time, the ATO released a draft administrative guidance paper on ato.gov.au

https://www.ato.gov.au/General/Consultation/What-we-are-consulting-about/Papers-for-comment/Single-Touch-Payroll--ATO-consultation-paper/

Key features of the legislation and guidance

Who will be required to report under STP?
➢ Substantial employers: 20+ employees

How does an entity determine whether they are a substantial employer?
➢ Number of employees is 20 or more on 1 April, based on headcount

Will an entity still be required to report under STP if its number of employees fall below the 20 employee threshold?
➢ Yes, unless exempted by the Commissioner upon request.

Key features (continued)

Will there be exemptions?
➢ Exemptions may be granted based on the employers' circumstances

Can corrections be made to an STP report?
➢ A grace period will be provided for corrections

Will there be penalties for not using STP?
➢ A 12 month transitional period will provide an exemption from penalties, subject to conditions

Can employers with less than 20 employees adopt STP reporting?
➢ Yes. Any employer can voluntarily report from 1 July 2017.

Is there a requirement to pay PAYGW at the time of reporting?
No, however an employer may make voluntary payments at the time of reporting if they choose.
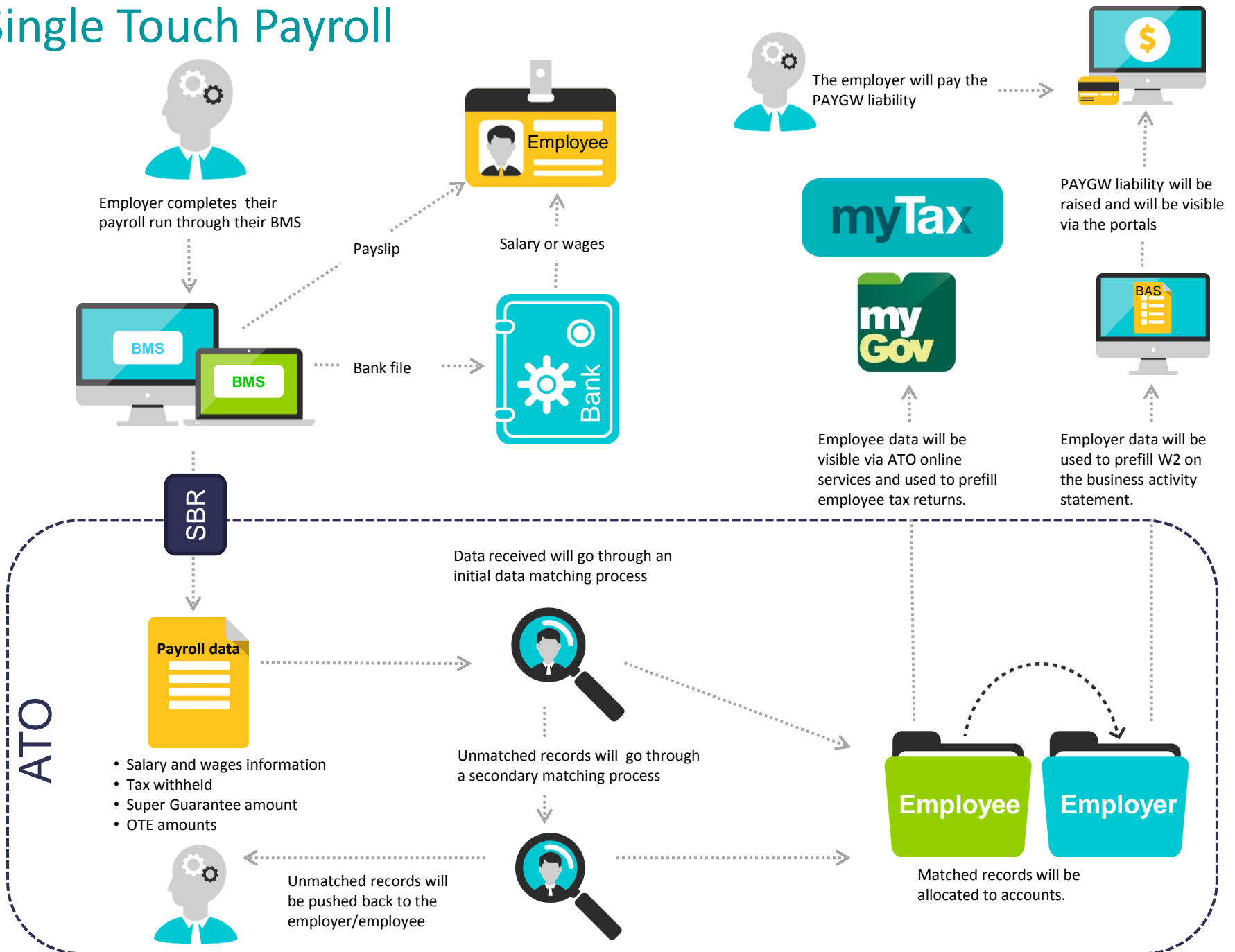
Key features (continued)

What obligations are removed?

➤ Employers no longer need to generate payment summaries for their employees

➤ Businesses no longer are required to generate annual payment summary reports

➤ Prefill will be available on the business activity statement for PAYG withholding label (W2)

STP design – payroll event

Single Touch Payroll

Employer completes their payroll run through their BMS

BMS

BMS

Payslip

Employee

Salary or wages

Bank file

Bank

The employer will pay the PAYGW liability

PAYGW liability will be raised and will be visible via the portals

myTax

myGov

BAS

Employee data will be visible via ATO online services and used to prefill employee tax returns.

Employer data will be used to prefill W2 on the business activity statement.

SBR

ATO

Data received will go through an initial data matching process

Payroll data

- Salary and wages information
- Tax withheld
- Super Guarantee amount
- OTE amounts

Unmatched records will go through a secondary matching process

Unmatched records will be pushed back to the employer/employee

Employee

Employer

Matched records will be allocated to accounts.

Superannuation design

Design principles

We embed the change in natural systems associated with the payroll event and existing business processes

Will not impact how super obligations are currently met, including payment dates

Enables leveraging of existing SuperStream implementations

Reporting of Superannuation Contributions

Employer pays employees; payroll information automatically sent to ATO

Super contribution paid to fund; information sent to ATO at the same time

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

STP Superannuation reporting design

Employer pays employees; payroll information automatically sent to ATO including Super Guarantee amount

Super contribution reported to the ATO via SuperStream

The ATO match and analyse the two reports

Consultation

Single Touch Payroll Consultation

The ATO's consultative arrangements and relationships to support Single Touch Payroll

For more information contact: SingleTouchPayroll@ato.gov.au

Strategic

Single Touch Payroll Advisory Group (STPAG)

Small Business Pilot Group

Tactical

| Design | Technical | Change mgt readiness | Others as required | Pilot Design | Pilot others |

ATO technical working group

STP Stakeholder Register

Informative

STP Engagement Forum

SuperStream Business Engagement Forum

Consultative bodies (indicative dates)
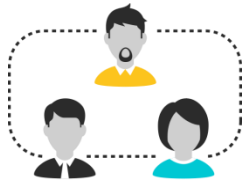
Co-design enables us to partner with a broad cross-section of industry to ensure a holistic approach to the process

Collaboration ensures transparency and the right expertise and experience to lead us to the right outcomes for industry

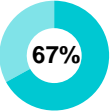*Consultation* remains a key focus throughout the STP journey

6/9 design working group*

29/9 STPAG meeting

design working group*

21/10 data req's for commencement of new employee (TBC)

26/10 STPAG meeting

design working group*

16/11 STP Engagement Forum

29/11 STPAG meeting

2016

Law consultation paper open for feedback

R2 of payroll data requirements open for feedback

ATO paper based users pilot

Registration of solution provider interest

September   **October**   **November**

*Further working group dates are yet to be confirmed. Meetings are to be held as required.

Small business pilot

The small business segment

1-4 employees

67%

- Represents 29% of employees within the small business population
- This employer group is more likely to use manual lodgment options or a tax/BAS agent to meet obligations.
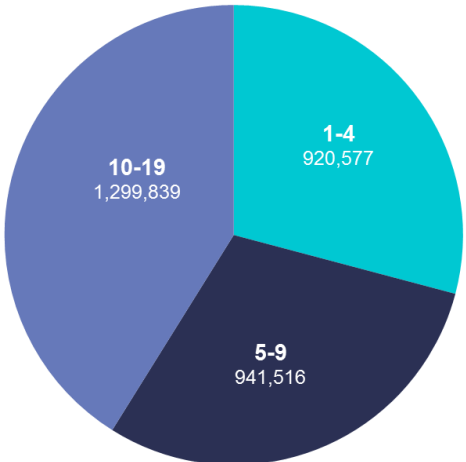
5-9 employees

20%

- Represents 30% of employees within the small business population
- More likely to use software or payroll provider with clearing house to complete payroll and payment obligations.

10-19 employees

13%

- Represents 41% of employees within the small business population
- More likely to use software to complete payroll and payment obligations.

Employer size range	Number of employers	Number of employees
1-4	472,226	920,577
5-9	142,383	941,516
10-19	96,179	1,299,839
Total	**710, 788**	**3,161,932**

Pie chart:
- 10-19: 1,299,839
- 1-4: 920,577
- 5-9: 941,516

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Participants and pilot phases

	Paper	Software		*Tax Practitioner		Payroll Provider	Other (TBD)	
		Business Management Software	Payroll	Practitioners	Clients		Solution provider?	Govt. service?
① ATO Pilot Phase 1 - Commencing September 2016 will be run in ATO and DHS Co-Design Centres in Adelaide, Brisbane and Melbourne using STP prototype	✓	X	X	X	✓	X	X	X
② Solution Provider Pilot Phase 2 – anticipated late 2016 / early 2017. Participants will test STP prototypes provided by solutions providers	✓	✓	✓	✓	✓	✓	✓	✓
③ Tax Practitioner Pilot Phase 3 - Tax practitioners will provide services to clients using an STP solution	✓	✓	✓	✓	✓	✓	X	X

* Tax practitioners participation in the pilot can be both as a small business using STP and on behalf of their clients (ie. as a provider of lodgment and tax services).

Focus areas
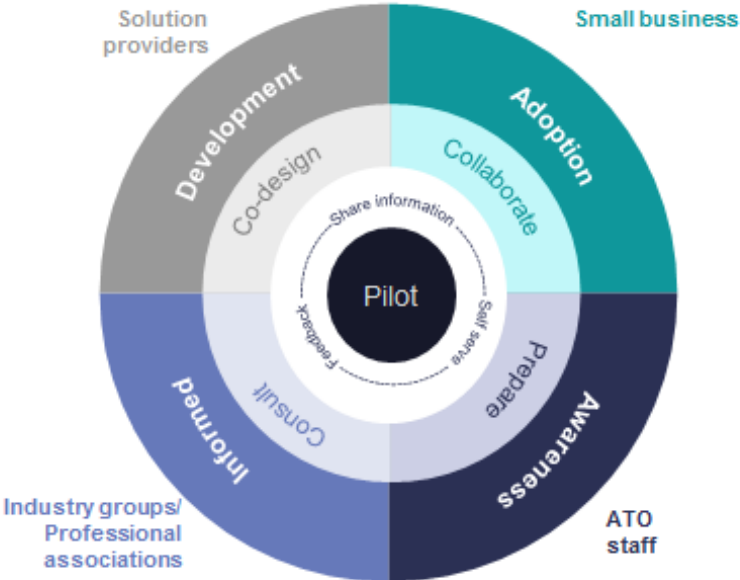
What's next?

- Registration of interest to participate in pilot
- Discussions with ATO to determine agreements
- Co-author communications to clients
- Strategies
- Small business demographics
- Insights