How does Single Touch Payroll work for you?

Presented by:
Michael Karavas, Single Touch Payroll Design Lead, Australian Taxation Office
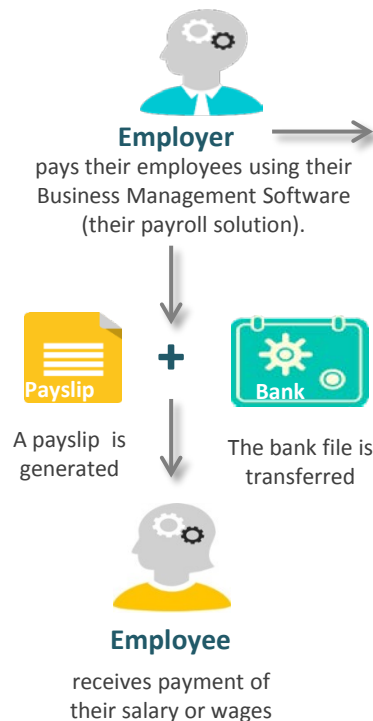**Matthew Addison**, Executive Director, Institute of Certified Bookkeepers
16 November 2017

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› Out of cycle payments

› Fixes

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How will Single Touch Payroll work?

1. Employer pays employees

Employer
pays their employees using their Business Management Software (their payroll solution).

Payslip + **Bank**

A payslip is generated

The bank file is transferred

Employee
receives payment of their salary or wages

> * Employees' tax and super information is sent to the ATO through *Standard Business Reporting 2* (SBR2) – a standard way of reporting information.

> * Employers do not need to report Superannuation Guarantee payments through their Single Touch Payroll enabled software

2. ATO receives information

Information received includes
- Salary or wages information
- Tax withheld
- Super liability amounts or Ordinary time earnings.

When the ATO receives the information it is matched to the right employer/employee account.

Employer and tax practitioner
Small & Medium withholders:
(W1 and W2) labels on the Business Activity Statement (BAS) are prefilled
Large withholders: W1 BAS label be removed as of September 2017

3. Information available online

Employer
- ✓ Can see their PAYG withholding liability through the portals.
- ✓ Can pay their PAYG withholding liability more regularly.
- ✓ Will not have to provide employees with end-of-year payment summary.

Employee
- ✓ This information will be pre-filled into their tax returns and lodged through myTax, or a tax practitioner
- ✓ May use myGov to log into ATO online services and view their tax and super information
- ✓ End-of-year payment summary will be available online through myGov

Tax practitioner
- ✓ Prefilled income tax returns will be available through SBR2 and the Practitioner Lodgement Service (PLS).

What do employers report under STP?

Current transaction

Payment Summary

Payroll event

> Employer information
> Employee information
> Payment information
> TFN Declaration information

TFN Declaration

STP Payroll service

Employer	W1 W2	Employee	Payment Summary	Super Guarantee	TFN Declaration	Fin.

Reuse of information

Employers/Intermediaries

PAYG tax withheld

Total salary, wages and other payments	W1	1 2 3 4 5 6 7 8 9 .00
Amount withheld from payments shown at W1	W2	1 2 3 4 5 6 7 8 9 .00

> Prefilled W1 and W2 on the activity statement for Small and Medium Withholders
> Large withholders will not be required to fill out W1 when they report under STP

Employees/Intermediaries

Prefilled income tax returns in myTax for self preparers

Prefilled income tax returns via SBR/PLS for tax agents.

Regular Reporting - A time line

Current transaction

Payment Summary

Payroll event

> Employer information
> Employee information
> Payment information
> TFN Declaration information

TFN Declaration

STP Payroll service

Employer	W1 W2	Employee	Payment Summary	Super Guarantee	TFN Declaration	Fin.

Reuse of information

Employers/Intermediaries

PAYG tax withheld

Total salary, wages and other payments — W1 — 1 2 3 4 5 6 7 8 9 .00

Amount withheld from payments shown at W1 — W2 — 1 2 3 4 5 6 7 8 9 .00

> Prefilled W1 and W2 on the activity statement for Small and Medium Withholders
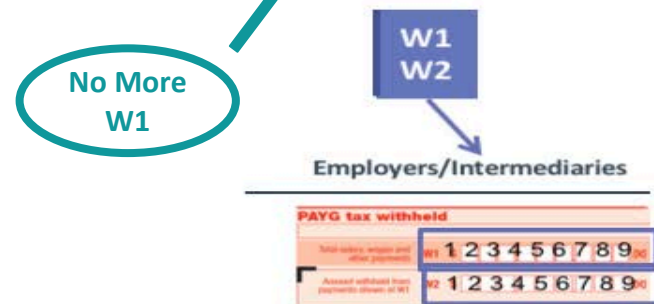> Large withholders will not be required to fill out W1 when they report under STP

Employees/Intermediaries

Prefilled income tax returns in myTax for self preparers

Prefilled income tax returns via SBR/PLS for tax agents.

Regular Reporting - A time line

Employer

TFN Declaration

Payroll event

> Employer information
> Employee information
> Payment information
> TFN Declaration information

Payment Summary

STP Enabled TFN / Withholding Dec.

Each Payrun PayEvent Submit

Hire (option) **Pay Event/s** **End of Year**

No More W1

W1
W2

Employers/Intermediaries

PAYG tax withheld

W1 1 2 3 4 5 6 7 8 9
W2 1 2 3 4 5 6 7 8 9

> Prefilled W1 and W2 on the activity statement for Small and Medium Withholders
> Large withholders will not be required to fill out W1 when they report under STP

Pay Event

An employer:

Must report all payments to the employee on or before the date of payment.

Report using pay event - submit

Employee Level (Child)
- Reportable gross wages / allowances / Deductions
- Tax Withheld
- Super Accrued
Year to Date values

Employer Level (Parent)
- Reportable gross wages
- Tax Withheld
The total amounts for the period

Pay Event

EMPLOYER LEVEL INFO   ($ 000's)

Week 1 amounts
Wages & Tax
$100 $10

Week 2 amounts
Wages & Tax
$150 $18

Week 3 amounts
Wages & Tax
$130 $15

Week 4 amounts
Wages & Tax
$110 $11

Wk 1 YTD values:
Gross Wages $ 100
Tax Withheld $ 10
Super Accrue $ 9

Wk 2 YTD values:
Gross Wages $ 250
Tax Withheld $ 28
Super Accrue $ 22

Wk 3 YTD values:
Gross Wages $ 380
Tax Withheld $ 43
Super Accrue $ 39

Wk 4 YTD values:
Gross Wages $ 490
Tax Withheld $ 54
Super Accrue $ 49

EMPLOYEE LEVEL INFO

Out of cycle payment

An employer:

Must report all payments to the employee on or before the date of payment.

May report using payroll event

Report in the next pay cycle

Pay event - Out of cycle

EMPLOYER LEVEL INFO   ($ 000's)

Out of Cycle Bonus
(the amounts)
Wages & Tax
$300 $40

Week 1 amounts
Wages & Tax
$100 $10

Week 2 amounts
Wages & Tax
$150 $18

Week 3 amounts
Wages & Tax
$130 $15

Week 4 amounts
Wages & Tax
$110 $11

Wk 1 YTD values:
Gross Wages $ 100
Tax Withheld $ 10
Super Accrue $ 9

Wk 2 YTD values:
Gross Wages $ 250
Tax Withheld $ 28
Super Accrue $ 22

Wk 3 YTD values:
Gross Wages $ 380
Tax Withheld $ 43
Super Accrue $ 39

Wk 4 YTD values:
Gross Wages $ 490
Tax Withheld $ 54
Super Accrue $ 49

EMPLOYEE LEVEL INFO

Pay event - Out of cycle

Out of Cycle Bonus
(the amounts)
Wages & Tax
$300 $40

EMPLOYER LEVEL INFO   ($ 000's)

Week 1 amounts
Wages & Tax
$100 $10

Week 2 amounts
Wages & Tax
$150 $18

Week [3] amounts
Wages & Tax
$130

Reporting Option 1:
Standalone Pay Event (do it now)

Employer Level
    Wages & Tax
    $300 $40

Employee Level (YTD)
    Gross Wage $550
    Tax $ 68
    Super $ 22

Wk 1 YTD values:
Gross Wages $ 100
Tax Withheld $ 10
Super Accrue $ 9

Wk 2 YTD values:
Gross Wages $ 250
Tax Withheld $ 28
Super Accrue $ 22

Wk 3 Y[TD]
Gross [Wages]
Tax Wi[thheld]
Super [Accrue]

EMPLOYEE LEVEL INFO

Pay event - Out of cycle

EMPLOYER LEVEL INFO   ($ 000's)

Out of Cycle Bonus A
(the amounts)
Wages & Tax
$300 $40

Week 1 amounts
Wages & Tax
$100 $10

Week 2 amounts
Wages & Tax
$150 $18

Week   s
Wages
$480

Reporting Option 2:

Next normal Pay Event
(hold it over)

Wk 1 YTD values:
Gross Wages A $ 100
Tax Withheld A $ 10
Super Accrue A $ 9

Wk 2 YTD values:
Gross Wages A $ 250
Tax Withheld A $ 28
Super Accrue A $ 22

Wk 3 YTD values:
Gross Wages B $ 180
Tax Withheld B $ 30
Super Accrue B $ 16

EMPLOYEE LEVEL INFO

Gross Wage A $550
Tax   A $68
Super   A $22

Pay event - Out of cycle

EMPLOYER LEVEL INFO   ($ 000's)

Out of Cycle Bonus A
(the amounts)
Wages & Tax
$300 $40

Reporting Option 2:

Next normal Pay Event
(hold it over)

Week 1 amounts
Wages & Tax
$100 $10

Week 2 amounts
Wages & Tax
$150 $18

Week 3 amounts
Wages & Tax
$480 $70

Wk 1 YTD values:
Gross Wages A $ 100
Tax Withheld A $ 10
Super Accrue A $ 9

Wk 2 YTD values:
Gross Wages A $ 250
Tax Withheld A $ 28
Super Accrue A $ 22

Wk 3 YTD values:
Gross Wages B $ 180
Tax Withheld B $ 30
Super Accrue B $ 16

EMPLOYEE LEVEL INFO

Gross Wage A $550
Tax   A $68
Super   A $22

Pay event - Out of cycle

Out of Cycle Bonus A
(the amounts)
Wages & Tax
$300 $40

EMPLOYER LEVEL INFO   ($ 000's)

Week 1 amounts Wages & Tax $100 $10	Week 2 amounts Wages & Tax $150 $18	Week 3 amounts Wages & Tax $480 $70	Week 4 amounts Wages & Tax $110 $11

Wk 1 YTD values: Gross Wages A $ 100 Tax Withheld A $ 10 Super Accrue A $ 9	Wk 2 YTD values: Gross Wages A $ 250 Tax Withheld A $ 28 Super Accrue A $ 22	Wk 3 YTD values: Gross Wages B $ 180 Tax Withheld B $ 30 Super Accrue B $ 16	Wk 4 YTD values: Gross Wages B $ 290 Tax Withheld B $ 41 Super Accrue B $ 25

EMPLOYEE LEVEL INFO
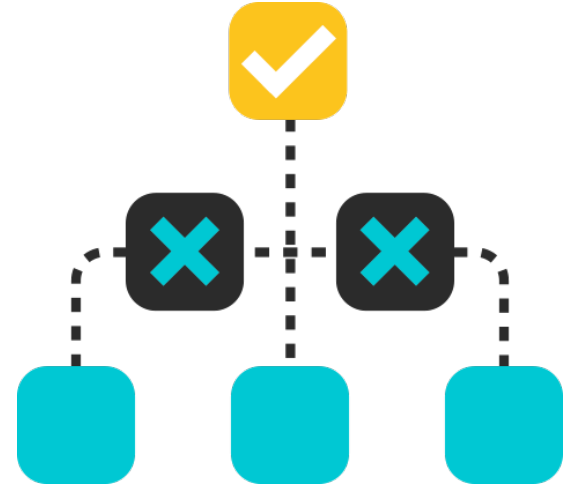
Gross Wage A $550
Tax   A $68
Super   A $22

Gross Wage   A $ 550
Tax   A $ 68
Super   A $ 22

Single Touch Payroll Corrections Framework

Agreed principles

› The corrections framework should support current business payroll processes (where possible)

› Fixes which relate to an employee's payroll should be reported in the following payroll event or via the "update service"

› Fixes which relate to an employer's PAYG W liability and Gross payments should be able to be corrected in the relevant BAS period and large withholding payment period

Reporting a fix

Must report within 14 days of detection

Report at next pay cycle

Report as an 'update event'

12 month transition period

Reporting a fix

EMPLOYER LEVEL INFO   ($ 000's)

Week 1 amounts
Wages & Tax
$100 $10

Week 2 amounts
Wages & Tax
$150 $18

$162 $22

Week 3 amounts

Week 4 amounts
Wages & Tax

Underpaid

Paid later: new payevent – not a fix

Paid but not reported
                - Fix payroll

Wk 1 YTD values:
Gross Wages A $ 100
Tax Withheld A $ 10
Super Accrue A $ 9

Wk 2 YTD values:
Gross Wages A $ 250
Tax Withheld A $ 28
Super Accrue A $ 22

EMPLOYEE LEVEL INFO

EOFY and finalising data

› How will EOFY be different?

› How and when do we add RESC and RFBT information?

› Can data come from different sources?

› What if an employee wants a payment summary? Do we have give them one?

› How will employees be notified about the changes under STP?

› What if an employee does not have a myGov?

Reporting a fix

EMPLOYER LEVEL INFO   ($ 000's)

Week 1 amounts	Week 2 amounts	Week 3 amounts	Week 4 amounts
Wages & Tax	Wages & Tax	Wages & Tax	Wages & Tax
$100 $10	$150 $18	$130 $15	$110 $11

Wk 1 YTD values:	Wk 2 YTD values:	Wk 3 YTD values:	Wk 4 YTD values:
Gross Wages $ 100	Gross Wages $ 250	Gross Wages $ 380	Gross Wages $ 490
Tax Withheld $ 10	Tax Withheld $ 28	Tax Withheld $ 43	Tax Withheld $ 54
Super Accrue $ 9	Super Accrue $ 22	Super Accrue $ 39	Super Accrue $ 49

EMPLOYEE LEVEL INFO

Finalising end of year

EMPLOYER LEVEL INFO   ($ 000's)

Week 3 amounts
Wages & Tax
$130 $15

Week 4 amounts
Wages & Tax
$110 $11

Wk 3 YTD values:
Gross Wages $ 380
Tax Withheld $ 43
Super Accrue $ 39

Wk 4 YTD values:
Gross Wages $ 490
Tax Withheld $ 54
Super Accrue $ 49

Week 4 are the final Numbers

Make a final Declaration

Software to enable the entering of
- RFBA
- RESC

14 August 2018
31 July 2019
14 July 2020

Amending

EMPLOYEE LEVEL INFO

Starting STP - Transition

By 1 July 2018 (unless deferral in place)

Start anytime during a year

Report as a "pay event" or an 'update event'
(Bring in YTD Values)

12 month transition period

Starting STP - Transition

EMPLOYER LEVEL INFO   ($ 000's)

Week 1 amounts	Week 2 amounts	Week 3 amounts	Week 4 amounts
Wages & Tax	Wages & Tax	Wages & Tax	Wages & Tax
$100 $10	$150 $18	$130 $15	$110 $11

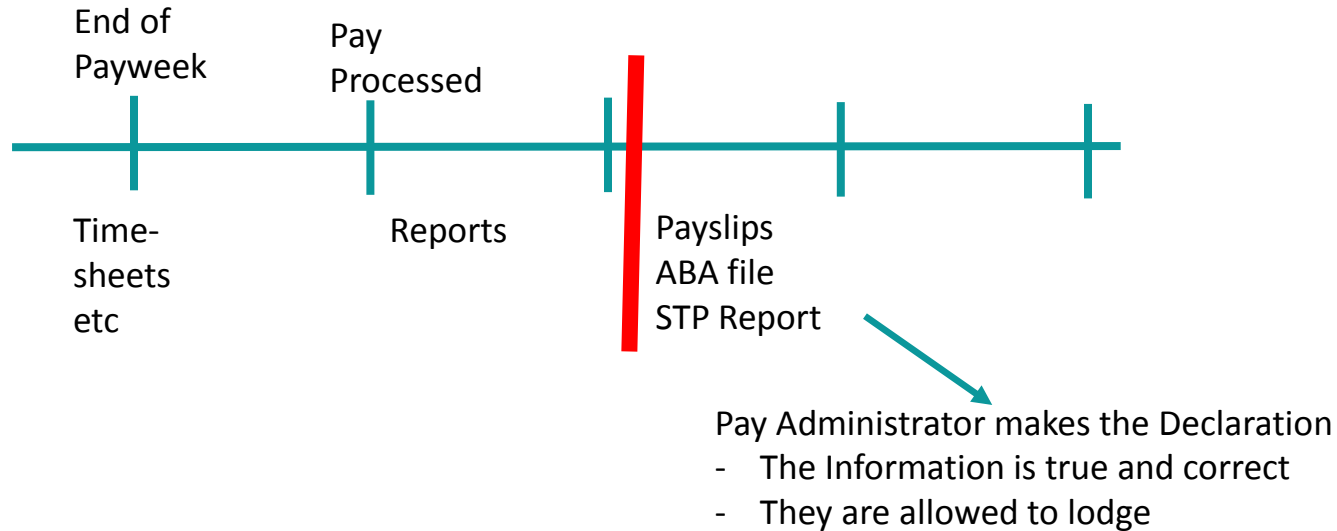| Wk 1 YTD values:	Wk 2 YTD values:	Wk 3 YTD values:	Wk 4 YTD values:
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Tax Withheld $ 10	Tax Withheld $ 28	Tax Withheld $ 43	Tax Withheld $ 54
Super Accrue $ 9	Super Accrue $ 22	Super Accrue $ 39	Super Accrue $ 49

EMPLOYEE LEVEL INFO

Declarations

"information in the document is true and correct."
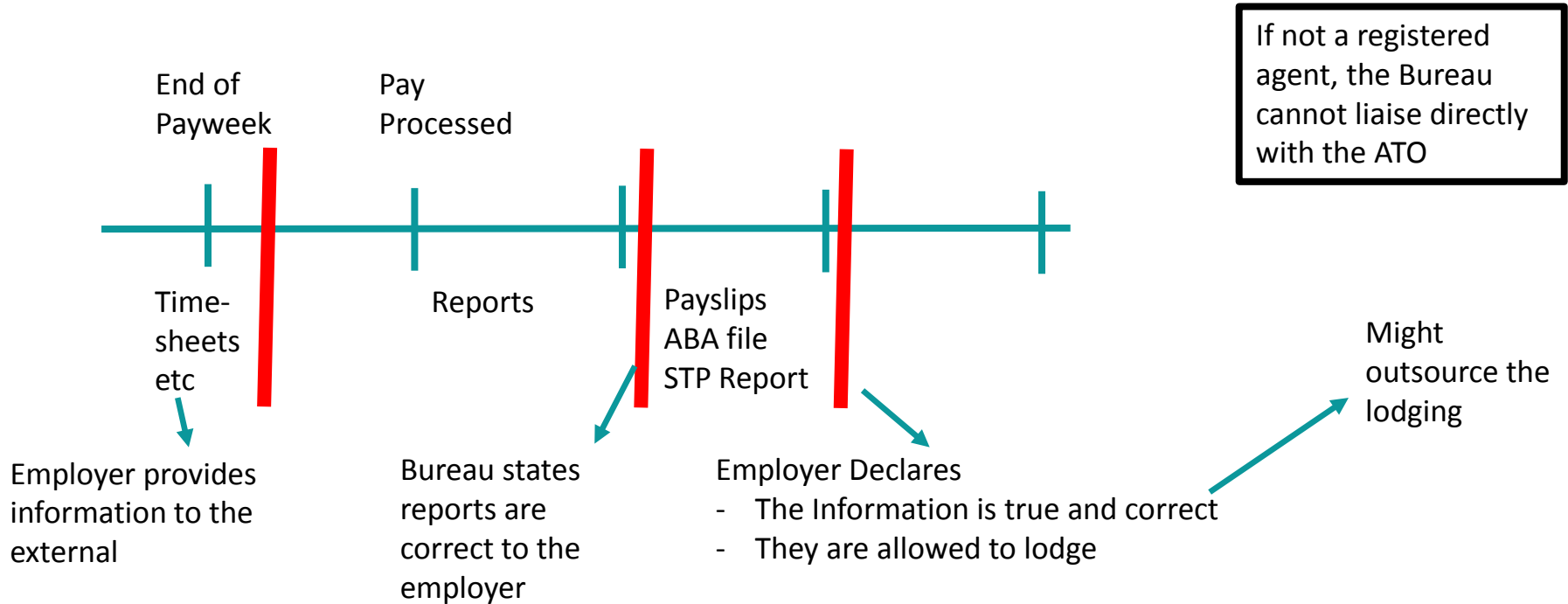
"allowed to lodge"

Declarations

1. Authorised employee pay administrator

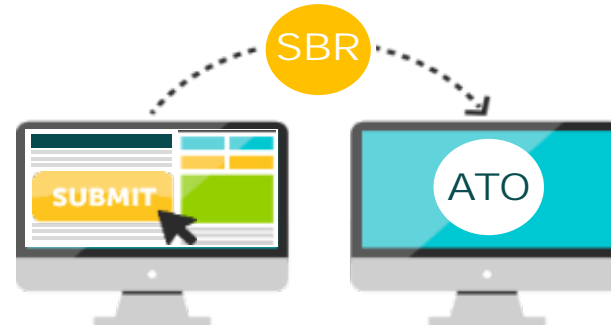End of Payweek

Pay Processed

Time-sheets etc

Reports

Payslips
ABA file
STP Report

Pay Administrator makes the Declaration
- The Information is true and correct
- They are allowed to lodge

Declarations

2. External (not registered agent) processes pay / Payroll Bureau

If not a registered agent, the Bureau cannot liaise directly with the ATO

End of Payweek

Pay Processed

Time-sheets etc

Reports

Payslips
ABA file
STP Report

Might outsource the lodging

Employer provides information to the external

Bureau states reports are correct to the employer

Employer Declares
- The Information is true and correct
- They are allowed to lodge

What does the ATO do with the Info

Prefilled income tax returns in myTax for self preparers

Prefilled income tax returns via SBR/PLS for tax agents.

Further Information

Please contact us if you have any further questions.

SingleTouchPayroll@ato.gov.au

For further information about Single Touch Payroll please visit our website:

www.ato.gov.au/singletouchpayroll