



Single Touch Payroll: What is it and what changes will it bring?

The arrival of Single Touch Payroll is being described as the biggest revolution in tax since the GST was introduced in July 2000. But wrapping your head around how it all works can seem challenging from the outside. We spoke to the experts from the Australian Taxation Office (ATO) about what small businesses need to know.

In principle, it's simple. From 1 July 2019, all businesses with fewer than 20 employees will be required to report their employees' payroll information to the ATO every time they pay them.

This isn't a completely new development. Businesses with 20 employees or more have already been using Single Touch Payroll since July 2018.

But while the process may seem simple, there are still many implications for Australian small business owners.

Payroll system upgrades

Single Touch Payroll will provide the ATO with real-time information whenever payroll is completed. This means that businesses still using pen and paper will need to get online. But don't panic if you're currently in this bracket. Recent estimates show as many as one in five businesses will be making the change with you.

Thankfully there are some big benefits to making the switch. For example, businesses that implement Single Touch Payroll with the relevant reporting software will be eligible for up to \$100 in tax relief.

If you need to implement or update the software but you don't have the available cash flow for the investment, speak to your broker about your options. A small business loan could provide a short term cash-flow solution before the deadline hits.

For small business owners who already use accounting software like Reckon, Xero or MYOB, the transition will be relatively hassle-free. Like the name suggests, it will require the 'push' of a single button to send the data to the ATO at the time payroll is made.

For these small businesses, the cost of the functionality associated with Single Touch Payroll is only around \$10 a month, or a little more. While 40,000 businesses already use Single Touch Payroll, there will soon be a wave of newcomers, as approximately 700,000 more will need to start using it before 30 September 2019.

Payroll information and superannuation

Single Touch Payroll will send the ATO a range of information, including gross, tax, net and superannuation details. This is important because not all businesses pay superannuation entitlements in accordance with the law.

Unpaid superannuation liabilities were also singled out in the recent Federal Budget. The ATO will be provided with additional funding to pursue businesses for not meeting their obligations.

ATO debt

The ATO says it's owed \$23.7 billion from Australian businesses, with small businesses accounting for \$15.1 billion of that figure – well over half. Having instant visibility means the ATO is in a better position to manage debtors and have fewer debts outstanding.

The ATO wants to reduce the amount of outstanding debt and stop Australian businesses using it as a revolving line of credit. Some suggest there could be billions of dollars in savings for the government should the program go to plan.

STP exemptions

The ATO says the first year of operation will be one of transition, and penalties will generally not apply until later. However, the Single Touch Payroll legislation includes a penalty for making false and misleading statements in any report.

The Commissioner of Taxation has the discretion to correct a mistake without penalty, but if an employer knowingly reports false information and doesn't correct it within 14 days, they will be open to further action.

"Our approach will be flexible, reasonable and pragmatic. Our immediate focus will be on helping micro employers transition to STP rather than penalising non-compliance," an ATO spokesperson said.

Like all big changes, adjusting to new rules and regulations around tax can be challenging. If you need to invest in software updates or other preparations before the transition, speak to your broker about how a small business loan could help.

Ensure your business is ready for this new compliance requirement ***with this handy checklist from Reckon.***

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