



# Single Touch Payroll Superannuation Stapling

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- Joined Australian Audit in 2008, rising to position of Director in 2014
- Alastair has significant experience in the audit and accounting of not for profit organisations. He previously was the bookkeeper for his local church, and currently is church treasurer, as well as serving the boards of a number of charities.

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#### Disclaimer





- This presentation is for your general information only, and should not be taken as specific financial or business advice. You should not act, or refrain from acting, on the basis of this presentation alone, without seeking specific advice from your advisers.
- Nevertheless, this presentation has been carefully prepared based on the information available at the time of the presentation.



## Today's Presentation













#### What is STP?

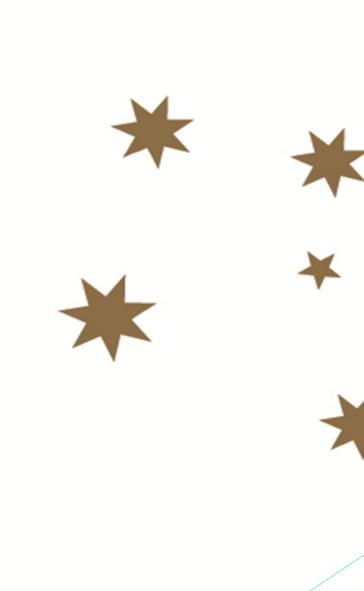
- Single Touch Payroll does NOT mean payroll runs itself or that it is any easier than before (if only that was possible)
- STP does **NOT** change how you pay staff
- ► STP is a way of reporting payroll data to the ATO
- STP initial start date 1 July 2018, most concessions ended by 1 July 2021



#### What is STP?

- Your payroll software submits payroll data direct to the ATO
- Due date for each pay event is the day payment is made
- Look out for data matching and increased compliance activity by ATO
- Finalising STP at each year end replaces PAYG Payment Summary / Group Certificate









#### STP Phase 2

- ► This expansion of STP (also known as STP Phase 2) reduces the reporting burden for employers who need to report information about their employees to multiple government agencies.
- ▶ It also supports the administration of the social security system.
- ► Employers will report the additional information through STP
- ► The mandatory start date for STP Phase 2 reporting will be 1 January 2022. (ATO: no action date 1 March 2022)



#### Software provider delayed dates

- Digital service providers (DSPs) who need more time to make the changes and update their solutions to support STP 2 can apply for a deferral for their customers. If your DSP has a deferral, they will let you know.
- Xero deferral to 31 December 2022



## Why STP Phase 2?

- Reducing the duplication of information employers provide to Government
- ► Removing the need to send tax file number declaration information to the ATO
- Better defining the components that make up gross income
- STP 1 was just an electronic version of existing processes, STP 2 adds functionality



#### STP vs STP 2

- Termination Reason
  - Replacing employment separation certificate
- Child support garnishee/deduction amount
  - Remove the need to report separately
- Income stream collection
  - Classify the payments made
  - Income type, payment type and country code
- Tax file number declaration
  - Eliminating the need to submit tax file declarations
- Lump sum E letters
  - ▶ Will not need to provide the lump sum E letter to employees each financial year.

- Transitioning employees from another payroll system
  - Easier to transition from one software to another
  - Avoiding duplication of income statements
- Paid leave
  - Itemised leave type codes
- Negative Year-to-Date (YTD) reporting
  - ► The ATO will allow negative YTD amounts
- **Allowance** items
  - Additional allowance type codes



#### Disaggregation of gross

For detailed guidance - ATO QC 66099





#### Separately report:

- Gross
- Paid leave
- Allowances
- Overtime
- Bonuses and commissions

- Directors' fees
- Lump sum W (return to work payment)
- Salary sacrifice





## Disaggregation of gross (Income)

Only **pre-sacrifice amounts** that are classified as ordinary time earnings (OTE) should be **included as gross**. E.g.

- Ordinary hours worked
- Casual loading
- Shift penalties
- etc





### Disaggregation of gross (Leave)

Only pre-sacrifice amounts that are classified as OTE should be included as other paid leave. Separately report the following leave payments:

- Other paid leave
  - Annual leave, leave loading, personal leave, RDO, TOIL, compassionate leave, study leave, gardening leave
  - NOT Leave loading that is clearly linked to a notional loss of opportunity to work overtime.

    Report as Overtime.

- paid parental leave
- workers' compensation
- ancillary and defence leave
- **cash out of leave** in service
- unused leave on termination

You don't need to report **unpaid leave** through STP as there is no payment to report.



## Disaggregation of gross (Allowances)



- ► STP Phase 2 all allowances as allowances
- Don't report
  - ► Reimbursements
  - ► Fringe Benefits
  - Living away from home allowance





### Disaggregation of gross (Allowances)

The allowance types you will separately report are:

- cents per km
- award transport payments
- laundry
- overtime meal allowance
- domestic or overseas travel > other allowances



- qualification and certification allowances
- task allowances









### Church Payroll Treatment

Church payroll can be set up many different ways: (not all are correct)

- Exempt benefits often through payroll but not always
- Superannuation often paid on full remuneration but not always
- Wages & exempt benefits sometimes separate on the income statement
- Exempt benefits compliance sometimes is poor



#### A Common Church Payroll Treatment

- ► Worked Example:
  - ► Religious minister
  - >\$50,000 pa remuneration
  - >\$5,000 superannuation guarantee (10%)
  - >\$35,000 exempt fringe benefits (70%)
  - >\$15,000 salary paid to bank account (30%)
  - Rent free accommodation at church owned house









### A Common Church Payroll Treatment (cont)

- > \$50,000 recorded as gross remuneration in payroll system
  - >\$50,000 appears as 'wages expense' on income statement
- \$35,000 pre-tax, post super deduction coded to liability account. Not reported to ATO.
- > \$15,000 reported to ATO as salary
- House costs a church expense (accounts payable / spend money)



## A Common Church Payroll Treatment (cont)

	STP 1	STP 2*
Gross Wages	\$15,000	\$45,000
Leave	N/A	\$5,000
Salary Sacrifice	N/A	(\$35,000)
Reportable Fringe Benefits	Nil	Nil

<sup>\*</sup>To be confirmed – further guidance pending





#### **Onboarding New Staff**

- Previously:
  - ► TFN Declaration form
  - ► Super Choice form
  - ► Employee details form
  - ► Staff contract

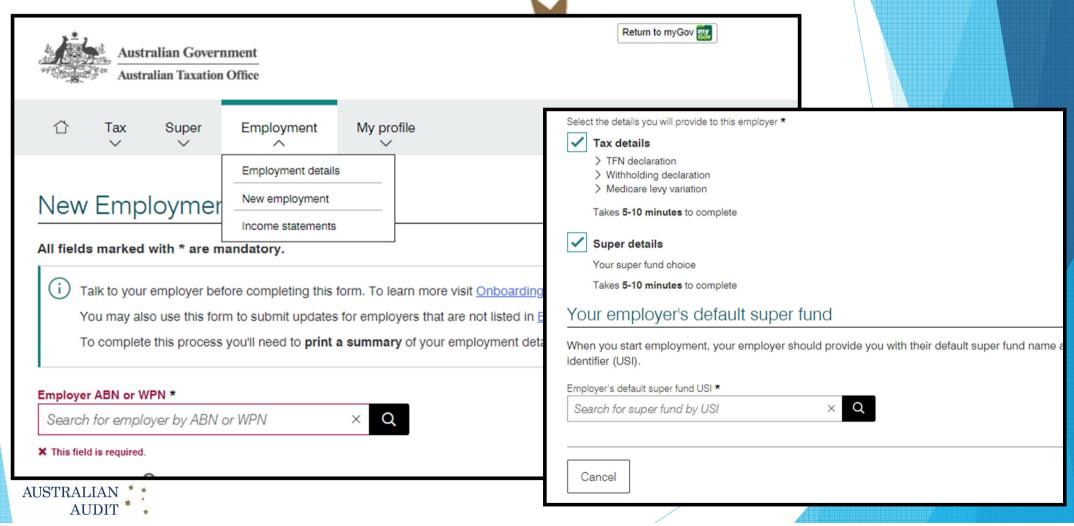




- Now:
- Combination of online / paper options
  - More responsibility to employer
  - Easier for staff and employer (hopefully)



### TFN Declaration & Super Choice in MyGov



#### Generated Report





Name BRIAN BOYLD TFN XXX XXX XXX Event ID 2410000055258 Date received 07/12/2018

Print Ouse print options to save as

#### Employee tax and super details

#### Instructions

Employee

Give this document to your employer so they can determine the amount of tax to be withheld from payments a make contributions to your choosen fund.

To change these details go to the Employment menu in the ATO online services from your myGov account.

ALASKA OLD

ABN/WPN XX XXX XXX XXX

**Employment type** 

Full time

Employer

The information provided below will help you determine the amount of tax to be withheld from payments and to you of your employee's choosen superannuation details. It applies to payments made after this form has been

If your business software supports it, you can use the event ID to retrieve the information contained in this docum electronically from the ATO.

Do not return this document to the ATO.

Event ID: 2410000055258



Name Tax File Number (TFN)

Date of birth

Residential address

Preferred phone number

Email

Residency status for tax purposes

**BRIAN BOYLD** 

XXX XXX XXX

01/06/1937

55 ELIZA ST

BLACK ROCK VIC 3193

AUSTRALIA

02 88888888 (home)

ATO@ATO.GOV.AU

Australian resident for tax purposes

#### Tax withholding and medicare levy variation

Claim tax-free threshold

Medicare levy variation

Additional withholding amount

Education loan withholding

Yes

Higher Education Loan Program (HELP)

Medicare levy reduction - 2 dependant children

#### Super fund choice details

Super fund nomination

Account number

Fund ABN Electronic service address

Financial institution account details

CONAGRA INC

XX XXX XXX XXX

**ESUPERFUND** My Super Account

BSB 061-111 | Account # 123456789



#### Superannuation Choice

- ► What if staff don't nominate a superannuation fund?
  - Previously: Create an account with your default fund
  - From 1/11/21: Request account details from ATO
- Stapled Super Fund' is 'Stapled' to the employee to avoid a new account being created with every new job



#### Requesting Stapled Superannuation details

- Only AFTER you have submitted a Tax file number declaration or Single Touch Payroll pay event linking you to them
- ► After 1/11/21

To request a stapled super fund, you, or your authorised representative, need to:

- 1. log into ATO online services.
- 2. enter your employee's details, including their:
  - > TFN an exemption code can be entered where an employee cannot provide their TFN, but this could result in processing delays
  - > full name including 'other given name' if known
  - > date of birth
  - > address (residential or postal), if TFN not given.
- 3. Our online system will use rules based on the regulations to work out and return a stapled super fund in response to a request.

You will receive the response on-screen. You should be notified of the result of the stapled super fund request within minutes.

We will notify your employee of the stapled super fund request and the fund details we have provided.



## Pay super into the stapled super fund

- ► If ATO provide a stapled super fund result for your employee, you <u>must pay</u> your employee's super guarantee contributions <u>to the stapled super fund</u>.
- You can pay into your default fund, or another fund that meets the choice of fund rules if:
  - your employee doesn't choose a super fund, and
  - ATO have advised you that they don't have a stapled super fund.
- > SuperStream (i.e. use a clearing house) unchanged



# Conclusion







#### Take Away Messages

>STP Phase 2 is coming soon



Set up and prepare (once your payroll software is ready)

Ensure your payroll set up is optimised for easy reporting in line with STP 2 categories





Any Questions?



#### Australian Audit





Australian Audit is a specialist audit firm of Chartered Accountants. With offices in the Perth CBD, we look forward to hearing how we can assist with your audit requirements.

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