Monthly Newsletter

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Single Touch Payroll: What you need to know

Single Touch Payroll (STP) – the direct reporting of salary and wages, PAYG withholding and superannuation contribution information to the ATO – comes into effect from 1 July 2018.

For Employers

Employers with 20 or more employees at 1 April 2018 must use standard business reporting-enabled software from 1 July 2018. The head count for '20 employees' includes full-time, part-time, casuals (who worked any time during March), employees based overseas, or on paid or unpaid leave. Directors and independent contractors are excluded from the count. For businesses that are part of a wholly owned group, the total number of employees across the group is

used (i.e. if the total number of employees employed by all member companies of the wholly-owned group is 20 or more, all group members must use STP).

STP is currently voluntary for businesses with less than 20 employees although proposed reforms seek to extend the reporting system to all employers by 1 July 2019, regardless of the number of employees.

What must be reported

STP requires PAYG withholding and superannuation contribution details to be reported to the ATO as payments are made to employees or superannuation funds.

When it comes to PAYG withholding, employers will report details of salary and wages paid to employees as well as the PAYG withholding amount at the time payment is made to the employee. Employers have the option of paying the PAYG withholding liability at the same time, although this is not compulsory.

Payments that must be reported include:

- Salary & wages
- Director remuneration
- Return to work payments to individuals
- Employment termination payments (ETPs) – not compulsory if the employee has died
- Unused leave payments
- Parental leave pay
- Payments to office holders
- Payments to religious practitioners
- Superannuation contributions (at the time the payment is made to the fund).

The Government intends to extend STP to salary sacrificed amounts in the near future although these reforms are not legislated.

An end to payment summaries?

While not compulsory, employers can choose to include reportable employer superannuation contributions and reportable fringe benefit amounts. These payments are reported either at the time the payment is made or through an update event. If these payments are included, the employer will not need to provide payment summaries as employees are able to access their live data through myGov.

If your business does not report through STP or does not finalise its reporting, payment summaries are still required.

New employees

If your business utilises STP, when a new employee joins they have the option to electronically complete a pre-filled Tax File Number Declaration and Superannuation Standard Choice Form online instead of completing the form for you to lodge with the ATO.

Exemptions

Some exemptions exist for STP for rural employers that do not have access to a reliable internet connection, and employers that employed a group of people during the year for a short period of time, such as seasonal workers.

For Employees

While the Government and ATO are promoting STP as a way to improve the efficiency of payroll processes and meeting reporting obligations (i.e. cutting down on duplication of work etc.,), there is also a clear benefit to the ATO and Government in

implementing this system. One advantage is that the ATO will have early warning of businesses that are finding it difficult or simply failing to meet their PAYG withholding and superannuation guarantee obligations. This should have a flow on benefit to employees who might otherwise miss out on benefits to which they are entitled.

If you are registered with myGov and your employer reports using STP, you will be able to see your year-to-date tax and super information online.

Should you use the new super measures when you buy/sell your home?

From 1 July 2018, new laws come into effect allowing first home buyers to use their super to help buy a home, and at the other end of the spectrum, downsizers to contribute proceeds from the sale of their home to super without many of the normal restrictions.

The pros and cons of using super to save for your first home

The First Home Super Saver Scheme (FHSS) enables first-home buyers to save for a deposit inside their superannuation account, attracting the tax incentives and some of the earnings benefits of superannuation.

Home savers can make voluntary concessional contributions (for example by salary sacrificing) or non-concessional contributions (voluntary after-tax contributions) of $15,000 a year within existing caps, up to a total of $30,000. You have been able to make contributions since 1 July 2017 (although the legislation did not pass Parliament until 7 December 2017), but withdrawals cannot be made until 1 July 2018. Note that mandated employer contributions cannot be withdrawn under this scheme, it is only additional voluntary contributions and made from 1 July 2017 that can be withdrawn.

If you have a Self-Managed Superannuation Fund (SMSF), you will need to ensure that the trust deed allows for withdrawals under the FHSS to be made. The SMSF must also identify these contributions made from 1 July 2017 that can be withdrawn.

When you are ready to buy a house, you can withdraw the contributions along with any deemed earnings (90 day Bank Accepted Bill rate with an uplift factor of 3%), to help fund a deposit on your first home. To extract the money from super, home savers apply to the Commissioner of Taxation for a first home super saver determination. The Commissioner then determines the maximum amount that can be released from the fund.

When the amount is released from super, it is taxed at your marginal tax rate less a 40% offset (non-concessional contributions are not taxed).

The upside of the FHSS is the tax benefit. For example, if you earn $70,000 a year and make salary sacrifice contributions of $10,000 per year, after 3 years of saving, approximately $25,892 will be available for a deposit under the scheme - $6,210 more than if the saving had occurred in a standard deposit account.

Another upside is that the scheme applies to individuals. So, if you are a couple, you both could utilise the scheme for a deposit on the same home – effectively increasing your cap to a maximum of $60,000.

If you don't end up entering into a contract to purchase or construct a home within 12 months of withdrawing the deposit from superannuation, you can recontribute the amount to super, or pay an additional tax to unwind the concessional tax treatment that applied on the release of the money.

Homes savers also need to move into the property as soon as practicable and occupy it for at least 6 of the first 12 months that it is practicable to do so.

The home saver scheme can only be used once by you.

The cons of this scheme are mostly administrative. On the investment side of things, using the above example, $6,210 over three years is an upside but may not be a huge upside compared to other investment returns given the administrative requirements of the scheme. But, for many, it may be the best offer available.

Who can use the first home saver scheme?

You must:

- Be 18 years of age or older (to make a withdrawal under the scheme – you can contribute before the age of 18);
- Has never held taxable Australian real property (this includes residential, investment, and commercial property assets).