June 2019
Business News

Optio Advisor

Single Touch Payroll

By now most business clients who are employers would have been advised by the tax office that single touch payroll for small employers will start from 01 July 2019. Most large employers (over 20 staff) have been reporting under Single Touch Payroll (STP) this 2018/19 financial year. The remaining employers are required to start reporting from July 2019.

STP requires the reporting of gross wage, tax withheld and superannuation liability for each employee each time they are paid. This data is used by the tax office to prefill the wage reporting fields in the business's BAS return and to also provide data on the employee's myGov records. Additionally, the superannuation details will be matched to data received from superannuation funds, to identify employers who are not paying their superannuation liabilities on time.

At the end of the financial year, employers will no longer need to issue PAYG Payment Summaries (previously known as Group Certificates) to their employees. Instead the employee will rely on the data held on their personal tax file which is accessed electronically by either the employee or their tax agent. Instead of submitting the Payment Summary details to the tax office at the end of the financial year, the employer will need to confirm that the wage data is correct, and this will need to be done prior to 14 July each year. The data then becomes known as an "Income Statement" For this first year, the tax office has provided a reporting concession until 31 July for new STP employers.

Providing you are using the latest version of software from one of the major accounting software providers, STP reporting should not drastically increase your administration requirements. Most payroll software includes the ability to electronically report the wage details to the tax office. However older versions of accounting software will not have STP functionality so you will need to upgrade your version of the software or find alternative software.
For those employers who do not use any bookkeeping or payroll software, unfortunately you will now need to start using suitable software. Several software providers have provided a range of low cost (under $10pm) payroll only software to enable STP reporting. A list of these STP software options is available via the tax office website, however we recommend contacting our office to discuss which of these programs are suitable for your situation.

The tax office has granted some reporting concessions for the first year of STP reporting for small employers. This includes an option to report quarterly through a Tax agent or BAS agent for the first two years. For businesses where the only employees are also the business owners, there will be deferrals to the reporting of details for the first two years. All small employers have until 30 September 2019 to start reporting; however, we recommend commencing on 1 July 2019 to avoid missing the reporting of wages prior to your starting date.

We will be contacting all of our employer clients during July to ensure you are ready for STP reporting and to answer any queries you may have. The tax office fact sheets for employers and employees will be available via our website should either you or your employee need more details.

Taxable Payments Annual Reporting (TPAR)

For several years, businesses in the building industry have been required to submit an annual report of payments made to contractors. The details to be reported includes the name, address, ABN, telephone number, and payment amount details.

From 1 July 2018, the reporting was extended to businesses in the cleaning and the courier industries. These businesses will be required to submit their first report of contractor details prior to 28 July 2019. If your business falls within this industry, you should start checking that you have the required details for all contactors during the 2018/19 financial year.

From 1 July 2019, the reporting will be extended to businesses in the following industries:

- Road freight service
- IT and computer services
- Security, investigation or surveillance services

These businesses will need to ensure they obtain the correct details from every contractor so that they are ready for reporting in July 2020.

If you need further clarification or assistance with completing the required report, please do not hesitate to contact us.

Immediate Asset Write-offs

Over the last six months we have now seen two changes to the thresholds that apply to immediate asset write-offs. Since 12 May 2015, small business entities have been allowed an immediate deduction for business use portion of assets costing up to $20,000. This has been a concession that is not a permanent law change but has been renewed annually.

On 29 January 2019, the government announced that the concession would be extended until 30 June 2020 and that the threshold would be raised from $20,000 to $25,000. The new threshold only applies to assets first used or installed ready for use after 29 January 2019.

As part of the 2019 federal budget, the government made a further change and increased the threshold to $30,000 for new business equipment first used or installed ready for use after 7:30pm on 2 April 2019.

In addition, the immediate asset write-off was made available to medium sized businesses (aggregate annual turnover of at least $10 million but less than $50 million) for new business equipment costing less than $30,000 first used or installed ready for use after 7:30pm on 2 April 2019. These medium sized businesses will not get an immediate deduction for equipment first used or installed ready for use prior to 7:30pm on 2 April 2019.

Large Cash Payments Limit

In the 2018/19 Federal Budget the government proposed the introduction of a limit of $10,000 for cash payments made to businesses for goods and services from 1 July 2019. Payments to businesses over this amount will need to be made by electronic payments or cheques. The starting date for this requirement has now been deferred to 1 July 2020.

Removing Tax Deductions for PAYG Withholding Failure

Where businesses fail to comply with their PAYG withholding obligations for payments to employees and contractors from 1 July 2019, they will be denied a tax deduction for that expense.

Specifically, deductions are proposed to be denied for these types of payments where the payer has failed to either comply with their obligations in relation to withholding from these payments or notify the tax office of the withholding amount (i.e., via their BAS).

Interestingly, deductions will only be denied if **no** withholding took place or **no** notification has been made. Therefore, an incorrect amount that is withheld or reported to the tax office will not impact a taxpayer's entitlement to deductions.

The most common cases where incorrect PAYG holding occurs are:

- Cash payments to employees which should have had PAYG tax withheld.
- Payment of director's fees,
- Payment of contractor's invoices when no ABN has been quoted on the invoice.

There is also a requirement that a business should undertake reasonable checks that the ABN quoted is correct for the contractor. The easiest way to check a contractor's ABN is to complete an ABN search on the abr.gov.au website. We recommend that this check is completed for every new contractor that a business engages and also once a year for all existing contractors.

The denial of a deduction will not be imposed on payments to employees where the payment amount is below the threshold for withholding tax. Additionally, there may be instances where payments have been made to a contractor who correctly quoted an ABN, but it is subsequently decided that the contractor is actually an employee. In this case the reclassification of the payments to be wages (which have not had tax withheld) will be allowed as a tax deduction.

You should also note that in addition to the denied deduction, penalties may be applied to businesses who fail to withhold or remit a PAYG amount. Directors of companies can become personally liable for these penalties.

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