



Single Touch Payroll

For closely held payers

The digital world is changing rapidly. Government services are also changing and need to keep pace with the way Australians expect to do business every day.

One of those changes – called **Single Touch Payroll** (or **STP**) – started gradually for larger employers from 1 July 2018 and starts from 1 July 2019* for employers with 19 or less employees.

There are flexible options available to you as a payer of closely held payees, as we understand you may not pay salary and wages to these payees regularly (such as yourself or other family members).

*Start dates may differ depending on your circumstances. See 'When to start' on page 2.

What is STP?

STP is a new way of reporting tax and super information to us.

Using payroll software or another STP solution you will send your employees' salary and wage information, pay as you go (PAYG) withholding and super information to us each time you pay your employees. This means:

- your pay cycle does not need to change
- you will report super information to us for the first time
- you will need to finalise your STP information at the end of the financial year. That way we know all the data you have reported is complete and we can provide this information to your employees to complete their tax return
- you no longer need to give your employees a payment summary for the information you report and finalise through STP. This will be available to them in myGov.

Concessional options for payers of closely held payees

There are two options available to payers of closely held payees.

A closely held payee is one who is not at arm's length. This means they are directly related to the entity from which they receive payments for example:

- family members of a family business
- directors or shareholders of a company
- beneficiaries of a trust

1. Later start date for reporting closely held payees

If you have 19 or less employees, you will not need to report closely held payees through STP in the 2019–20 financial year.

You don't need to apply for this later start date for reporting your closely held payees.

However all other employees (arms-length employees) must be reported through STP from 1 July 2019 or your deferred start date if one has been granted. See 'When to start' on page 2.

For closely held payees who are not reported through STP for the 2019–20 financial year, follow existing processes. This means you will still need to provide them with a payment summary and lodge a Payment summary annual report (PSAR) to us. Speak to your tax professional for further information about your due date.

2. Report closely held payees quarterly

From 1 July 2020 you will have the option to report closely held payees' information quarterly through STP. This report will be due at the same time as your quarterly activity statement.

You will need to notify us that you will be reporting your closely held payees quarterly. You will be able to do this using a similar process you do now for your end of year lodgment concession for the PAYG withholding summary annual report.

A new closely held lodgment concession form will be available soon.

You will need to make reasonable estimates each quarter of the amounts paid to closely held payees. You can calculate these amounts using one of the following methods:

- withdrawals taken by the payee (but do not include payments of dividends or payments which reduce liabilities owed by the business to the closely held payee)
- calculating 25% of the total salary or Director fees from the previous year
- vary the previous years' amount (to take into account trading conditions) within 15% of the total salary or Directors fees for the current financial year.

These methods are similar to the way you would calculate pay as you go (PAYG) instalments.

If you choose to report closely held payees quarterly you will have up to the due date of your income tax return to finalise the information you've reported for the year and make any adjustments. Speak to your tax professional for information about your due date.

How do I report through STP?

1. Report from your current payroll or accounting software if you use it as long as it's updated to offer STP reporting. Most software providers are offering STP – however, not all software versions will be updated. Talk to your software provider to find out how they offer STP.
2. Choose payroll or accounting software that offers STP reporting. You may want to talk to your tax professional for advice on the best solution for your business.
3. Ask your registered tax or BAS agent to report through an STP solution on your behalf.
4. Choose a low-cost, simple STP solution (ideal for micro employers with 1–4 employees). See 'Simple, no-cost and low-cost, STP solutions for micro employers'.

When to start

The start date for STP reporting will depend on your circumstances.

- Start reporting early (before 1 July 2019) if you use payroll software which offers STP reporting. Talk to your software provider for more information. This is a voluntary option.
- Start reporting any time from 1 July 2019 (the start date) to 30 September 2019. If you start any time during this period, you will be reporting on time. If not, you will need to apply for a deferral (see 'Applying for a later start date').
- Remember, you don't need to start reporting your closely held payees until 1 July 2020.

Once you start STP reporting, you need to keep reporting each pay day.

Payment summaries for your arms-length employees

You will no longer be required to provide employees with a payment summary or lodge a Payment summary annual report (PSAR) with us for information you report and finalise through STP.

To find out more, visit: ato.gov.au/employerguide

Simple, no-cost and low-cost, STP solutions for micro employers

If you're a micro employer (you have 1–4 employees), you may not need payroll or accounting software.

Instead of purchasing payroll software to report through STP you can choose a simple no-cost or low-cost STP solution. We have listed the providers that will build these solutions, and some basic product information, on our website ato.gov.au/STPsolutions

Products on this register are offered at a cost of \$10 per month or less. Talk to your tax professional for advice on the best option to suit your business needs.

Further information

Our website is the best place to find information about STP, and how to get ready: ato.gov.au/stp

You can also ask questions, and join the STP conversation in ATO community: community.ato.gov.au

Page 2 of 2