

Australia

Mining Tax Alert

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Single touch payroll

The biggest change in employment taxes reporting in Australian history

Overview

The new single touch payroll reporting regime will fundamentally change the way employers report tax and superannuation payroll information to the Australian Taxation Office (ATO). It will require immediate attention to systems and readiness ahead of a start date of 1 July 2018. There is a risk of significant financial penalties and reputational damage if requirements are not met. Furthermore, directors may be personally liable for penalties and shortfalls.

What is changing?

Currently, employers are required to withhold pay-as-you-go (PAYG) tax from payments to employees at the time the payments are made. Depending on the size of the employer, a further period of between 7 days and 3 months is allowed for the employer to pay the amounts withheld to the ATO and report the relevant amounts.

Superannuation guarantee reporting requires determination of contributions on a quarterly basis, though in practice contributions are typically processed in conjunction with salary and wages (e.g., on a fortnightly or monthly basis). SuperStream introduced superannuation reporting requirements for most employers on 31 October 2015 but the ATO is typically only notified in the event of a shortfall.

The single touch payroll regime will require reporting of PAYG withholding amounts to the ATO to occur simultaneously with payment to the employee. Superannuation reporting will also occur at the time a contribution is made to the employee's superannuation fund.

The alignment of reporting to the time of payment to employees will require changes to many supporting employment-related processes, together with systems enhancements to enable timely and accurate reporting using new reporting-enabled software.

Implications for employers in mining and metals

Overseas experience suggests that real-time payroll reporting dramatically increases the level of ATO queries, meaning accuracy and consistency are crucial to avoid business disruption and time-consuming interactions. The geographical dispersion of mining businesses means a review of underlying processes is crucial to enabling processing to occur based on the right information. There is an opportunity to radically improve processes and policies including considering scope to automate processes.

For complex situations such as those involving cross-border currency conversions, gross-ups, reconciliations and any manual adjustments, urgent attention will be required to enable payroll systems to address the new requirements, subject to any exemptions that are yet to be announced.

The regime includes welcome simplifications, overcoming the need to provide payment summaries to individuals and payment summary annual reports to the ATO. Employees should be able to directly access the information reported online.

Processes for lodging Tax File Number declarations and Super Choice forms and notifying superannuation funds and government agencies when an employee ceases employment should also be streamlined. The current BAS reporting system for PAYG will no longer apply. Again, processes must be reviewed to align with the new approaches to interacting with the ATO.

Timing

Single touch payroll is required for employers with 20 employees or more from 1 July 2018. This test is applied on a group basis, not an individual entity basis.

Next steps

It will be important to critically assess payroll systems and associated processes to ensure a smooth transition to the new approach. Our facilitated workshop approach can assist with bringing together stakeholders to develop an action plan. Our data analytics are a useful starting point to identify issues and cost savings.

For further assistance please contact your EY advisor.

How EY's Global Mining & Metals Network can help your business

With increasingly positive sentiment in the sector, miners are focused on restoring balance sheet strength and liquidity in preparation for growth. The sector's key opportunity is still productivity. Although many have made productivity improvements, the critical next wave of gains needs a strong focus on loss elimination, with digital being a key enabler.

EY has significant experience in assisting companies to evaluate and implement strategic initiatives, with deep sector knowledge to support you on finance initiatives, such as portfolio optimization and capital planning, and through to operational improvement programs, such as productivity and digital enablement.

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