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The Quick Guide to Payroll Compliance

Advice from the experts on how to manage and maintain compliance

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Staying informed

Are you keeping up with ever-changing payroll compliance obligations?

The Australian payroll landscape has seen major changes over recent years. The introduction of initiatives like SuperStream and Single Touch Payroll have fundamentally changed the obligations you have to your employees and the ATO. With the pace of payroll reform increasing, it's now more important than ever to stay informed about employment laws, reporting rules, and other compliance obligations.

The consequences of failing to maintain compliance will hit businesses where they feel it most: their time and their wallets.

Inaccuracies in payroll means spending work hours checking and double checking figures.

In Australia, the director of a company that fails to meet an SGC liability in full by the due date automatically becomes personally liable for a penalty equal to the unpaid amount.[1]

The Fair Work Amendment (Protecting Vulnerable Workers) Act 2017 makes holding companies and franchisors liable for certain breaches by their subsidiaries and franchisees. A recent Federal Circuit Court decision resulted in a very significant fine for an accounting firm because of an underpayment by its client.[2]

This guide looks at the compliance challenges for Australian businesses, offering best practice solutions to help your payroll function run smoothly and confidently.

[1] www.ato.gov.au/Business/Super-for-employers/Paying-super-contributions/Penalties,-amendments-and-objections
[2] www.insidehr.com.au/liability-wages-underpayment

Payroll compliance
Extension of Single Touch Payroll to employers with <20 employees

From 1 July 2019, the Single Touch Payroll (STP) digital reporting obligation will be made compulsory for Australian employers with 19 or fewer employees. Since 1 April 2018, STP reporting has been optional for employers with 19 or fewer employees. If your business is yet to begin STP reporting, as long as you prepare early, it should be a straightforward process.

The ATO reports the following STP activity between 1 July – 31 December 2018:

51, 077 **Employers reporting**	3, 543, 803 **Individuals**	1, 223, 352 **Pay events**	38, 178, 896 **Payee events**

Source: Single Touch Payroll – Digital Service Provider Industry Update, ATO, December 2018

Employers not currently reporting under STP will need to contact their software vendor to ensure their payroll software is STP compliant, and that your business's processes are appropriately modified.

To learn more about STP and your requirements, please visit the ATO website.

1st April 2019 - New Zealand Payday Filing begins

Payday filing is an electronic payroll reporting system similar to Australia's STP. On 1 April 2019, payday reporting will become compulsory for New Zealand employers (or Australian companies with employees in New Zealand) paying more than NZ$50,000 PAYE and Employer Superannuation Contribution Tax per year.

With payday filing, Inland Revenue requires employers to send payroll information through their payroll software every payday, instead of once or twice per month as required under the Employer Monthly Schedule (IR348).

Sage MicrOpay and Sage WageEasy are in development with a planned payday reporting go-live in March 2019, prior to Inland Revenue's 1 April 2019 compliance date.

To learn more about payday filing and your requirements, please visit the Inland Revenue website.

Three tips to ensure compliance

Tip 1: Ensure your payroll software is compliant

The introduction of SuperStream and STP had a massive impact on the Australian payroll software industry, with many software vendors struggling to meet implementation deadlines.

It's important your vendor ensures your payroll software is compliant with plenty of time for you to update your business processes.

Sage deployed our STP solution well ahead of the implementation deadlines, meaning our customers could seamlessly comply with the new reporting obligations with zero stress.

Tip 2: Ensure Compliance

It's important to ensure the accuracy of personnel data. Payroll teams can use a self-service platform for employees to document and track their personal information, work hours, sick leave, and time off requests. This ensures accuracy and frees up time to manage other payroll tasks.

Even if your payroll is outsourced, you can still keep your employees engaged through various options for employee self-service portals. Empowering employees via self-service means you improve data accuracy, simplify processes, and ensure everyone stays focused on higher value activities.

Tip 3: Implement automation

Payroll software is usually designed to help employers meet their compliance obligations. Recent changes to the Australian payroll landscape have been demanding, however well-designed payroll software can help you minimise complexity and additional processes, saving you time.

Look at the full range of functionality and services offered by your vendor. You might be pleasantly surprised how simple and efficient it is to take care of your payroll obligations.

Regulatory compliance

Personal data compliance

Maintaining the safety of your company's employee and payroll data is critically important in today's digital world. When you decide to outsource your payroll processes, you are allowing your payroll vendor to ensure the right security measures are in place and up to compliance standards.

Personal data security checklist

Whether you outsource or not, here's a data safety compliance checklist to help you mitigate the most common data security mistakes:

1. Consolidate your personnel and payroll data.

If you currently have your personnel and/or payroll data in many locations like spreadsheets, pull everything together into as few locations as possible. Keeping this data in one place will help your payroll team oversee it properly.

2. Adopt relevant rules and standards.

By adopting relevant rules and standards, you can help ensure compliance with data security laws as they are updated and new measures are introduced.

3. Consider all sorts of data.

It's a challenging proposition when it comes to payroll management, yet you need to consider lots of different types of data. How are you handling and storing timesheets? Emails or text messages from employees who are asking for holiday leave?

4. Handle payments more securely.

Do you leave printed pay statements on your employees' desks? If your business is still using printed statements, consider upgrading to online statements where employees can securely access them.

Regulatory compliance

5. Give employees full visibility of data you hold about them.

The Privacy Act 1988 deals with employee records of public and private sector employees differently. A private sector employer does not necessarily need to comply with the Australian Privacy Principles in the Privacy Act when it handles current and past employee records for something that is directly related to the employment relationship.

However, it's good privacy practice for employers to tell employees when they collect their personal information. Best practice employers allow employees to access personal information about themselves held by their employer.

6. Remember that personal data is very sensitive.

Personal information can be sensitive in nature such as information about a person's race, ethnicity, political opinions, membership of political associations, membership of professional associations and trade unions, religious or philosophical beliefs, sexual preferences, health and genetic information or criminal records.

Best practice employers apply the same higher standards even where they are not covered by the Privacy Act 1988 to ensure that sensitive personal information is handled appropriately.

[3]https://www.oaic.gov.au/individuals/faqs-for-individuals/workplace/

[4]www.fairwork.gov.au/how-we-will-help/templates-and-guides/best-practice-guides/workplace-privacy

[5]www.oaic.gov.au/individuals/faqs-for-individuals/workplace/

Keeping up to date with payroll compliance

The Australian Taxation Office

The ATO website is the single source of truth for payroll compliance, presenting the most up-to-date information relevant to employers and payroll professionals. For information relevant to businesses and superannuation, please visit the below links:

ATO for businesses www.ato.gov.au/Business

ATO on superannuation www.ato.gov.au/Super

The ATO is incredibly proactive in notifying Australian businesses about changes to their compliance and reporting obligations, through regular emails and a range of other communication channels.

The ATO and Australian software vendors

The ATO proactively manages relationships with the Australian software vendors to ensure they understand emerging requirements and deliver compliant software to their customers.

Sage has received ATO Certification as a Digital Service provider, meaning we comply with their best practice standards. You can therefore rest assured Sage payroll software is always updated to comply with the latest ATO standards.

Compliance around the globe
Trust Sage for your compliance

Sage has a tremendous history of keeping customers compliant with regulatory requirements. In Australia, we've seen quite a few changes to payroll requirements over the past few years. Yet that's just the tip of what's happening around the globe regarding regulations and keeping companies compliant.

Sage is focused on keeping our clients compliant around the globe

France – Withholding tax of 2018
Previously, French employees were responsible for setting aside money to pay their yearly income tax bills, which they receive at the end of the summer. Now companies must withhold tax for employees' earned income and remit it monthly to the tax authority.

Germany – Tax Withholding updates
There is a new withholding tax on dividends, none on interest unless in the case of publicly traded debt, and a new withholding tax rate on royalties.

UK – General Data Protection Regulation (GDPR)
Introduced May 25th 2018, GDPR is one of the biggest shake-ups ever seen and affects how payroll data should be handled in all EU member states. It adds new requirements around access to personal data, how it's stored, and how long it's kept.

Get control of your payroll with Sage

Sage Payroll Services

Sage Payroll Services help you stay compliant, eliminate penalties, and reduce risk. Let Sage do it for you so you can focus on growing your business.

Discover more >

Sage Payroll Online

Sage Payroll Online manages the IT infrastructure, maintenance and update of your payroll system so you can focus on your core business.

Discover more >

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