



QUICK GUIDE

Understanding Australian Payroll



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Australian payroll legislation is incredibly complex, and supporting clients through unique payroll scenarios might cause firms to consider whether payroll services are worthwhile for their practice.

From modern awards and Single Touch Payroll, to employee data and leave management, there's a lot to consider for every pay run. But, along with the administrative tasks and legislative burden, comes richer client engagement, consistent communication and opportunity for additional revenue streams.

If firms implement practical payroll processes and support their clients in payroll compliance, offering payroll services can be the key to long-lasting client relationships.

This guide is intended to help accountants, bookkeepers, and payroll professionals get started on or rediscover the key components of Australian payroll, with some helpful advice and additional recommended resources to stay abreast of legislation and changes, in order to support their clients in payroll.

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Payroll Requirements

WHAT IS SINGLE TOUCH PAYROLL (STP)?

Single Touch Payroll is a regulation that impacts the way that employee tax and super information is reported to the Australian Taxation Office (ATO). The most recent expansion of STP (STP Phase 2) reduces the burden for payroll providers and business owners who need to report information about employees to multiple government agencies (such as Centrelink, Child Support Agency, Department of Social Services, and more). It streamlines obligations to these agencies by removing the need for manual reporting.

For a comprehensive guide of the changes and latest information about STP Phase 2, visit the [ATO](#).

KEY TIP

KeyPay is a leading ATO-certified STP reporting solution. When using KeyPay, STP compliance will be supported and updated in adherence to ATO requirements.

IMPACTS OF STP PHASE 2

For payroll providers

- no more manual processes such as lodging TFN declarations or providing Lump Sum E letters to clients' employees
- reduced manual reporting of events such as child support payments and termination reasons, as many of these are now done via STP reporting

- streamlined reporting through the ability to report closely held payees or inbound assignees via income types
- simplified processes such as changing software or an employee's payroll ID, as this can now be reported via STP to eliminate income statements being duplicated
- reduced admin time as information reported to the ATO will now be shared with Services Australia for confirming employment and payroll information about employees

For employees

- centralised access to information through MyGov
- increased visibility over how they're being paid and the types of income received
- decreased risk of owing tax, as the ATO will now be able to tell employees if they've provided incorrect information (such as not disclosing a Study and Training Support Loan or other loans)
- less paperwork to keep track of as information will now be digitally recorded, and streamlined reporting will mean less documents to be supplied
- time saved by STP data being used to pre-fill employee details when filling out claims and reports

HOW DOES PAYROLL TAX WORK IN AUSTRALIA?

Payroll tax is one of the most misunderstood taxes in Australia. It is paid to each state and territory individually, all of which have their own thresholds, rates and exemptions, as well as their own remittance schedules (yearly, monthly etc).

Payroll Requirements

Not all of your clients will need to pay payroll tax, however it's important to note that the threshold is based on total Australian wages, and not just those paid in their own state or territory.

Your clients will also need to consider employees who provide services across more than one state and should refer to the nexus provisions to determine how payroll tax should be paid.

You can find more information about each states' payroll tax, including exemptions, and how to register and pay payroll tax [here](#).

CURRENT PAYROLL TAX THRESHOLDS

State	Threshold	From
NSW	\$1.2 million	1 July 2016
QLD	\$1.3 million	1 July 2019
VIC	\$700,000	1 July 2021
WA	\$1 million	1 July 2020
NT	\$1.5 million	1 July 2016
SA	\$1.5 million	1 July 2019
ACT	\$2 million	1 July 2016
TAS	\$1.25 million	1 July 2018

STP AND PAYROLL TAX

The introduction of STP has made it much easier for each state and territory's revenue office to identify what wages are being paid and where, but with payroll tax being the biggest tax levied by state and territory governments, it is crucial to ensure your clients are compliant with payroll tax and reporting.



Compliance

WHAT ARE MODERN AWARDS?

A modern award is a set of terms and conditions relating specifically to industry or occupation based minimum employment standards. It states employees' entitlements relating to, for example, pay, hours of work, rosters, breaks, allowances, penalty rates and overtime.

It's no secret that modern awards are complex, and it's not surprising that they can be easily misinterpreted. Whether you're running payroll for clients or supporting them to do so, it's important to ensure that all employees are being paid correctly and classified under the correct modern award.

The Fair Work Commission (FWC) conducts a 4-yearly review of modern awards and an annual review of modern award minimum wages as part of the Annual Wage Review.

AWARD INTERPRETATION

Picture this scenario. Your client employs a team of warehouse staff for a retail company. They don't operate forklifts and their role involves picking, packing and shipping out small items. They work Saturdays and some late nights.

The employees range from full-time, part-time and casual employment types. The casual employees frequently work overtime during the week, which involves late nights, followed by early morning starts.

With so many things to consider (overtime, casual loading, meal allowances, etc), how can you feel confident that your client is paying under the correct award?

It's scenarios like this that illustrate how complex the Australian payroll system is. To ensure your clients remain compliant, consider leveraging

payroll software that excels in award interpretation.

To help you find out which modern award/s your clients' employees fall under, you can use the FWO Find my Award tool [here](#).

KEY TIP

Did you know that KeyPay has over 47 modern awards built-in? These pre-built awards are managed by KeyPay and updated in line with any changes to awards including annual changes to award minimum wages.

We're here to help firms and their clients be confident they're doing the right thing.

EMPLOYMENT LEAVE LAWS

Minimum leave entitlements within Australia are determined from the National Employment Standards (NES). Awards or employers may provide for other leave entitlements, but they can't be less than what is specified by NES.

TYPES OF LEAVE

Annual leave

Full-time and part-time workers get 4 weeks of annual leave for every 12 months worked. Leave begins accumulating from the first day the employee works and they can take leave as soon as they accumulate it.

Sick and carer's leave

The yearly entitlement is based on an employee's ordinary hours of work and is 10 days for full-time employees, and pro-rata for part-time employees. This can be calculated as 1/26 of an employee's ordinary hours of work in a year.

Compliance

Parental leave

Eligible employees can get unpaid parental leave when:

- an employee gives birth
- an employee's spouse or de facto partner gives birth
- an employee adopts a child under 16 years of age.

Employees who have worked for their employer for at least 12 months are entitled to 12 months of unpaid parental leave. They can also request an additional 12 months of leave.

Compassionate & bereavement leave

Employees are entitled to 2 days compassionate leave each time they meet the criteria detailed by the Fair Work Ombudsman. Payment for compassionate leave is determined based on the employee's employment type.

Family & domestic violence leave

All employees (including part-time and casual employees) are entitled to 5 days unpaid family and domestic violence leave each year. Employers may offer above the minimum entitlement from NES and the amount will depend on the contract or policy.

For a further understanding of leave entitlements, and other types of leave, refer to FWO [here](#).

RECORD KEEPING

All records relating to payroll must be kept for a period of 7 years. The FWO states that information required to be kept includes:

General

- employer's and employee's name
- employer's ABN (if any)
- employee's commencement date
- whether the employee is full time, part time, or casual

- whether the employee is permanent or temporary

Pay

- pay rate paid to the employee
- gross and net amounts paid
- any deductions from the gross amount
- details of any incentive-based payment, bonus, loading, penalty rate, or other monetary allowance or separately identifiable entitlement paid

Hours of work

- any penalty rates or loadings paid to employees for overtime hours worked, including:
 - the number of overtime hours worked by an employee during the day
 - when the employee started and finished the overtime hours
- the hours an employee works if the employee is a casual or irregular part-time employee who is paid based on time worked
- a copy of the written agreement if an employer and employee have agreed to an averaging of the employee's work hours

Leave

- any leave taken
- how much leave an employee has

If an employee is able to cash out annual leave, the employer has to keep:

- a copy of the agreement to cash out the amount of leave
- a record of how much was paid, the amount of leave cashed out and when the payment was made

Under an award, if an employer agrees for an employee to take annual leave in advance, the employer has to keep a copy of the agreement. The agreement has to say the amount of leave taken and the day the leave starts.

Compliance

Superannuation contributions

- amount paid
- pay period
- date(s) paid
- name of super fund
- reason the employer paid into the fund (eg a record of the employee's super fund choice and the date they made that choice)

If employers pay a defined benefit interest into a defined benefit fund, employers don't have to include these contributions in the record.

Individual flexibility agreements

If an employer and employee agree to an individual flexibility agreement under an award or registered agreement, a record must include both:

- a copy of the written agreement
- a copy of any notice or agreement to terminate the flexibility agreement

Guarantee of annual earnings

- the guarantee
- the date the guarantee was cancelled (where applicable)

Ending employment

- how the employment was terminated, for example by agreement, summarily, or in some other way (specifying details)
- if notice was provided and, if so, how much
- the name of the person who terminated the employment

Transfer of business

Where there has been a transfer of business, the old employer has to give the new employer records of any transferring employee.

The new employer also has to ask for employment records from the old employer for any transferring employee who becomes an employee within three months of the sale.

Time and wages records have to be:

- readily accessible to a Fair Work Inspector (FWI)
- legible
- in English

Time and wages records can't be:

- changed unless the change is to correct an error
- false or misleading

Source: [FWO Record-keeping](#)

KEY TIP

We recommend leveraging technology that will streamline record-keeping for you and your clients. KeyPay is an all-in-one solution, integrating payroll and workforce management, to securely manage and store employee data in one place and eliminate the possibility of missing data.



The Benefits of Payroll Software

IMPLEMENT SOFTWARE THAT WILL HELP KEEP YOU COMPLIANT

Understanding and complying with complex modern awards and legislation can be one of the biggest challenges facing small to medium businesses, but that's where software can help.

Some payroll systems have modern awards built-in to help make award interpretation easy. Ensuring you and your clients are Single Touch payroll (STP) compliant and accurately reporting all relevant information like start, end, and break times, has never been easier with the help of payroll software. Many providers also keep up to date with changes to legislation and automatically update when they're introduced.

If you're looking to stay in the loop with payroll and employment legislation updates, we suggest you subscribe to the [FWO email list](#).

LEVERAGE TECHNOLOGY TO CUT DOWN ON PAYROLL PROCESSING TIME

We've already discussed the complexities of payroll, but what about the time spent dealing with these complex payroll scenarios?

Managing pay run detail through email, tracking hours and expenses in Excel, even processing payroll in a desktop, on-premise solution - these processes are costing you and your clients time that could be better spent reinvesting in your businesses. We recommend leveraging technology that is accessible to all, 24/7 and will automate repetitive manual tasks so that processing payroll can go from 3 days to 3 hours.

KEY TIP

Did you know that KeyPay offers automation with customisation? You can drive the level of automation that you and your clients leverage so that it makes life easier for everyone.

AUTOMATE THE FLOW OF DATA FROM EMPLOYEE TO PAY RUN

Whether you're managing your clients' payroll or supporting your clients to do so, running payroll is not just paying employees for the hours worked, but also dealing with leave requests, expenses, timesheets, rostering and consistent employee data management.

There's a lot to stay on top of and without a self-service employee portal, you or your clients might be inundated with requests or changes to submit any one pay run.

A self-service employee portal will empower employees and simplify processes, cutting down on back-and-forth communications, reducing human error, and removing the need to manually manage the flow of data between stakeholders.

ACHIEVE GREATER EFFICIENCIES BY INTEGRATING SOFTWARE

If you or your clients aren't integrating payroll and accounting, you're spending too much time on admin. By leveraging a payroll solution that integrates with your clients' accounting system, you can reduce manual processing time and minimise human error. Start automating the flow of payroll data, journal entries and reconciliation and turn payroll into a profit centre for your practice.

Bring more value to your practice **with KeyPay**

KeyPay is an award-winning, cloud-based workforce management and payroll platform servicing over 200k businesses through 750+ partners across Australia, New Zealand, UK, Singapore and Malaysia.

In a single, integrated platform, KeyPay automates the flow of data from employees across rosters, timesheets, leave management, and reporting, providing full client visibility over the pay run at all times.

As an automated payroll solution, KeyPay offers unparalleled time-saving benefits to businesses of all sizes. By reducing costs, manual processes and pressure on resources, KeyPay partners can streamline operations and offer greater service for their clients. With a feature-rich cloud solution and seamless integrations, KeyPay supports partners in turning payroll into a profit.

[GET IN TOUCH](#)