Single Touch Payroll

A playbook for small & midsize businesses

Beautiful business **xero**

Everything you need to know about digital payroll

If your business has employees, then you'll need to get up to speed with digital payroll. It might seem daunting at first, but with the right approach and software – the entire process can be quick, easy and stress free.

Understanding payroll all comes down to understanding the accounting regulations that cover how and when to pay your employees. Payroll is an important part of business accounting for two big reasons. First, because it's a legal requirement to get it right, especially for tax purposes. Second, because naturally you want to make sure your employees are paid correctly.

Here's what you need to know in order to understand payroll for your small business:

1.Taxation
Any business with staff must withhold the proper payroll taxes from employees' pay packets and pay the appropriate government taxes. In short, you're acting as the tax collector for your employees.

2.Retirement plans and healthcare
You may also have to manage payments for things like retirement plans and healthcare. This means withholding the right amounts from your employees' pay and, usually, paying employer's contributions too (these can be fixed amounts or a percentage of each employee's salary).

3.Fines and penalties
If you don't pay the necessary taxes you could receive a heavy fine or penalty – so it's important to calculate the amount of PAYG, payroll tax and Superannuation Guarantee Contributions (SGC) owed and pay them on time.

4.Reporting
Employer obligations such as PAYG, payroll tax and SGC must be reported to both the appropriate government agencies and your employees in writing. This might be done weekly, monthly or yearly, depending on local regulations.

5.Payroll is for employees
Your payroll legally includes the people you directly employ. It doesn't usually include independent contractors or freelance workers, or anyone who invoices you through their own business. If you're ever in doubt about who's on your payroll and who isn't, talk to your accountant.

Understanding the payroll landscape in Australia

Who provide payroll services in Australia?

Payroll is very complex and specialised in nature, which is why it's considered a specific bookkeeping task. Because it is high risk from a compliance perspective, payroll requires a lot of experience and is classified as a niche service when outsourced.
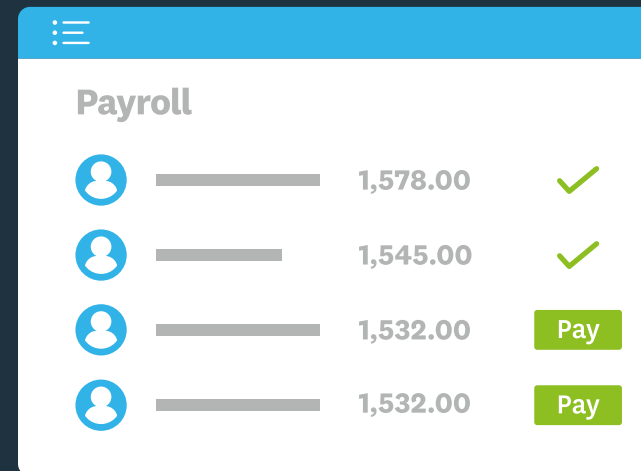
Who processes payroll?

Outsourced payroll services are largely provided by Business Advisory Services (BAS) agents or tax agents who are qualified and skilled in all things payroll.

If payroll is processed internally within a small business, it is usually managed by an internal admin who has looked after it for years. It's also often looked after by the business owner once payroll compliance requirements have been established.

Tasks and services that fall under payroll:

— Pay runs

— Production of payslips

— Facilitation of employee payment

— Calculation of termination payments

— Dealing with new employees

— HR functionality

— Leave monitoring and calculation

— Superannuation guarantee calculation

— Superannuation reporting

— Facilitation of superannuation payment

— Award interpretation

— Production of payment summaries

— Accounting payroll postings

— Tax Office reporting

— Time and attendance

— Fair Work interpretation

— Applicable tax law interpretation (PAYGW, superannuation etc)

Payroll

1,578.00	✓
1,545.00	✓
1,532.00	Pay
1,532.00	Pay

Digitising your payroll
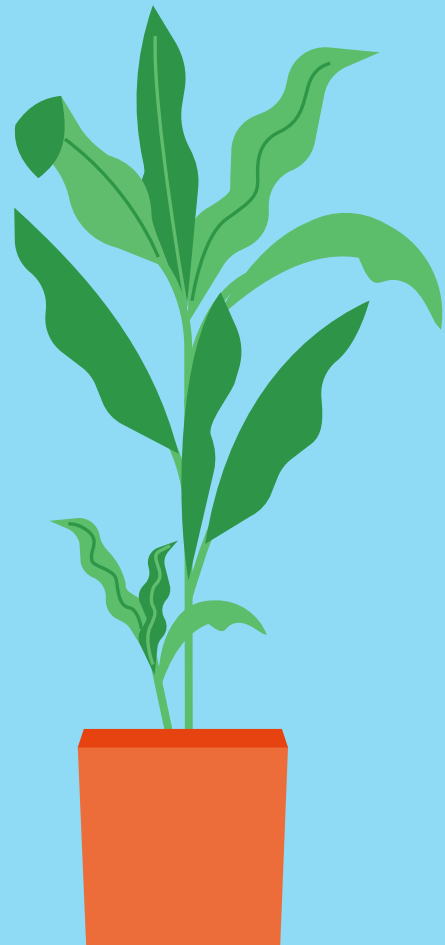
Discover the benefits of payroll digitisation

Modern payroll accounting software is cloud-based. What does this mean? Namely that all of your financial data is stored securely on remote servers online (instead of on your desktop), connecting you to your information whenever and wherever you need. All of which saves you time, money and all-important headspace in the process. For example, instead of spending hours (or more) manually reconciling accounts, you can set up a direct feed from your banking service, allowing you to reconcile transactions in moments.

And it's not just accounts reconciliation that has been vastly improved. Thanks to digital payroll:

— You can become Single Touch Payroll compliant in just a few clicks.

— Employee hours can be imported straight into payroll software.

— Staff can be paid online automatically with scheduled payments.

— Personnel data such as address changes can be updated quickly.

— Tax calculations can be carried out automatically.

— Notifications can be set for any number of times and events.

— Different deadlines for different clients are all handled automatically and without fuss.

— Errors are reduced because so much of the work is automated.

The integration of payroll with accounting data is helping bring about a revolution that's changing the face of the industry. Here at Xero, we're on a mission to make running a small to medium business a whole lot easier – leaving you with more time to do what matters.

Introducing Single Touch Payroll: What it means for you

Single Touch Payroll (STP) is an initiative from the ATO to encourage frequent digital salary reporting – and it's changing the way employers operate. From 1 July 2018, STP became mandatory for employers with 20 or more employees. From 1 July 2019, all Australian small business employers are required to report their payroll information this way.

Employers are now required to:

— Report payments such as salaries, wages, PAYG withholding and superannuation information each time an employee is paid, rather than just once a year.

— Adopt upgraded Standard Business Reporting-enabled software (this is essential to reporting under STP), along with software that provides ATO and Fair Work-compliant payslips each pay period, and also calculates and processes termination payments.

— Enter employee details accurately into the software.

— Process pay runs accurately and pay all entitlements – including super – on time.

— Calculate Superannuation Guarantee entitlements.

— Complete heightened reporting requirements at every pay period throughout the year, along with simplified end of year reporting.

— Cashflow management will be key to meeting your STP obligations.

Xero lets you file your pay runs with the ATO in a matter of clicks. Check our advisor listing to identify a Xero partner who is 'STP-ready' to assist you with software setup, training and ongoing payroll compliance requirements.
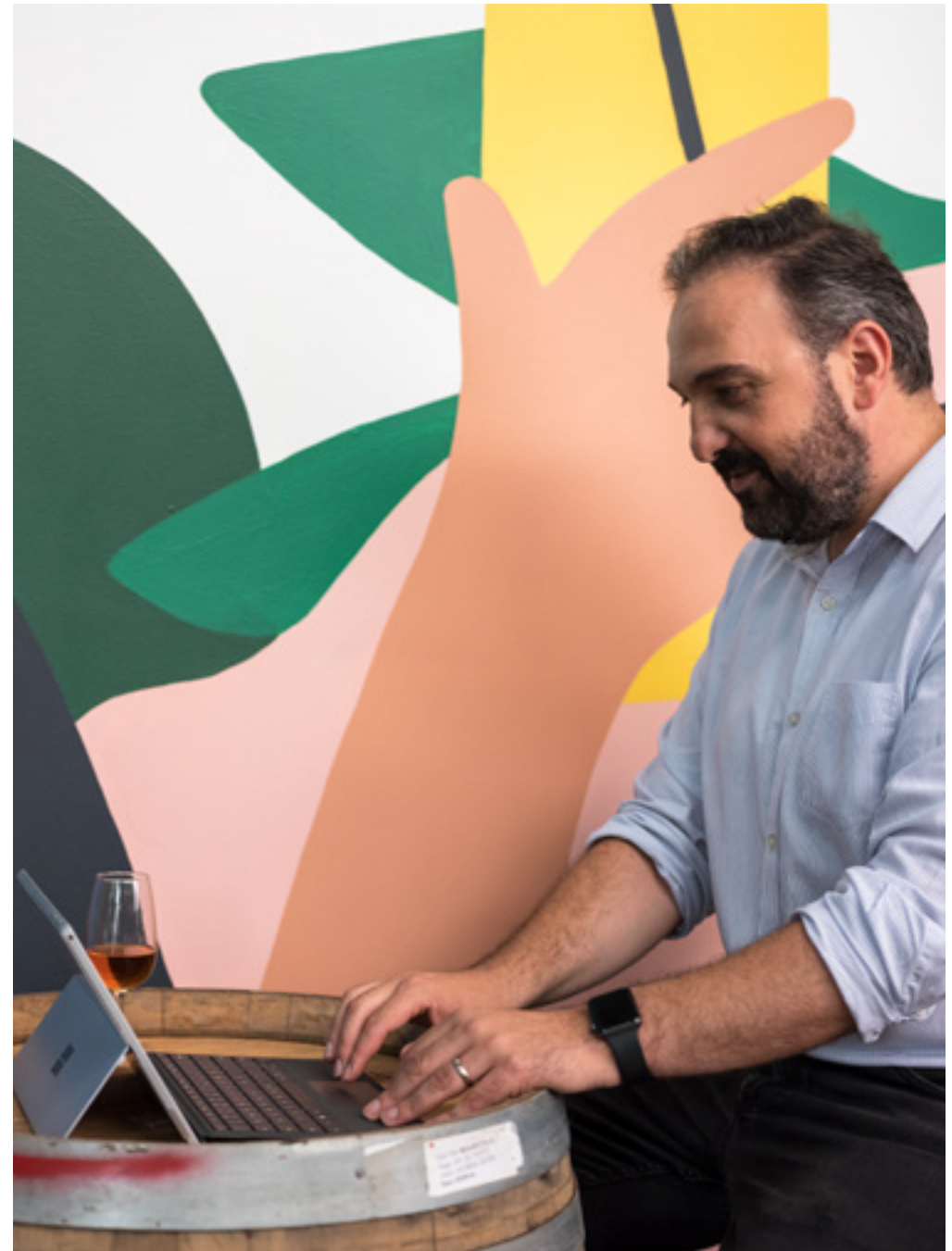
What digital payroll software can do for your business

Embracing Xero's payroll software not only reduces the compliance burden for small to medium businesses, but it can reduce manual errors too. This means you save time and money – so you can do more of what matters.

By using Xero Payroll, you can move off desktop and embrace the future of accounting, today. Here's just some of the benefits Xero Payroll can bring your business:

Accessibility
With Xero you can access your account securely, whether you are in the office or elsewhere, allowing you to manage your online payroll from anywhere.

Scalability
As your business starts to grow so will your payroll, Xero's payroll software helps you handle this growth so as you grow so does your accounting software.

Time saving features
Payroll can be complex & time consuming, with Xero payroll you can make and schedule payments quickly and easily reducing manual errors and unhappy employees.

Less paper
Xero payroll reduces the use of paper forms and tax submissions, and lets you look after the environment in the process.

Single Touch Payroll compliant
Xero's payroll software helps you to create reports and submit them online so your information is updated automatically, making you STP compliant.

Less admin
Xero allows you to simplify your payroll workflow and reduce your admin so you can spend more time on growing your business.
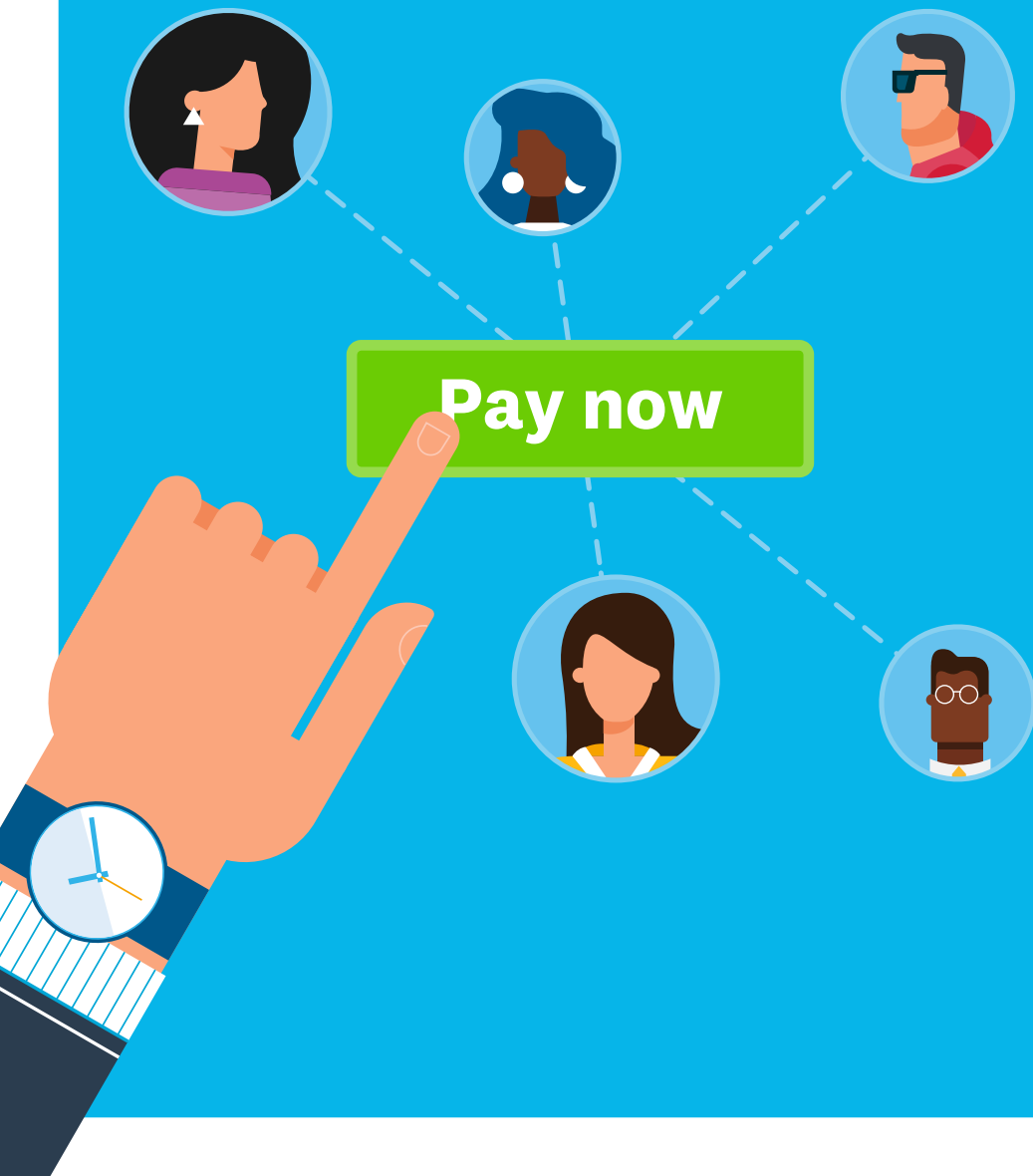
Why it pays to make the right choice for your business

The main goal of digital payroll technology is to give everyone more control. That means giving your employees more control over their personal data and leave applications, and giving you more control over how the entire process is managed.

With STP ensuring frequent salary reporting countless small businesses will make the move to using digital technology, some for the first time. This is set to become a fundamental part of your business, so it pays to find the right payroll accounting software from the very start.

Choose the best product for you, one that will simplify your payroll and grow as your business does. With Xero, you'll find the support you need to free up the time and resources to concentrate on what's important – building your business.

Pay now

Check out additional resources for some tips and tricks for business success

— [Understanding online payroll](#)

— [Can payroll software save you money](#)

— [What is Single Touch Payroll and what does it mean for your business](#)

— [Checklist for setting up small business payroll](#)

— [How to prevent small business payroll mistakes](#)

— [Should I hire a payroll consultant](#)

Where to next?

Talk to an expert.

Connect with a Xero accountant or bookkeeper at xero.com/advisors

Beautiful business

xero