

# Single touch payroll: What does it mean for dental practice owners?

**Single touch payroll (STP) is the biggest payroll reporting change in Australia. It commenced 1 July 2018 for all employers with more than 20 employees as at 1 April 2018.**

STP means that employers are required to report digitally to the Australian Tax Office (ATO) every time they make a payment of wages. This will allow the ATO to monitor and review wages paid, tax withheld and superannuation liabilities for larger employers. Using STP, employers can also report fringe benefit amounts and reportable employer superannuation contributions (i.e. salary sacrifice super or any super contribution in excess of the required 9.5 per cent super guarantee). The benefit to employers is that they will not be required to complete or prepare group certificates/pay summaries at the end of the year. The ATO will prepare them and they will be available through MyGov. The details will also be in the usual pre-fill section. If a copy is required for a finance application, it can be printed from your MyGov account. These measures bring Australia closer to the real-time information system introduced in the UK a few years ago.

The same STP reporting requirements will apply to employers with fewer than 19 employees from 1 July 2019 but these requirements are yet to be legislated. It is considered that there will be some exemptions for micro employers, which are those with fewer than five employees or employing related family members. The ATO has advised that it wishes to work with industry for a solution for those smaller employers – but it notes that the approximate number of large employers numbers about 75,000, while those employing fewer than 19 people amounts to a staggering 700,000+.

Those employers in rural areas or areas that do not have access to the internet may also be able to get an exemption from the ATO. The ATO has also advised that it will only be in extreme circumstances where penalties would be issued for non-compliance within the first 12 months.

Dental practices with fewer than 19 employees will need to ensure that the accounting software they use is compliant and that it has been updated to offer STP reporting. Most importantly, the software will generally need to be cloud-based and able to securely transfer data via the internet. Dental practices using desktop versions of accounting software or Excel spreadsheets to record their transactions will most likely find it necessary to upgrade. It is also possible to have your tax agent report your payroll to the ATO on your behalf. However, this is likely to be a short-term solution as it necessitates the tax agent preparing a report every time you pay wages. Smaller businesses should start to get ready now and consider using STP as soon as possible to become familiar with how the system operates well in advance of the 30 June 2019 deadline.

There are further provisions outside the STP regulations that may also trap unwary or disorganised business owners. Wages paid to a related party where no tax has been deducted will result in the business being unable to claim a tax deduction for the wages paid. Where spouses and related parties are potentially paid on a non-commercial basis, there will be more likelihood to attract the attention of the ATO, particularly where a regular payment does not go through the business and everything is processed (in a rush) just prior to 30 June.

To operate successfully under STP, the initial information that is required to go to the ATO must be validated and this will ensure that employees have the correct tax file number and other information. It would allow the ATO to identify employees who are claiming the tax-free threshold at more than one employer, and also where the employer is unaware of a

HECS/HELP debt and is not withholding sufficient tax from the employee's wage.

MW Partners deals with payroll matters for dental surgeries on a daily basis. If you are a practice owner who has concerns over the introduction of STP and would like to get a better understanding of how the new system will operate and its effects on your practice, feel free to contact the office on (03) 8825 5400. As a member of the ADAVB, there is no charge for your first consultation.



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