



**THE TAX INSTITUTE**  
THE MARK OF EXPERTISE

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Mr Martin Mane  
Senior Director  
Service Delivery (Customer Service & Solutions)  
Australian Taxation Office

By email: [SingleTouchPayroll@ato.gov.au](mailto:SingleTouchPayroll@ato.gov.au)

Dear Mr Mane,

**Single Touch Payroll**

The Tax Institute writes to comment on the Australian Taxation Office (**ATO**) discussion paper in relation to Single Touch Payroll (**Discussion Paper**). Single Touch Payroll has the potential to significantly impact our members and their clients, many of which are small businesses.

We have focussed on issues raised in the Discussion Paper which are of interest our members, rather than responding to each particular question posed.

As a general comment, we support the initiative as it has the potential to reduce red tape for many businesses. We do, however, have concerns that the initiative will increase the compliance burden on small businesses and we suggest that it be optional for those businesses. We have also noted issues in relation to early payment, customised payroll systems, and administration.

*Red tape for small businesses*

Single Touch Payroll should be 'opt in' for small employers, with those businesses having the option to continue with the present system. For these businesses, the initiative may create a burden rather than reducing red tape.

As part of Single Touch Payroll, employers will need to upgrade their existing payroll software or acquire compatible software to fulfil their obligations. Unless the ATO makes a simple SBR-enabled payroll system available free of charge of employers to use as part of this initiative, additional cost will likely result that may not be offset by savings generated by red tape reduction for those businesses.

There are many small business that keep track of payroll amounts in a simple Excel spreadsheet or in hard copy in a payroll book. For those businesses, this existing

system is quick and efficient. It may well be preferable for them to continue with a single quarterly Business Activity Statement as being the best method to provide particulars to the ATO of PAYG withholding concurrently with GST reporting.

We have had significant feedback from our members with small business clients in relation to this initiative. For example, one member has around 400 small business clients many of whom cannot read or write. From these clients perhaps one or two have the relevant software. Many such small businesses employ workers and still provide primary documentation in relation to their expenses to their accountant. Many still do not have computers and reliable internet access.

The Discussion Paper states that a business with six employees may have to complete in excess of 400 manual transactions each year to meet their employer reporting and payment obligations. However our members indicate that paying staff comprising a similar number of employees takes very little time by automatic pay via a bank account and 20 minutes at the end of the year to complete PAYG withholding statements. For these businesses, such a change as suggested in the Discussion Paper may force them to use accounting services at an additional cost to them.

If the government pursues compulsory Single Touch Payroll for all businesses, the stated objective of reducing red tape for clients may be compromised in favour of the pursuit of increased data collection and earlier collection of revenue.

#### *Impact of earlier payment*

We appreciate that Single Touch Payroll encourages businesses to ensure that they factor in payments to the ATO as part of weekly cashflow. However, many businesses use overdraft facilities and commonly defer payments until the end of the quarter in order to reduce interest costs. By way of example, some primary producers typically receive income well after wages are paid, for example, shearing wages paid in advance of wool income or employees harvesting grain being paid well in advance of any grain income being received. In these circumstances, paying quarterly can alleviate the financial burden of the taxpayer.

If Single Touch Payroll is to be introduced from 1 July 2016 for both reporting and payment, initially as an optional initiative, some form of compensation or incentive should be provided to encourage employers to adopt early payment at that stage.

#### *Customised payroll systems*

Many businesses do not use generic payroll software, having developed their own in-house payroll processes and solutions to cope with their unique business circumstances. Those systems may not be regularly updated due to cost. Some payroll information is stored in databases, in simple spreadsheets (as discussed above), and in various other formats. Many of these businesses transmit their own data to the ATO at the end of each year or send paper forms. Any more frequent submission of payroll data to the ATO will be an extra burden on these employers.

We understand that the ATO is engaging in consultation with software developers and practitioners in relation to Single Touch Payroll. We suggest that the ATO consider ways of including in-house software developers in communications and consultations in relation to this initiative. Specifications for the required SBR-enabled software should be released as soon as possible so that businesses currently using in-house software can conduct a viability study to determine whether they should build or buy the relevant payroll software. If businesses wish to build customised software, they may be prevented from becoming early adopters of this initiative given the delay in releasing the relevant specifications.

#### *Administrative issues*

Currently, an employer is not required to make any superannuation contribution for employees receiving salary or wages of less than \$450 in a month. For casual employees, it may not become apparent whether the employee is above or below this threshold until the end of the month. It is unclear how Single Touch Payroll will operate in relation to such employees, as its operation may result in overpayment of superannuation contributions for these employees.

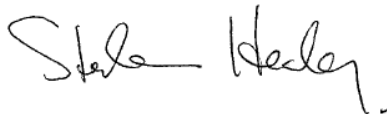
There is also a reduced margin for error under this initiative. If an incorrect amount is paid to an employee due to human error, the error would be compounded as it will instantaneously result in incorrect payments being made in respect of PAYG withholding and superannuation. Under the current system, employers would have had between one to three months to rectify the error before superannuation is remitted.

The Discussion Paper notes one of the key benefits of the initiative as being the reduction of red tape involved in 'on boarding' employees. It unclear how employees who commence prior to a TFN declaration being made will be dealt with under the new regime.

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If you would like to discuss any of the above, please contact either me or Tax Counsel, Thilini Wickramasuriya, on 02 8223 0044.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Stephen Healey'.

Stephen Healey  
President