



GMS Flash Alert



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Australia – Single Touch Payroll: Shadow Payrolled Employees Working in Australia

An exemption for employers from Single Touch Payroll (STP) reporting in respect of certain foreign employees working in Australia will no longer apply **from 1 July 2019**.

The Australian Taxation Office (ATO) has announced that effective 1 July 2019, this exemption will cease and employers will be required to include these foreign employees in their Australian STP reporting.

WHY THIS MATTERS

STP reporting requires that employees' payroll information, including salaries and wages, pay-as-you-go (PAYG) withholding, and superannuation contributions, be reported to the ATO on a "real-time" basis when paying employees.

Employers who have "foreign payrolled" employees working in Australia (including those with PAYG withholding variations in place) will now need to make sure they have processes in place in order to satisfy their Australian STP reporting requirements.

The ATO has the power to impose significant penalties where these requirements are not met, and deny deductions for payments made to employees where employers have failed to meet their STP reporting and PAYG withholding obligations.

Background

During the first year of Single Touch Payroll (STP), employers were exempt from STP reporting requirements for certain foreign employees seconded to Australia, where they were paid from a foreign payroll.

Concession for Foreign Payrolled Employees – Later Due Dates

While payments are normally required to be reported for STP purposes on or before each pay day, a slight timing concession will apply for foreign payrolled employees whereby the reporting due date will be up to one month later. This is in recognition of the challenges that employers may face in obtaining this information from foreign payrolls on a timely basis.

Additionally, for the year end 30 June 2020, the ATO will defer the due date for submitting the end-of-year STP finalisation (i.e., year-end reconciliation) until 14 September 2020, for those inbound employees to Australia who are paid wholly or partly from a foreign payroll.

KPMG NOTE

Interaction of STP Requirements with PAYG Variations to Nil

The STP reporting requirements are separate and distinct from the PAYG withholding requirements.

For those employers who have obtained the Commissioner's approval to vary an employee's PAYG withholding obligations to nil, current ATO commentary² suggests that STP reporting will still be required. This means that the company will still be required to report the income (and superannuation where applicable) each pay event.

Practically, however, the fact that a PAYG variation is in place will typically mean that the Australian payroll is not used, making compliance with STP reporting obligations extremely challenging and onerous.

Further consultation with the ATO will take place in late March to provide clarity on this point.

Next Steps

Employers will need to review their Australian employee population being paid from a foreign payroll and make sure a process is in place by 1 July 2019 to manage this additional STP reporting obligation.

Subject to the outcome of the ATO consultation in March, employers with PAYG withholding variations to nil may also need to revisit arrangements to determine if a shadow payroll is a more appropriate process under the STP regime.

STP will provide the ATO with much greater transparency over payroll and superannuation compliance for inbound employees on foreign payroll. Employers should therefore also consider if a broader review of policies and processes is required for on-boarding these employees including:

- Visa appropriateness;
- Collection of Tax File Number (TFN) Declarations (timely lodgment and associated PAYG withholding obligations);
- Timely capture and compliance of short-term inbound business travelers;
- Analysis of foreign wage codes to help ensure they are correctly set up for STP reporting, PAYG withholding, superannuation, payroll tax, and workers' compensation obligations;
- Continuing appropriateness of PAYG variations to nil where STP reporting is required for this employee population.

We recommend all employers with employees working in Australia who are on a foreign or split payroll consult with their qualified tax professionals on how best to prepare for these STP changes.

KPMG Australia can help employers efficiently deliver STP compliant shadow payrolls using its Shadow Payroll Assist technology (for more information, click [here](#)).

FOOTNOTES:

- 1 The new guidance is not yet posted on the ATO Web site. For additional information on Single Touch Payroll, click [here](#).
- 2 See the ATO Web page "[The Rules of Reporting through Single Touch Payroll](#)."

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