

GMS Flash Alert

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Australia – Update on Single Touch Payroll for Globally-Mobile Employees

The Australian Taxation Office (ATO) has released updated guidance in regards to Single Touch Payroll (STP) reporting requirements for foreign employees working in Australia.¹

WHY THIS MATTERS

Since it was announced earlier this year² that the exemption from STP reporting for certain foreign-payrolled employees will cease from 1 July 2019, there has been ongoing uncertainty regarding some of the details, requiring further consultation with the ATO to clarify.

The updated ATO guidance (which we have been advised is to be released to the public in the next week) now provides clarity in connection with the below-discussed concessions and exemption.

Shadow Payroll – STP Reporting Deferral Concessions

Recognising the difficulties in obtaining amounts paid from foreign payrolls on a real-time basis, the ATO is providing a concession to defer the STP reporting date for foreign-payrolled employees until the end of the calendar month following the date payment is made to the employee.

KPMG NOTE

Practically this may still present challenges for some employers.

For example, if the foreign payroll runs on the 30th of September, STP reporting would be required by the end of October.

If the Australian payroll runs on the fourth of each month, in order to avoid having to run two STP reports each month, the foreign payroll amounts will need to be included in the Australian STP report within four days of being paid. This timeframe would be challenging for most employers.

Should this situation arise, it may be possible to request a specific additional deferral concession from the ATO, which we expect will require detailed reasoning to demonstrate why the deadline of the end of the month cannot still be met.

PAYG Withholding Variations – STP Exemption

The ATO has confirmed that where employers have obtained the Commissioner's approval to vary an employee's PAYG withholding obligation to nil, STP reporting will not be required.

Such variations typically apply to tax-equalised employees who remain paid from a foreign payroll when working in Australia.

KPMG NOTE

There is no change to the current obligation to provide a year-end Statement of Earnings to employees covered by the variation.

Employers will also need to continue to consider the amounts paid to these employees for monthly payroll tax purposes as well as timely Superannuation Guarantee contributions where required.

From comments made during the consultation process, we also anticipate that the basis on which such variations are granted will be reviewed, with a possible outcome being a restriction on the availability of such variations in future.

Business Travellers into Australia

Where an employer has short-term business travellers into Australia who are not covered under a PAYG withholding variation, the ATO recognises that there can be challenges in being aware of these individuals (and their Australian tax position) on a real-time basis.

As such, these situations fall within the scope of the STP corrections framework. Once the employer identifies that the business traveller is taxable while in Australia, STP reporting will be required either within 14 days from this date, or on the day of the next regular payroll cycle for the employer.

KPMG NOTE

The ATO's specific reference to such workers in its STP requirements reinforces its active approach to collecting tax on such arrangements, supplementing the active data sharing initiatives between tax and immigration authorities to foster compliance.

Organisations should determine that they have the appropriate controls and processes in place to identify and manage the immigration, tax, and superannuation obligations that arise.

Limited Exception for On-Forwarded Payments

While the STP concessions do not generally apply to payments made by an Australian-based payroll, the ATO has advised a limited exception may apply if such payments are simply forwarded from the foreign payroll and then on-forwarded by the Australian entity.

KPMG NOTE

However, we expect this situation to be limited, and for many employers it may be, in fact, more difficult for the Australian payroll to remove these payments from automated STP reporting than to leave in.

Australia Employees on Assignment Overseas

Where an individual goes on an overseas assignment from Australia, but continues to be paid from Australia and remains an Australian tax resident, STP reporting obligations will continue to exist.

KPMG NOTE

In this scenario, many employers will vary the PAYG tax withholding to account for taxes payable in the foreign location, and are likely to require a process outside of standard payroll procedures in order to achieve this.

Since these individuals will still need to be included for STP reporting, it's important that employers plan for what (if any) modifications to current processes will be needed to bring these individuals into their STP reporting.

Corporate Tax Deductibility

It is a timely reminder that from 1 July 2019, a corporate tax deduction can only be claimed on payments made to workers where the company has fulfilled its PAYG tax withholding and reporting obligations on those payments.

How KPMG Can Help

In light of these new STP requirements, KPMG has developed Shadow Payroll Assist – a technology that automates compliance with Australian employment tax and STP obligations for employees paid overseas (for more information, click [here](#) or contact your local KPMG representative).

FOOTNOTES:

- 1 See the ATO Web page "[The Rules of Reporting through Single Touch Payroll](#)".
- 2 For prior coverage, see GMS [Flash Alert 2019-042](#) (12 March 2019).

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