



HOW TO PREPARE FOR EOFY 2019: THE SINGLE TOUCH PAYROLL GUIDE FOR SMES





CONTENTS

- INTRODUCTION** 1
- CHAPTER 1 STARTING OFF ON THE RIGHT FOOT** 3
 - Learn the lingo 3
 - Tax time checklist 4
 - Tax planning strategy 5
- CHAPTER 2 NEW PATH FORWARD: SINGLE TOUCH PAYROLL** 6
 - Timeline 7
 - Micro businesses: 1-4 employees 7
 - What are the benefits of STP? 8
- CHAPTER 3 FIRST STEPS: HOW TO CHANGE TO STP** 9
 - Essential checklist 10
 - Tax reporting methods 11
- CHAPTER 4 PREPARING FOR THE LONG JOURNEY** 12
 - Reassess your business goals 13
 - Avoid the pitfalls 13
 - Here are a few more things you can do to kick off
an organised year 14
 - Choose the right tools now 15
- CONCLUSION** 16
 - About Reckon 16
- GLOSSARY** 17





INTRODUCTION

Tax time can be stressful for everyone, from sole traders to large enterprises – every business needs to meet its tax obligations. The key difference between the two though, is larger corporations often have access to more resources to help smooth the process and clear up any confusion.

Small businesses, on the other hand, often expect each employee to wear a few hats. An owner might double as the accountant. The sales rep might be responsible for marketing manager. A HR employee might be on the wishlist, better yet an entire department to manage the process of hiring more staff to help the business scale.

This means SMEs usually need to double down during busy periods such as the upcoming end of financial year (EOFY).

This year, the Australian Taxation Office (ATO) is implementing Single Touch Payroll (STP) for small and microbusinesses.

In the long run, STP, which aims to streamline payroll, will help keep stress to a minimum for business owners during tax time.

However, 750,000 small businesses were expected to make the transition to the new system in the lead up to the 1 July 2019 deadline.

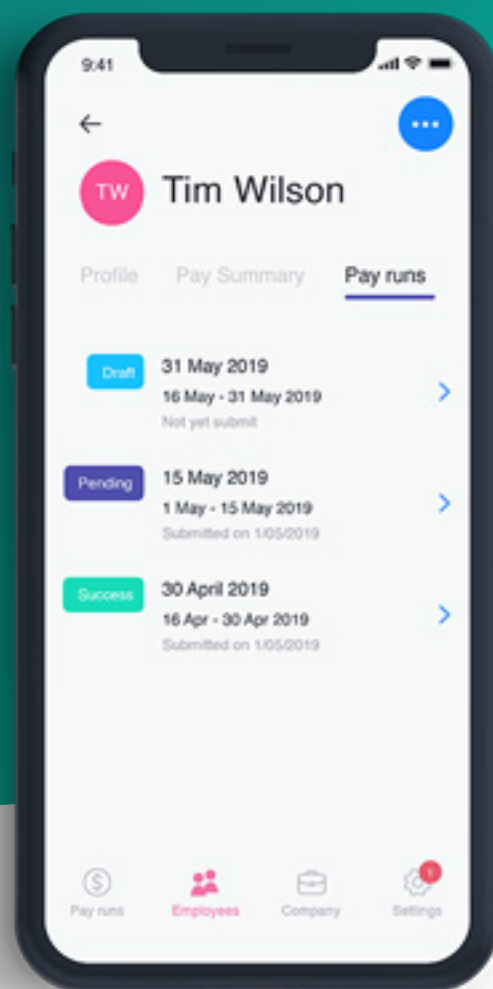
The good news though, especially for SMEs, is that as the ATO becomes more digital, so does the access to digital accounting and tax tools, allowing small businesses to operate at the same level of efficiency as their competition.





Get Single Touch Payroll ready with Reckon

If you have employees, you'll need to get Single Touch Payroll (STP) sorted by 1 July 2019!



SINGLE TOUCH PAYROLL READY

ATO CERTIFIED PROVIDER

From a free mobile app to submit payroll info to the ATO, to paying unlimited employees for just \$5 a month – we make STP compliance a breeze.

Choose a solution that suits your business

SINGLE TOUCH PAYROLL APP

Send STP reports to the ATO each pay run

\$0

PER MONTH

RECKON ONE PAYROLL

Just need payroll? This one is for you

\$5

PER MONTH

RECKON ONE

Manage payroll and accounting all in one

\$10

PER MONTH

Get ready now at reckon.com/STP



CHAPTER 1 STARTING OFF ON THE RIGHT FOOT

For the most part, the 2019 end of financial year is business as usual. Set yourself up to succeed with a few simple processes.

Using a checklist for your all your accounting tasks helps ensure you don't miss any details as you go through your tax forms. Highlighting key dates in your calendar also wouldn't go amiss. The ATO needs the same information about your business and your employees as they did last year.

In the midst of it all, EOFY is also a fantastic time for businesses to review their footing to reassess strategies and processes for the financial year ahead. It's good to tie these types of reviews to an event or certain times of the year to make sure it doesn't go forgotten year after year.

LEARN THE LINGO

Information about how to do your taxes by yourself is widely available, thanks to the internet. The ATO has a wide variety of resources available to help businesses. The problem is that most information available at your fingertips is written with the assumption that the reader has a certain degree of understanding when it comes to business tax and accounting.

For those new to managing their business's finances you might find some of the language a little jargon-heavy. When sorting through ATO explanations and keeping across policy changes year-to-year, the first step is to learn the lingo. Set some time aside to familiarise yourself with the language, even if you plan to outsource your accounting.





ESSENTIAL CHECKLIST AND KEY DATES

Understanding the key dates is the next crucial step to ensure you don't miss any important deadlines. This also helps monitor the progression of your financial and business goals, so when scheduling in dates, include setting time aside for tax planning strategy and adjusting your business goals to clearly reflect whatever lessons you've learnt from your tax reports.



TAX TIME CHECKLIST

- Ensure your accounting file is locked off and all bank accounts reconciled.
- Calculate your profit or loss for the year.
- Determine whether you owe tax to the ATO for the profit you have made.
- Implement strategies to reduce the amount of tax owed.
- Begin to collate your 2018/2019 tax paperwork.
- Ensure that the Trustee Resolutions are prepared and signed BEFORE 30 June 2019 for all Discretionary ("Family") Trusts.
- Business owners who have borrowed funds from their company must ensure that the appropriate principal and interest repayments are made by 30 June 2019.
- Complete a stocktake.
- List your vision or goals for the 2019/2020 year.
- Review your prices or fees for the 2019/2020 year.
- Review the wages and superannuation for the 2019/2020 year*.
- Review contact cards particularly employees for current details*.
- Prepare your budget for 2019/2020.
- Consider developing smaller budgets for sales lines, employee expenses, purchases and motor vehicles.
- Review your business structure with your accountant. Ask yourself or your accountant if it's still appropriate for your needs.
- Review your accounting software needs. Ask yourself or your accountant if it's time to go to the cloud. Are there any add-on products to make your business more efficient and free up your time?

**Particularly important as you are required to be STP ready by 1 July 2019.*





TAX PLANNING STRATEGY

Owing more tax can be an indication business has been booming lately. But it could also mean you're not taking advantage of all the incentives the tax system has in place for you.

It's good business practice to review your spending and income every year. By structuring your finances correctly, planning your expenses strategically and assessing your income, you can ensure your business gets the most out of the available tax benefits.

Rearranging your finances to minimise the amount of tax your business owes the tax office is called [tax planning](#) or tax-effective investing. There is a legitimate way to go about this but you should also be careful not to cross the line into tax avoidance.

There is still time to get your head around this before EOFY and you can get started with the steps below.

BEFORE 30 JUNE

- Pay Superannuation Guarantee (SG) to obtain a tax deduction in this financial year (even though it isn't due until 28 July 2019).
- Make additional superannuation contributions up to your cap.
- Review Accounts Receivable (Debtors) ledger and write off any bad debts.
- Review stock on hand and write off slow moving or obsolete stock.
- Review Work In Progress (WIP).
- Make tax deductible purchases such as accounting software and office expenses for items you will need before 30 June 2019.
- Pay director's fees or dividends.
- Pay staff bonuses.
- Adjust owner's wages.
- Small business enterprise taxpayers:
 - Defer receiving income.
 - Prepay expenses for up to 12 months e.g. rent, insurance, interest, subscriptions, business travel.
 - Purchase business assets and have them installed ready for use before 30 June 2019, if under \$30,000 there's an immediate tax deduction (this has been extended to 30 June 2020).
- Non-small business entity taxpayers:
 - Defer invoicing.
 - Prepay expenses up to \$1,000.

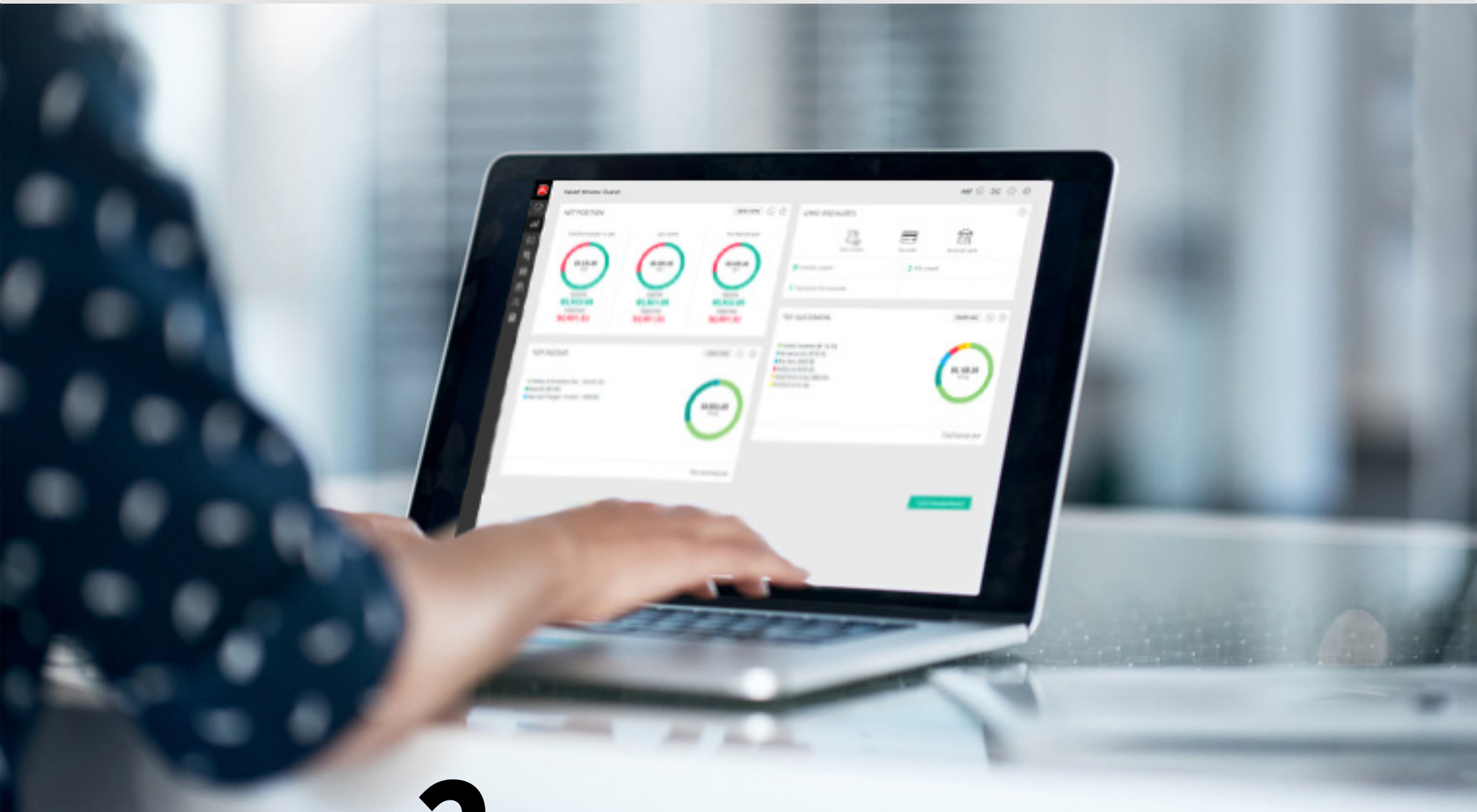
BEFORE 31 JULY

- Prepare Payment Summaries and provide to employees by 14 July 2019*.
- Pay Superannuation Guarantee (SG) for the quarter ended 30 June 2019 by 28 July 2019 (if you didn't pay before 30 June to get a tax deduction in the 2018/2019 year).
- Make sure your budget is inputted into your accounting file.
- Make sure you have updated the pricing in your accounting file.
- Make sure you have updated any employee remuneration in your accounting file.

* Companies with 20 or more employees that started STP from 1 July 2019 do not technically need to do this anymore.

BEFORE 31 AUGUST

- Prepare ATO Payment Summary Report and submit to the ATO by 14 August 2019.
- Prepare the ATO Taxable Payments Report and submit to the ATO by 28 August 2019.
- Finish collating your 2018/2019 tax paperwork.



CHAPTER 2

NEW PATH FORWARD: SINGLE TOUCH PAYROLL

Single Touch Payroll (STP) is a new ATO compliance regulation that requires employers to send employee payroll information, including salary, wages, PAYG withholding and superannuation, to the ATO at the same time as their standard pay run. Most business facing processes such as BAS are unaffected.

With the rollout, the government is expecting to see an increase in compliance and accuracy. But the benefits don't stop there.





TIMELINE

Single Touch Payroll is fast approaching for almost all businesses with employees. Check out the key STP milestones in our timeline to help you get ready.

ROLLOUT DATES

1 JULY
2018

For businesses with more than 20 employees, mandatory reporting began 1 July 2018.

1 JULY
2019

STP legislation extends to ALL businesses with employees from 1 July 2019.



MICRO BUSINESSES: 1-4 EMPLOYEES

Micro businesses, with one and four employees, may find themselves concerned that an extra system of reporting will mean extra costs. But there is no need to splash cash around to transition over to STP.

The ATO has a [list of free and low cost solutions](#) developed specifically for micro businesses that can keep you up with the changes. The top list of software is completely compliant with the changes, while the bottom list shows you what is still in development."





WHAT ARE THE BENEFITS OF STP?

● FOR EMPLOYEES

Access to the most up-to-date information on personal superannuation, income and tax via MyGov.

Easier tax returns thanks to the pre-filled payroll information.

Easier to start with new employers thanks to the online commencement forms including a pre-filled Tax File Number Declaration and SuperChoice form.



● FOR EMPLOYERS

Employers send payroll information to the ATO at the same time as their standard pay cycles, saving them from having to prepare a separate payment summary at the end of each financial year.

Using and compiling the regularly submitted payroll information, the ATO will pre-fill payroll fields W1 & W2 in your BAS. This will reduce potential errors and double handling.

On-boarding new employees will now be a simpler process, thanks to online commencement forms including Tax File Number Declaration and SuperChoice.





CHAPTER 3

FIRST STEPS: HOW TO CHANGE TO STP

For smaller businesses with between one and 19 employees, there is still time to make the switch to Single Touch Payroll. Between now and 1 July 2019, this time period allows you to review how you have been fulfilling your payroll obligations to understand how to change to STP correctly and without fuss.





ESSENTIAL CHECKLIST

1. GET YOUR STAFF ON THE SAME PAGE

- Are your payroll and finance staff aware of the changes and receiving regular updates?
- Do you have a plan for communicating the changes to employees?

2. CHECK YOUR REQUIREMENTS

- Do you know the date your business is required to report via STP?
- How will STP and MyGov impact onboarding for your business?
- Who in your business will manage the transition to STP?

3. REVIEW YOUR PAYROLL DATA

- Is your PAYG withholding calculating correctly on your employee salaries and wages?
- Are your employee superannuation payments calculating correctly via a SuperStream compliant solution?
- Is your employee data accurate and up to date? This includes full name, tax file number, date of birth and address.

4. MAKE THE SWITCH!

- Do a final check of the details and your done!



TAX REPORTING METHODS

ACCOUNTING SOFTWARE

Great news: if your accounting software has upgraded to be STP-enabled, then you can start using STP now.

So how do you know if your software is STP-enabled? You can do two things.

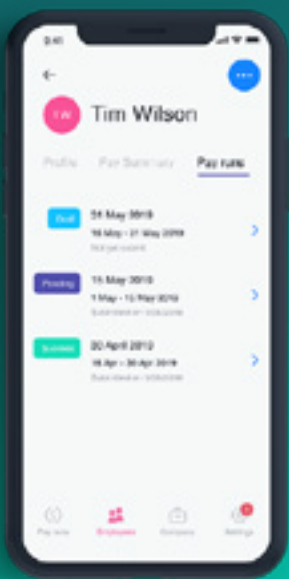
You can contact your software provider directly to enquire about it. This is recommended if you are unsure about which version you are using and if you need to upgrade the software for the right functionalities. Remember, if you need to make updates, ask about the timeframe for this to happen.

The other solution is perfect for those who want to quickly confirm if their software is enabled, or for those in the market for new software. The Australian Business Software Industry Association (ABSIA) catalogue has the list of software available for businesses to start using today.

THIRD-PARTY SOFTWARE

If your small business uses a tax agent or payroll officer or any other form of third-party assistance, they should already know about the changes to STP.

To confirm whether your payroll obligations to the ATO are being met, contact your third-party specialist to see what solutions they are using to fill out your payroll forms. Everything should be done digitally with tools listed on the ABSIA to be compliant – paper forms will no longer make the cut.



Reckon **R**

Get Single Touch Payroll ready with Reckon

If you have employees, you'll need to get Single Touch Payroll (STP) sorted by 1 July 2019!

Choose a solution that suits your business

SINGLE TOUCH PAYROLL APP

Send STP reports to the ATO each pay run

\$0

PER MONTH

RECKON ONE PAYROLL

Just need payroll? This one is for you

\$5

PER MONTH

RECKON ONE

Manage payroll and accounting all in one

\$10

PER MONTH

Get ready now at reckon.com/STP



CHAPTER 4

PREPARING FOR THE LONG JOURNEY

It's tempting to push tax obligations to the back of your mind until next June. But with a little planning now, and a few tweaks to your processes, you can greatly reduce the work you need to put in every year come tax time.

In the long run, spreading out the effort across the entire year will give your time management a leg up, so you can spend more time on what you love about running your business.





REASSESS YOUR BUSINESS GOALS

Now that your finances and taxes are up to date, you have an opportunity to reassess your goals and realign them with where your current business position is.

Find the overlap between your finances and your business and market strategies to ask yourself the following questions:

- 1. Which aspects of your strategies worked well? Which ones need adjusting?**
- 2. In your day-to-day operations, what do you enjoy? Which areas would you prefer help with?**
- 3. Do your goals and budgets still hold up with your current financial state? If not, what are your new goals and budgets for 2019/20 and beyond?**

As you move forward, it is essential to keep a consistent record of how your finances and taxes line up with your strategies and plans. This will minimise your EOFY headache in the years to come.



AVOID THE PITFALLS

Between all the different tax obligations owed at EOFY, businesses learning to do all their taxes independent of professionals can feel overwhelmed. Remember, there are other businesses in the same boat as you. To help, here are the [top five common mistakes the ATO is targeting](#) this year:

- 1. Including private expenses in business claims;**
- 2. Improperly reporting personal and business use for tools and services;**
- 3. Misunderstanding your own business structures and what tax obligations apply to it;**
- 4. Withholding any income information such as coupon sales; and**
- 5. Insufficient records for expense claims.**

While there is still some time to clarify each of these pitfalls before the 30 June deadline, there is no need to pressure yourself into filling out your tax reports incorrectly due to the time restrictions. Seek advice from a professional accountant to avoid mistakes.





STREAMLINE YOUR PROCESSES

Running a business is hard enough without the extra pressures of administrative backlogging.

Twenty-two per cent of small business owners say staying on top of all their business administration makes it harder to [get 'in the zone'](#), according to research by Reckon.

Streamlining your administrative processes will reduce the hours you need to dedicate to them while being 'in the zone' can reduce the time you spend on admin and payroll tasks by up to 17%.

Prior to the introduction of STP, the payroll process was very manual and full of inefficiencies. Some of the tax process can still feel like this. Organisation is the first step to overcoming any frustration that comes with it.

Every business has different challenges when it comes to tax time. If the stress points of your business were brought to light during this year's tax time, take a moment to write them down. These are the top priorities to streamline once you finish all your tax obligations for the 2018/2019 end of financial year.



HERE ARE A FEW MORE THINGS YOU CAN DO TO KICK OFF AN ORGANISED YEAR

- Note down the 2019/2020 tax time dates along with regular reporting deadlines such as BAS due dates.
- Keep all your links, logins and passwords secure but accessible.
- Whenever an ATO report or obligation is due, take the opportunity to review all your finances within that reporting time period. Doing it concurrently will help you catch any inconsistencies early and ultimately save you time.
- Do you keep making common or recurring mistakes? Make a checklist and keep it with handy whenever you sit down to fill out forms.
- When you need to report, Reckon's research found that it was most productive to start at the most complex part and work your way down to keep your mind in the zone. If possible, do this in the morning.
- Make sure your bookkeeping system is clear and intuitive to everyone who may lend a hand in the process.





CHOOSE THE RIGHT TOOLS NOW

Being smart with your resources and investments is part of the package when it comes to running your own small business. Ensuring your tools measure up to your immediate needs but remaining flexible to adapt to the growth of your business is also important.

Tax obligations are a constant in business operations, so it's worth taking the time to assess your needs – current and projected – and your current system's viability.


The STP rollout for small and micro businesses is the perfect opportunity to test and check the tools you are using with two simple questions:

1. Does it update to align with the most recent legislation changes?
2. Is it easy to use and affordable?

When it comes to more industry specific needs, be sure to consult a professional third-party to ensure the software you are using is right for you.

For the budget conscious business owner, find tools with modular plans designed to grow with your business. Most software platforms have basic options, perfect for small businesses or businesses just finding their feet. These allow you to understand and focus on the fundamentals of tax obligations. As your needs develop, so should your software plan.

When it comes to choosing software and services, an oft-overlooked inclusion is the support network. Does it include a customer care line or community that can jump in if you're having any technical or topical questions? As the ATO continues to transform and streamline its systems, these lifelines will become a necessity.



Does it update to align with the most recent legislation changes?

Is it easy to use and affordable?





CONCLUSION

It's easy to dread tax time every year, but the introduction of STP for small and micro businesses will hopefully save everyone – from owners to employees – stress and time.

By implementing a few strategic process changes, supported by the right tools that can grow with your business, you can confidently navigate through the ins and outs of tax time to focus on the important aspects of your business.

If you're still not sure which deadlines apply to you, or if there are any exemptions available, be sure to double check the [ATO website](#).

ABOUT RECKON

At Reckon we are more than just accounting software, we aim to help small businesses build the foundation to grow and succeed – easy and affordable ATO compliance is an essential part of this.





GLOSSARY

ABSIA – Australian Business Software Industry Association

ABSIA is a non-profit association created to represent the business software industry and act as the primary contact point for interaction between involved parties e.g. government, software developers.

Accounts receivable

The amount of money owed by customers or clients to a business after goods or services have been delivered and/or used.

ATO – Australian Taxation Office

The Australian Taxation Office is the principal revenue collection agency of the Australian government.

Balance sheet

A financial report that summarizes a company's assets (what it owns), liabilities (what it owes) and owner or shareholder equity at a given time.

BAS – Business Activity Statement

The business activity statement is a form submitted to the Australian Taxation Office by all businesses registered for GST to report their taxation obligations.

Cash flow

Cash flow is the net amount of cash and cash-equivalents being transferred into and out of a business.

EMPDUPE

A file containing your PAYG payment summary report.

myGov

myGov is an online government portal that gives you secure access to a range of services such as Centrelink, Medicare, and the Australian Taxation Office using one username and password. It's also a central inbox for your messages from these services and a quick and easy way to make changes to your personal details.

PAYG – Pay As You Go

It is an acronym used for two different processes required by the ATO for businesses in Australia: PAYG instalments and PAYG withholding.

PAYG Instalments

A system for making incremental payments which accumulate towards your expected end of year income tax liability.

PAYG Withholding

Employers pay their employees income tax obligation on their behalf. Your company is obligated to withhold some of their payment and send it to the ATO at regular intervals.

Payment Summary

At the end of each financial year, employers must give employees a summary of their income and tax withheld for the past year. Also referred to as 'group certificate'.

Reconciliation

The process of matching one set of data to another; i.e. the bank statement to the check register, the accounts payable journal to the general ledger, etc.

SBR – Standard Business Reporting

A standard approach to online or digital record keeping that was introduced by the government in 2010 to simplify business reporting obligations. SBR is built into business and accounting software making it SBRenabled.

SG – Superannuation Guarantee

A compulsory system of superannuation support for employees, paid for by employers. SG contribution will remain at 9.5% until 30 June 2018.

SuperChoice

A form the employee fills in to advise an employer of their choice of super fund. Employer uses this information to make contributions to their nominated super fund.

TFN Declaration – Tax File Number Declaration

A form the employee fills out and gives to the employer so the employer can work out how much tax to withhold from payments they make to you.

smartcompany

Don't miss out on getting small business
insights delivered to your inbox daily.

Subscribe to SmartCompany

WWW.SMARTCOMPANY.COM.AU/