

Many SMEs remain challenged over Single Touch Payroll

Single Touch Payroll (STP) came into effect for all employers regardless of the number of employees on July 1, 2019 and they have until September 30 to take action. But many remain unsure over whether they are affected.

A [Xero survey](#) found more than 55 percent of small-business owners said they didn't know what STP was, while an additional 20 per cent wrongly believed it didn't apply to them. Eleven per cent said they're not yet compliant.

As [previously reported](#) in JS Matters, STP is a new way of reporting tax and superannuation information to the Australian Tax Office. Previously where businesses reported payroll activity once a year, they will now be required to do so after each pay day in a digital format and using a format known as Standard Business Reporting. This process renders employment payment summaries and payment summary annual reports obsolete.

As the reporting is now carried out online there is no longer a need for paper forms and small-business owners now need to use software that caters for STP.

To assist with the transition, the ATO allowed smaller employers (19 or fewer employees) to start reporting any time between July 1 and September 30, 2019. "If they start during this period they will be reporting on time," the ATO said.

Xero Head of Industry Matthew Prouse says small-business owners are run off their feet and often don't have the bandwidth to stay on top of all new technologies. "Advisers need to work with small-business owners to help them navigate the process of understanding that STP adoption will provide them with a major boost to their business on a range of measures from efficiency to time saving and accuracy," he says.

Complex but beneficial



Jirsch Sutherland Partner, Trent Devine

Jirsh Sutherland Partner [Trent Devine](#) says the introduction of STP has added some complexity

but businesses that use digital reporting will also reap a number of benefits. “The move to STP is one of the biggest legislative changes facing small businesses since the GST,” he says. “It will bring benefits such as enhanced cash-flow forecasting and greater visibility of superannuation costs.”

But Devine adds while it will bring many benefits around digital connectivity there is still work to be done on the transition. “The transition is delivering a number of headaches,” he says. “As the data suggests, business owners are often slow in implementing new legislation, particularly when it requires implementing new technology, no matter how small. It is time for business owners to be aware of their obligations and a chat with their accountant is a great place to start.”

Xero has provided its top five tips on how SMEs can more easily adapt to the change, which advisers assisting clients with the transition may find helpful. They include:

1. Keeping it simple

Paint a clear picture of the changes that the company is heading towards. Simplify the project that is being introduced and break it into bite-sized chunks of achievable milestones.

2. Highlight the outcomes

Consider what is important for your clients and how they will benefit from the change. Connect the reason for the change to something you know is going to appeal to your client, which should stimulate their desire to want to change. For example, if the current way of reporting payroll activity takes forever, help them see that the process will become simpler, easier and quicker.

3. Make sure there's an owner

Put someone in charge of the STP project to ensure it continues to progress. Not only does this help speed up the journey, it's less uncomfortable for staff if the change is structured, controlled and clear updates are provided to those affected.

4. Prepare your clients' employees for change

People are the common denominator of any change. Either they're impacted by it or playing a role in implementing it (or both) so they need to be considered and protected during the process. Think about what they need to have, or need to be able to do, in order to be successful with the new regime.

5. Set expectations for some disruption

Employees will need time to learn about the new system while processes may need to be configured or adjusted. Make sure your clients are informed about what else is likely to occur during this period so they can avoid distractions or burn out. Help them understand the importance of being realistic about their business operations and outputs during that time.