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Dear Sir/ Madam

SUBJECT: SINGLE TOUCH PAYROLL DISCUSSION PAPER

CPA Australia represents the diverse interests of more than 150,000 members in 120 countries, including more than 25,000 members working in senior leadership positions. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders.

Against this background we provide this submission in response to the Single Touch Payroll discussion paper.

CPA Australia has been a long-term advocate for Standard Business Reporting (SBR), including providing seed funding to the establishment and development of XBRL in Australia. With appropriate implementation, SBR has the potential to significantly improve the interaction between government and the community and reduce unnecessary regulatory burden.

Real-time reporting

We are supportive of real-time reporting as a way of reducing the compliance burden currently faced by employers. However regarding the single touch payroll proposal there are a number of significant issues that must be addressed before such an initiative could be effectively and seamlessly implemented. These issues are outlined in Attachment A.

We recommend the ATOs Single Touch Payroll implementation and transition advisory committee be tasked with oversight of both the collation of all issues raised in this round of consultation onto a public issues register and the provision of timely responses to the issues raised.

Real time payment

As with real-time reporting, we are broadly supportive of the principle of real-time payment. However, we are concerned about the potential impact such a move could have on business operations, particularly cash flow.

We strongly recommend that further consideration be given to establishing a process for broader consultation to thoroughly explore potential unintended consequences of moving to real-time payment and develop options that will ameliorate identified cash flow issues, particularly at transition.

We recognise that there are advantages in moving to real-time payment at a suitable point in time. However, further consideration of implementation challenges is required to enable the Government and stakeholders to make an informed decision on whether to proceed with the real-time payment initiative and what its most appropriate design features should be.

Superannuation

We are also supportive of the principle of real-time payment of Superannuation Guarantee (SG) contributions subject to an appropriate transition period and comprehensive communications program. This would ensure employees are paid their entitlements in a timely manner and may significantly reduce the incidence of unpaid or late-paid SG or unrecoverable SG entitlements due to businesses becoming insolvent.

It may also be useful if the Tax Office could produce statistics on how many employers pay their SG obligations more regularly than the quarterly requirement to gauge how many employers already pay their super when they pay wages and what the potential impact of this measure would be.

Other

The success of Single Touch Payroll is also dependant on the availability of software with the full functionality envisaged in the discussion paper, and that it is available to employers well before the start date to allow appropriate implementation, including training. It is therefore important that the final start date of Single Touch Payroll be somewhat flexible to allow for potential issues with software availability.

If you have any questions regarding this submission, please contact Gavan Ord, Manager, Business and Investment Policy on (03) 9606 9695 or via email at gavan.ord@cpaaustralia.com.au.

Yours faithfully



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Cc: The Minister for Small Business
The Assistant Treasurer

Encl.

Appendix A – Issues relating to real-time reporting

The following is a list of the key issues CPA Australia members have so far raised with us concerning the introduction of real-time reporting under Single Touch Payroll. We recommend that the ATO incorporate these and other issues into a public issues register on Single Touch Payroll and provide responses to those issues. Oversight of such an issues register and the responses by the ATO should be given to the ATO's Single Touch Payroll implementation and transition advisory committee.

- Correcting errors – given the complexity of various laws and awards - both Commonwealth and State - relating to the wages and potential implementation issues, it is unrealistic to expect every business to get their payroll calculations exactly right every pay run. We therefore seek clarification on how errors will be able to be fixed under Single Touch Payroll, and the application of penalties for errors. For example, will errors be able to be corrected after lodgment, or will the employer have to wait until the next pay run to correct the error? If the process for correcting errors is anything but simple and there is a fear penalties may apply for errors, businesses may respond by seeking external review of each pay run which would be time consuming, costly and counterproductive to the government agenda of reducing red tape for business.
- How will to employers who inadvertently over or under pay PAYGW and superannuation guarantee both during the transition and beyond be treated by the ATO?
- How will the ATO treat employers who report late due to issues out of their control such as software or infrastructure issues?
- The ability to select the upload time/ date – with payroll runs occurring on public holidays and businesses having internal controls, such as sign-off before final processing, will Single Touch Payroll have the ability for employers to select the upload time/ dates?
- Trading trusts paying beneficiaries from payroll – there are trading trusts that pay beneficiaries from payroll (sometimes with, sometimes without PAYG) only for the trust to have to 'back out' of such transactions when reconciling the wages and distributions at year end. Will Single Touch Payroll allow taxpayers and their representatives to simply alter the payroll records to remove the beneficiary and resubmit them?
- ATO certification of Single Touch Payroll software – does the ATO intend to certify software as Single Touch Payroll compliant? If it does and a certified product produces an error, how will the ATO apply penalties to employers impacted by the error?
- Draft payroll statement before submission – will the Single Touch Payroll software be required to produce a draft payroll report for review and reconciliation before the taxpayer 'clicks send'?
- Record retention and 'cloud service providers' - In relation to the requirement to maintain records and cloud computing, if documents have been lodged with the ATO, how long will the data need to be kept? What happens if the cloud service provider loses the employer's data, goes out of business or the employer moves providers and can no longer access data from the previous provider?
- What assistance will be available to businesses that are not currently using electronic payroll software?