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March 2021 Practice Update

Changes to STP reporting concessions from 1 July 2021

Small employers (19 or fewer employees) are currently exempt from reporting 'closely held' payees through Single Touch Payroll ('STP'). Also, a quarterly STP reporting option applies to micro employers (four or fewer employees). These concessions will end on 30 June 2021.

The STP reporting changes that apply for these employers from 1 July 2021 are outlined below.

Closely held payees (small employers)

From 1 July 2021, small employers must report payments made to closely held payees through STP using any of the options below. Other employees must continue to be reported by each pay day.

A 'closely held payee' is an individual who is directly related to the entity from which they receive payments. For example, this could include family members of a family business, directors or shareholders of a company and beneficiaries of a trust.

Payments to such payees can be reported via STP (from 1 July 2021) using any of the following options:

- 1. Report actual payments on or before the date of payment.**
- 2. Report actual payments quarterly** on or before the due date for the employer's quarterly activity statements.
- 3. Report a reasonable estimate quarterly** on or before the due date for the employer's quarterly activity statements. Note that consequences may apply for employers that under-estimate amounts reported for closely held payees.

Small employers with only closely held payees have up until the due date of the payee's tax return to make a finalisation declaration. Employers will need to speak with these payees about when their individual income tax return is due.

Micro employers

From 1 July 2021, the quarterly reporting concession will only be considered for eligible micro employers experiencing 'exceptional circumstances'.

Common examples of when the ATO would generally consider it to be fair and reasonable to grant a deferral due to exceptional or unforeseen circumstances include natural disasters, other disasters or events, serious illness or death.

Additionally, 'exceptional circumstances' for access to the STP quarterly reporting concession from 1 July 2021 may include where a micro employer has:

- seasonal or intermittent workers; or
- no or unreliable internet connection.

The ATO says it will consider any other unique circumstances on a case-by-case basis.

It should be noted that registered agents must apply for this concession and lodge STP reports, quarterly, on behalf of their eligible micro employer clients.

The STP reports are due the same day as the employer's quarterly activity statements.

If an employer prefers to report monthly, the STP reports must be lodged on or before the 21st day of the following month.

Finalisation declarations will need to be submitted by 14 July each year.

Editor: Please contact our office if you require more information or assistance with these STP reporting options.

Paper PAYG and GST quarterly instalment notices

The ATO has previously advised that it will no longer issue paper activity statements after electronic lodgment. Instead, electronic activity statements will be available for access online, three to four days after the activity statement is generated.

As part of its digital improvement program, the ATO stopped issuing paper quarterly PAYG and GST instalment notices (forms R, S & T), where taxpayers had a digital preference on ATO systems. The September 2020 notice was the last one issued to these taxpayers.

However, the ATO has received feedback from tax professionals that issues have arisen for some of their clients as a result of this change. For example, some taxpayers who are self-lodgers rely on the receipt of the paper statements as a reminder that their instalments are due.

As an interim solution, the ATO said it will issue paper PAYG and GST quarterly instalment notices starting with the March 2021 quarterly notices.

For taxpayers impacted by this change, the ATO will work with their registered agents to take their circumstances into account. The ATO has a range of practical support options available, including lodgment deferrals and payment plans that agents can access online, on behalf of their clients.

For self-lodgers, the ATO has issued an email notification reminding them that their December 2020 PAYG and GST instalment notices are due for payment soon (by 2 March 2021).

The ATO said it will continue to work with the tax profession to develop a digital solution for the PAYG and GST instalment notices that is workable for registered agents and their clients.

Editor: Please contact our office if you require more information about paper PAYG or GST quarterly instalment notices.

Avoiding disqualification from SG amnesty

The superannuation guarantee ('SG') amnesty ended on **7 September 2020**. Employers who disclosed unpaid SG amounts and qualified for the amnesty are reminded that they must either pay in

full any outstanding amounts they owe or set up a payment plan and meet each ongoing instalment amount so as to avoid being disqualified and losing the benefits of the amnesty.

The ATO will be sending employers reminders to pay disclosed amounts, if they have not previously engaged with the ATO. Employers will have 21 days to avoid being disqualified from the amnesty.

Registered agents can assist their employer clients who qualified for the SG amnesty avoid disqualification. In particular, if a client needs to set up a payment plan, agents can do this (online) on their behalf, if the employer:

- has an existing debit amount **under \$100,000** (total balance or overdue amounts);
- does not already have a payment plan for that debit amount; and
- has not defaulted on a payment plan for the relevant account more than twice in the past two years.

The ATO has advised that employers who are disqualified from the amnesty will:

- be notified in writing of the quarter they are disqualified for;
- be charged an administration component of \$20 per employee for each disqualified quarter;
- have their circumstances considered when deciding a Part 7 penalty remission (this is an additional penalty of up to 200% of the unpaid SG amount that may be imposed under the SG laws); and
- be issued with a notice of amended assessment.

Employers who continue to qualify for the SG amnesty are reminded that they can only claim a tax deduction for amounts paid on or before 7 September 2020 (i.e., the amnesty end date).

Editor: Please contact our office if you require more information or would like us to set up a payment plan for SG amnesty amounts on your behalf.