

Outsourced Payroll Services for Local Employers

Australian employers must satisfy a number of employment tax related obligations.

Pay As You Go (PAYG) withholding

An employer must deduct PAYG withholdings (income tax) from most payments made to an employee. The calculation of the amount to withhold is based on the completed tax file number declaration which an employer must lodge with the ATO.

An employer must withhold tax from all payments of salary, wages, bonuses, commissions and cash allowances, regardless of whether the payments are made from Australia or overseas. The rates of withholding are progressive and stipulated by the ATO.

Under Single Touch Payroll (STP) reporting, an employer is required to submit an STP event report on or before each pay event. The report includes details of each employees year to date gross payments, superannuation contributions and taxes withheld. At year end, an employer is required to submit an STP finalisation report.

Superannuation Guarantee (SG)

An employer is required to make contributions into each employee's Australian superannuation fund. SG is payable at a rate of 9.5% of "ordinary times earnings" up to a maximum level.

Employees can choose the fund to which their SG contributions are made and all employers are required to have a default superannuation fund. A default superannuation fund is a superannuation fund nominated by the employer to receive contributions where the employee does not provide the employer with details of a fund of choice. SG contributions are payable quarterly (28 October, 28 January, 28 April and 28 July).

Payroll Tax

Payroll tax is a tax paid by employers on wages paid or payable to employees. Payroll tax is imposed by and payable to the State Governments of the state in which the employee works. Registration for payroll tax is required where the total Australian "taxable wages" for the month exceeds the state's threshold for the state in which the employee works. The rate of payroll tax differs from state to state.

The threshold is shared between 'grouped' employers. 'Grouped employers' include companies that have a common ultimate controller (Australia or overseas). The definition can also be applied more broadly to include employers that share employees, finance support functions, or even premises.

An employer is required to lodge a payroll tax return (including payment) by the 7th day following month end. An annual reconciliation of payroll taxable wages is due by 21 July following the end of the financial year.

Workers' Compensation

The first obligation for new employers in Australia is to take out a mandatory workplace insurance policy broadly known as "Workers' Compensation". Policies are state specific and have different names in each state (e.g. ReturntoWork SA, WorkCover Queensland).

A valid Workers' Compensation policy is required on/from day one of employment in each State of employment. The employer is also required to lodge an annual declaration of wages in each relevant state (which also acts as a renewal for the next year's policy).

As an employer, you are required to meet the following obligations:



Pay-As-You-Go (PAYG) withholding

- Register your ABN for PAYG withholding
- Calculate the PAYG withholding arising on gross taxable pay according to a prescribed schedule and remit this to the Australian Tax Office (ATO)
- Depending on your PAYG withholding classification, report taxable wages paid and PAYG withheld on your "Activity Statements"
- Lodged STP event and finalization reports with the ATO



Superannuation

- Calculate Superannuation Guarantee contributions on your employees' "Ordinary Time Earnings" and pay these to the appropriate fund by the 28th of the month following quarter end
- You have the (recommended) option of using a Superannuation clearing house to streamline contribution payments
- Accommodate employee requests to salary sacrifice additional superannuation contributions
- Register a default superannuation fund



Payroll Tax

- Register your organisation for payroll tax in the relevant state(s) once your wages exceed the applicable threshold, taking into account the grouping provisions
- Lodge periodic (usually monthly) Payroll Tax returns, followed by an Annual Payroll Tax Return

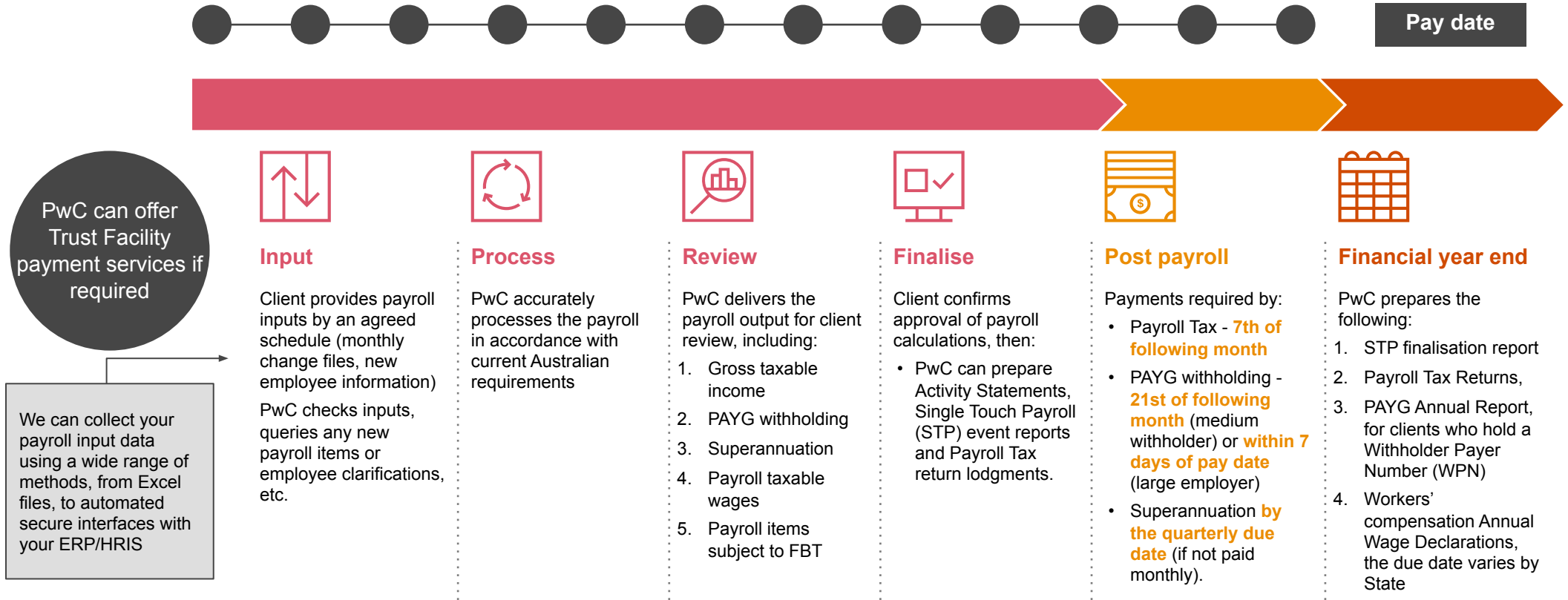


Workers' Compensation

- Register for a Workers' Compensation policy in each state in which your employees are based, even if they are working from home
- Renew your policy by lodging an annual declaration of wages at the roll-over date of the insurance policy (varies by state, 30 June for some states and the anniversary of the policy start date for others).

PwC can assist with these requirements

Example Payroll Process



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