PwC Australia Outsourced Payroll Services

Shadow payrolls for inbound employees to Australia

What is a shadow payroll?

An employer who has international assignees working in Australia often continues to deliver the remuneration through the foreign payroll (either in part or in full). The employer must consider how to comply with the Australian obligations, including PAYG withholding, STP reporting, superannuation, payroll tax, workers' compensation and FBT. A shadow payroll is often the preferred solution.

Benefits of a shadow payroll

There are several benefits of operating a shadow payroll over seeking a PAYG variation to nil and paying tax on assessment of an employee's tax return (which is the other common way of dealing with assignees who are paid from a foreign payroll, but doesn't contemplate other employer obligations such as superannuation and payroll tax). These include cost savings (grossed up taxes are paid at the marginal tax rates rather than at the fixed FBT rate), less volatility in host country tax costs, accurate compliance reporting and timely payment of employment tax obligations.

Key terms

- **Australian Business Number (ABN) or Withholding Payer Number (WPN)** – identification number for businesses and/or withholding
- **Australian Tax Office (ATO)** – Australian tax authority
- **Fringe Benefits Tax (FBT)** – tax paid by Australian employers on non-cash and certain cash benefits
- **PAYG withholding** – withholding tax on employment income
- **Single Touch Payroll (STP)** – single touch payroll, the ATO's real time pay day reporting system
- **Payroll Tax** – state based 'levy' paid by employers, based on salaries and benefits
- **Superannuation** – compulsory Australian pension contributions
- **Medicare** – 2% levy to contribute to public healthcare services (collected via PAYG withholding)
- **Workers' Compensation** – compulsory state-based workplace insurance

PwC can assist with your obligations in a variety of ways

Pre arrival in Australia

- Registrations: ABN/WPN, PAYG withholding, superannuation, payroll tax and workers' compensation
- Applying for ATO approval to pay PAYG withholding one month after due date (to provide time to gather home country data and report through payroll)
- Mapping of compensation items for PAYG withholding, superannuation and payroll tax
- Discussion of the implications of hypothetical tax versus actual home country taxes
- Work with our Immigration team to assist with your immigration requirements

On assignment in Australia

- Run Australian shadow payroll to correctly account for home country/foreign payments – either as regular instructions to feed into your local payroll system or we can process the payroll for you direct, including STP reporting
- Assist with statutory lodgments (payroll tax returns, activity statements, etc.)
- Perform year end compliance and compensation reconciliations, including year end earnings statements, preparation and lodgment of annual payroll tax returns and workers' compensation declarations
- Work with our Global Mobility team to assist with Australian tax return services, claiming Departing Australia Superannuation Payments, etc.

After leaving Australia

- Flag and assist with compliance relating to trailing tax liabilities (for example, Australian sourced bonuses paid after departure)
- Where applicable, perform part-year compensation reconciliations to reduce the overall tax impost

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Payroll timelines and deadlines

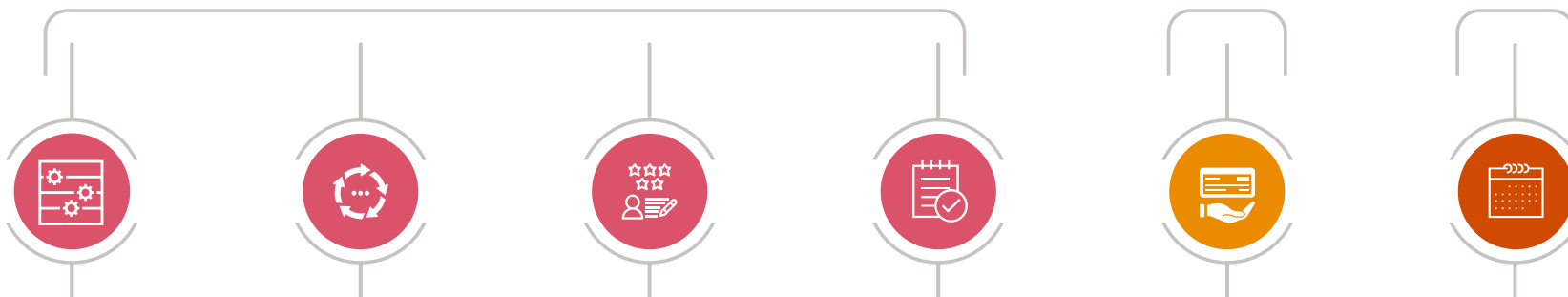**FY21**　　　　　　　　　　　　　　　　　　　　　　　**FY22**

| Dec 2020 | Example - Jan 21 (Dec 20 Pay) | Feb 21 | July/Aug 21 |

PwC can offer Trust Facility payment services if required

We can collect your payroll input data using a wide range of methods, from Excel files, to automated secure interfaces with your ERP/HRIS

Input

Scheduled collection of payroll input data (e.g. pay slips).

PwC checks inputs, queries any new payroll items or employee clarifications, etc.

PAYG withholding date variation considered for timing of reporting/ payments

Process

PwC accurately processes the shadow payroll in accordance with current Australian requirements, taking into account any PAYG withholding variations.

Review

PwC delivers the payroll output for review, including:

1. Gross taxable income
2. PAYG withholding
3. Superannuation
4. Payroll taxable wages
5. Payroll items subject to FBT

Finalise

Client confirms approval of payroll calculations, then:

- PwC prepares STP event, Activity Statements and Payroll Tax return lodgments; or
- Client passes the details to payroll team or 3rd party for inclusion with local payroll and other Australian lodgments.

Post Payroll

Payments required by:

- Payroll Tax - **7th of following month**
- PAYG withholding - **21st of following month** (medium withholder) or **within 7 days of pay date** (large employer)
- Superannuation **by the quarterly due date** (if not paid monthly).

FY21 Year End

Where PwC processes the payroll, PwC prepares the following:

1. STP finalisation report, due **by 14 July**
2. Payroll Tax Returns, due **by 21 July**
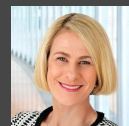3. Workers' compensation Annual Wage Declarations, the due date varies by State

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