



# Payroll Processing Tips

You've decided it's time to expand your business by bringing in employees to support you – awesome!

But what now?

There are a number of registrations you need to take care of and processes to put in place - please see below information that will assist with establishing payroll processing. There are many options available for software, etc, the details below are a starting point as these facilities have been created to assist small businesses in Australia to meet compliance requirements.

## Payroll processing

To facilitate efficient payroll processing I recommend you consider implementing a **time and attendance** system that will allow you to:

- create rosters
- capture hours actually worked
- manage leave entitlements
- integrate with your payroll processing / finance software.

The capture of actual hours worked is critical when managing leave entitlements, payments – including overtime, Award/Industrial compliance and workplace incidents and injuries.

To **process payroll** you may be able to utilise your existing finance system (eg Xero, MYOB, Quickbooks, etc) or you may need to access unique software for this purpose. By early 2022, all employers are required to report employee wage payments to the ATO via Single Touch Payroll (STP), so whatever payroll processing software you use must have this STP functionality. STP facilitates real-time reporting of employee earnings to the ATO eliminating the need for an end of year Payment Summary. There is a volume of information about STP on the ATO website, such as suggestions of payroll systems if you are unsure where to start.

This link provides general information about STP: <https://www.ato.gov.au/Business/Single-Touch-Payroll/>

This link provides information about suitable software: <https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Software-solutions-for-Single-Touch-Payroll/>

Not all businesses are required to pay **Payroll Tax** as it is dependent on the value of your Australian payroll, but you must investigate this to know if you are liable for it or not. This is something you'll need to monitor, you may not qualify now, but as your team grows, you may become liable for Payroll Tax.

This link will guide you through if you have to register for payroll tax: <https://www.revenuesa.sa.gov.au/payrolltax>

## Superannuation Contributions

As part of your weekly/fortnightly/monthly payroll processing you will need to calculate **Superannuation** entitlements for all eligible employees (NB some junior employees may be exempt based on age and hours worked). It is important to understand the definition of Ordinary Time Earnings (OTE), as it is not only the hourly/weekly/monthly wages or salary paid, but it may include allowances and bonuses too.

This link provides an explanation of OTE: <https://www.ato.gov.au/business/super-for-employers/paying-super-contributions/how-much-super-to-pay/list-of-payments-that-are-ordinary-time-earnings/>

Most payroll processing software will do this for you as wages are calculated. Unlike wages, superannuation contributions do not have to be physically paid on the same frequency as payroll but can be paid monthly or quarterly. When you have multiple employees with multiple superannuation funds (because everyone can choose their own personal superannuation fund, the administration of payments can become onerous. I recommend you consider registering with the ATO's Small Business Clearing House (SBCH for Super); this facility links to your STP and allows you to make one payment to the ATO and the ATO then sends the money to the individual funds that your employees are members of. It makes processing payments very easy – you set it up when the employee starts work and does not need to be changed unless they change funds.

This link will give you more information about the SBCH: <https://www.ato.gov.au/business/business-portal/using-the-business-portal/access-the-small-business-superannuation-clearing-house/>

You also need to understand the difference between a Default Fund (a super fund that you will pay contributions to if an employee does not tell you where they want their money to go) and a Stapled Fund (a super fund that an employee already belongs to that the ATO knows about). If an employee does not tell you which fund they want to use you must check with the ATO for a Stapled Fund, if they don't have one, then you can pay to your Default Fund.

## Workers Compensation

You will also need to register for Workers Compensation (to cover injury and illnesses that arise out of or in the course of employment), through **Return To Work SA** and they will invoice you for the levy directly. The rates you pay will be dependent on the level of risk associated with your business/industry and your accident/injury history.

This link will provide you further guidance on this matter: <https://www.rtwsa.com/insurance/insurance-with-us/register#:~:text=Do%20I%20need%20to%20register,need%20to%20register%20with%20ReturnToWorkSA>

If this is all a bit daunting, and you're still not sure where to start, reach out, if you would like support to find a suitable systems and processes to simplify your workload, contact Solutions To Spec, we'd love to help you!

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