

# Outsourced payroll services for local employers



For payroll functions, the level of regulatory activity and scrutiny has increased and the consequences for non-compliance is greater than ever before. PwC understand this challenge and our outsourced payroll specialists are poised to ensure all your payroll obligations are managed appropriately and can provide a holistic solution your payroll requirements - regardless of the size of your organisation.

## 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 Australian Tax Office (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 the applicable rate of SG 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. Currently, SG contributions are payable quarterly.

## 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 7<sup>th</sup> 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. Return to Work 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).

## How PwC can help?



### 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 ATO.
- ✓ Depending on your PAYG withholding classification, report taxable wages paid and PAYG withheld on your "Activity Statements".
- ✓ Lodged STP event and finalisation reports with the ATO.



### Superannuation

- ✓ Calculate SG contributions on your employees' "Ordinary Time Earnings" and pay these to the appropriate fund by the 28<sup>th</sup> 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

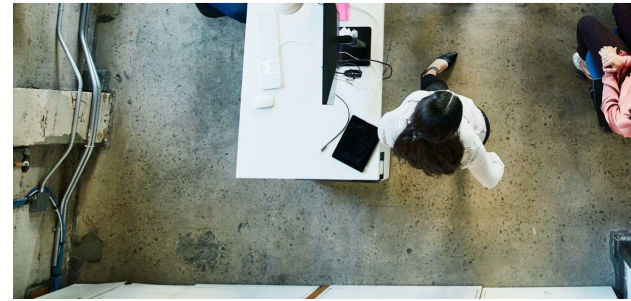
- ✓ Register your organisation for payroll tax in the relevant state(s) once your wages exceed the applicable threshold, taking into account the grouping provisions.
- ✓ Lodge periodic (usually monthly) payroll tax returns, followed by an annual payroll tax return.



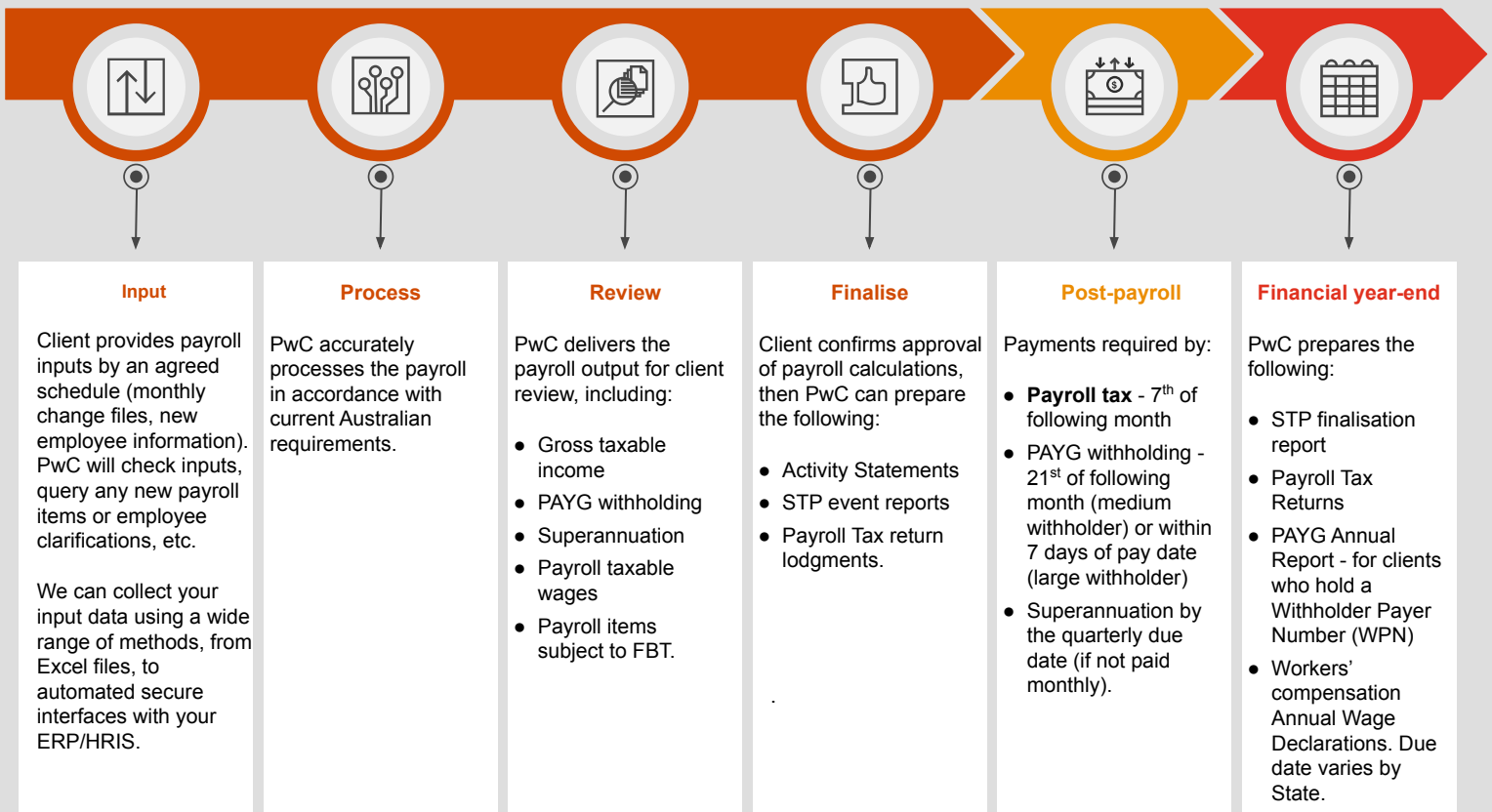
### Workers compensation

- ✓ 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).

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## Example outsourced payroll process



Note: PwC can offer Trust Facility payment services if required

## Contact us



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