

CONTENT GUIDE

# Guide to payroll compliance 2021

*Advice from the experts on how to manage and maintain compliance*



# Are you keeping up with ever-changing payroll compliance obligations?

2020 was a year of major change across the payroll compliance landscape. Changes to modern awards and the swift introduction of JobKeeper placed payroll professionals under increased pressure. With COVID-19 introducing ever-evolving changes to the tax and payroll landscape, it's critical for your business to stay informed about its compliance obligations.

New laws and oversight measures introduced in 2020 should make payroll compliance a key focus for Australian businesses.



In July 2020, Victoria became the first state to criminalise wage theft. In September, Queensland followed suit.



High-profile cases of wage underpayments have highlighted why it's so critical to get payroll right. Small payroll errors, if left undetected, can blow out into massive underpayments.



The ATO is conducting compliance and audit activities to ensure the JobKeeper payment is passed on to employees.<sup>1</sup>

In this guide, we'll explore three areas of payroll compliance that every business needs to be aware of and share tips to help you stay on top of ever-changing compliance obligations.



<sup>1</sup> [https://treasury.gov.au/sites/default/files/2020-04/Fact\\_sheet\\_Protecting\\_integrity.pdf](https://treasury.gov.au/sites/default/files/2020-04/Fact_sheet_Protecting_integrity.pdf)

# Maintaining JobKeeper compliance

On 21 July, Prime Minister Scott Morrison announced JobKeeper will be extended by six months to March 2021, with lower payment rates and additional eligibility testing.

JobKeeper will continue for two extension periods. The first will run from 28 September 2020 to 3 January 2021 and the second from 4 January 2021 to 28 March 2021.



## What are the new JobKeeper rates?

There are two tiers of JobKeeper for employees, based on hours worked in the four weeks before 1 March or 1 July 2020. The eligibility rules for employees remain unchanged.

From 28 September 2020, employees who worked:

- 20 or more hours per week will receive \$1,200 per fortnight, decreasing to \$1,000 per fortnight from 4 January to 28 March 2021.
- Fewer than 20 hours per week will receive \$750 per fortnight, decreasing to \$650 per fortnight from 4 January to 28 March 2021.



## What are the adjusted eligibility requirements?

Businesses will need to reapply for JobKeeper in January 2021 to be eligible for the second extension period starting 4 January. You will need to demonstrate a decline in turnover in the three months to the end of December 2020, compared to the same period last year, namely:

- 30 percent for those with an aggregated turnover of \$1 billion or less; or
- 15 percent for not-for-profits



Please [visit the Treasury website](#) for more information on JobKeeper extension eligibility requirements and payment rates.



## Are you prepared for a possible JobKeeper audit?

The ATO made it clear it will “conduct compliance and audit activities to ensure the JobKeeper Payment is passed on to employees” – specifically by tracking payments through STP.

It's therefore essential for every business to double check its eligibility for JobKeeper, as well as for its employees. It's also critical for businesses to maintain documentation substantiating information they provided to the ATO in their JobKeeper applications, and to have these documents available in the event of an audit by the ATO.



Please [visit the ATO website](#) for further guidance on its JobKeeper integrity measures.





# Staying on top of annualised salary changes

On 1 March 2020, the Fair Work Commission introduced new obligations for employers who pay annualised salaries to employees covered by certain modern awards. The new obligations are designed to help ensure an employee is no worse off under an annual salary than they would be as an hourly employee under their award.



## What are the changes?

As part of its four-yearly review of modern awards, the FWC decided to introduce three new standard 'annualised wage arrangement' clauses to 22 modern awards – two of which previously didn't contain annualised wage clauses.



## What do employers need to do?

The changes introduce significant new obligations for employers, who are now required to:

- Keep time and attendance records, including start and finish times as well as unpaid breaks, for affected employees. This means affected salaried employees now need to record their worked hours.
- Pay affected employees overtime and penalty rates for hours worked in excess of those prescribed within the annualised wage agreement. Overtime hours deemed outside what is included in the annualised salary contract may need to be paid.
- On an annual basis, compare the salary paid against what an employee would have been paid under the award. If the salary paid is less than that under the award, the employer must pay the employee any shortfall within 14 days.



For more information, please [visit the Fair Work Commission website](#).



# Keeping up to date with personal income tax changes

Tax relief for millions of Australians was the centrepiece of the 2020 Federal Budget.

The Government brought forward Stage 2 of its Personal Income Tax Plan, introducing revised tax thresholds effective from 1 July 2020. The measure provides \$2,160 in tax savings to people earning \$60,000 - \$80,000 and \$2,565 for those earning \$140,000 or more.

## What are the threshold changes?

- The top threshold of the 19% personal income tax bracket increases from \$37,000 to \$45,000, and
- The top threshold of the 32.5% personal income tax bracket increases from \$90,000 to \$120,000.

These changes result in the following tax rates for the 2020–21 income year for individuals who are Australian residents.

## Resident tax rates for 2020 - 21

Taxable income	Tax on this income
0 to \$18,200	Nil
\$18,201 to \$45,000	19 cents for each \$1 over \$18,200
\$45,001 to \$120,000	\$5,092 plus 32.5 cents for each \$1 over \$45,000
\$120,001 to \$180,000	\$29,467 plus 37 cents for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45 cents for each \$1 over \$180,000

Changes also apply for the thresholds of foreign resident individual taxpayers and working holiday makers. Please visit the [ATO website for full details](#).

## Extension of Low Middle Income Tax Offset (LMITO) and Low Income Tax Offset (LITO)

The 2020 Budget announced that the LMTO will continue to be available for the 2020–21 income year, however it will be discontinued thereafter. It was originally scheduled to wind down with the introduction of the Stage 2 income tax cuts.

The maximum amount of LMITO is \$1,080, phasing out to nil for individuals with an income at \$126,000.

The new LITO, originally slated for 2022-23, has also been brought forward to 2020-21. It provides a maximum benefit of \$700, before phasing out to nil for individuals with an income at \$66,668.

# Five tips to ensure compliance



## Ensure your payroll software is compliant

Technology can streamline your compliance processes and enable your business to meet new obligations, like those around annualised salaries.

Sage works closely with government bodies to ensure our software remains compliant with the latest employment and tax legislation. The Sage Annualised Wage Solution was one of the first on the market to help businesses manage their new obligations and ensure compliance.

Our payroll solutions are Single Touch Payroll compliant, and Sage has received ATO Certification as a Digital Service provider, meaning we comply with their best practice standards. You can therefore rest assured Sage payroll software is always updated to comply with the latest ATO standards.



## Consider outsourcing

Investigate having an outsourced payroll vendor take care of your payroll function. You might find the easiest way to stay compliant is to have experts handle your payroll. Depending on the size of your business, the option to outsource can provide a very strong ROI. Not only can you save time and money, outsourcing payroll can free you to focus on your core business.



## Stay up to date with compliance developments

In the wake of COVID-19, it's more important than ever to stay informed about changes to employment legislation, tax rates, and government relief schemes like JobKeeper.

It's a good idea to regularly visit the ATO and Fair Work Commission online, which present the most up-to-date information relevant to employers and payroll professionals.

The ATO is incredibly proactive in notifying Australian businesses about changes to their compliance and reporting obligations, through regular emails and a range of other communication channels.



## Adopt a self-service model for employees

It's important to ensure the accuracy of personnel data. Payroll teams can use a self-service platform for employees to document and track their personal information, work hours, sick leave, and time off requests. This ensures accuracy and frees up time to manage other payroll tasks.

Even if your payroll is outsourced, you can still keep your employees engaged through various options for employee self-service portals. Empowering employees via self-service means you improve data accuracy, simplify processes, and ensure everyone stays focused on higher value activities.

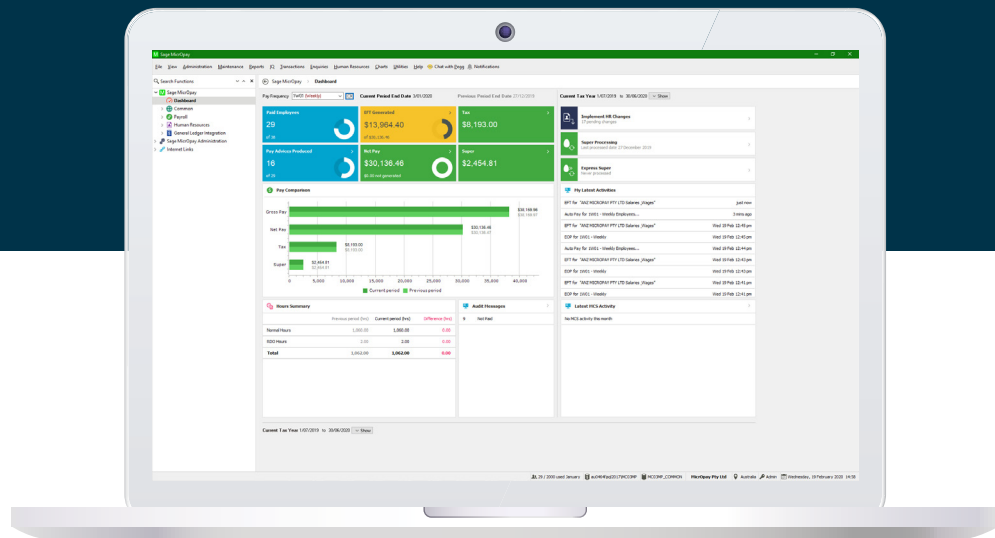


## Implement automation

Payroll software is usually designed to help employers meet their compliance obligations. Recent changes to the Australian payroll landscape have been demanding, however well-designed payroll software can help you minimise complexity and additional processes, saving you time.

Look at the full range of functionality and services offered by your vendor. You might be pleasantly surprised how simple and efficient it is to take care of your payroll obligations.

# Get control of your payroll with Sage



We understand how difficult it is to stay on top of ever-evolving payroll compliance requirements. Our payroll solutions are designed to meet Australia's complex regulatory environment, enabling businesses to ensure compliance.

Discover more 



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