

2021 EOFY Tax Reporting Obligations for Businesses

With the new financial year having just commenced, businesses should be focusing on their 2020/21 EOFY tax reporting obligations and changes that apply from 1 July 2021 which include:

PAYG payment summaries

Employers need to provide a 2021 payment summary to employees for any payments not reported through STP by Wednesday 14 July 2020 – this would generally only apply to working directors and family members (e.g. closely held employees).

Also the 2021 PAYG Payment Summary Statement needs to be lodged with the ATO by Monday 16 August 2021.

Where a Tax Agent prepares this documentation on behalf of the business, the due date is extended to the date of lodging the 2021 tax return.

Single touch reporting for closely held (related) employees applies from 1 July 2021

Small employers (19 or fewer payees) were exempt from reporting amounts paid to closely held payees through STP until 30 June 2021.

Amounts paid to closely held payees from 1 July 2021 need to be reported through STP. Small employers can report these amounts on or before each payday, or can choose to report this information quarterly.

End-of-year finalisation through single touch payroll

Employers need to finalise their employees' STP information through their STP-enabled solution by making a finalisation declaration.

This declares to the ATO that the employer has provided all required information for the financial year through STP reporting.

Once the employer has provided the finalisation indicator for employees, the ATO will pre-fill the employee's income tax return and display the information as 'tax ready' in their MyGov account.

The due date for making the 2020/21 finalisation declaration for arms-length employees is Wednesday 14 July 2021.

Small employers with only closely held payees have until the due date of the closely held payee's individual income tax return to make a finalisation declaration.

Super guarantee rate increased to 10% from 1 July 2021

On 1 July 2021, the superannuation guarantee rate increased from 9.5% to 10%. Businesses need to ensure their payroll and accounting systems are updated to incorporate this increase.

The percentage employers are required to apply is determined based on when the employee is paid, not when the income is derived. The rate of 10% will need to be applied for all salary and wages that are paid on and after 1 July 2021, even if some or all of the pay period it relates to is before 1 July 2021.

That means, if the pay period ends before 30 June 2021, but the pay date falls on or after 1 July 2021, the 10% rate applies on those salary and wages. The date of salary and wage payment determines the rate of super guarantee payable, regardless of when the work was performed.

Taxable payments annual report (TPAR)

Businesses that operate in the following industries need to lodge the annual TPAR by Monday 30 August 2021:

- Building & construction services
- Cleaning services
- Courier services
- Road freight services
- Information technology (IT services)
- Security, investigation or surveillance service.

The TPAR informs the ATO about payments made to contractors for providing the above services to the business.

Contractors include subcontractors, consultants and independent contractors. They can be operating as sole traders (individuals), companies, partnerships or trusts.

Tax deductions denied for non-compliant payments

A reminder that from 1 July 2019, tax deductions are denied for certain payments where the payer has not complied with the pay as you go (PAYG) withholding and reporting obligations for that payment.

These rules apply to the following types of payments:

- salary and wages, commissions, bonuses or allowances to an employee;
- directors' fees;
- to a religious practitioner;
- under a labour hire arrangement; and
- for a supply of services as a contractor where the service provider has not quoted their ABN.

Deductions will be denied for the above payments where the payer has failed to either:

- withhold the amount from the payment; or

- report the amount via their BAS.

There are specific exemptions to these rules as follows:

- a supplier of goods or real property has failed to provide their ABN (these rules only apply to service providers);
- an employer honestly mistakes an employee for a contractor and didn't withhold PAYG from the payments as an ABN was provided; and
- the taxpayer has voluntarily notified the ATO of a mistake before an audit or compliance activity has commenced.

These rules don't deny a tax deduction where no actual payment of the withholding amount has been made to the ATO so long as the payment has been correctly reported to the ATO.

Payroll tax annual reconciliation

Payroll tax is a state tax that applies to all employers (or group of employers) that have total taxable wages which exceeds the threshold amount.

Each state and territory has its own payroll tax legislation with different rates and thresholds. The definition of taxable wages also differs between each state and territory.

For example businesses (including related entities) that operate in New South Wales are from 1 July 2020 liable for payroll tax at the rate of 4.85% on Australia wide wages that exceed the current threshold of \$1.2 million – this rate and threshold applies for the 2020/21 and 2021/22 years.

Due to COVID-19, the due date for the 2021 payroll tax annual reconciliation for employers registered in New South Wales has been extended to Monday 30 August 2021. Employers registered in other States or Territories should check with their local Revenue office about any similar extension provided.