

BSBFIM502

Manage payroll

Release 2

Learner guide

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Aspire Version 1.1

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Before you begin

This learner guide is based on the unit of competency *BSBFIM502 Manage payroll*, Release 2. Your trainer or training organisation must give you information about this unit of competency as part of your training program. You can access the unit of competency and assessment requirements at: www.training.gov.au.

How to work through this learner guide

This learner guide contains a number of features that will assist you in your learning. Your trainer will advise which parts of the learner guide you need to read, and which practice tasks and learning checkpoints you need to complete. The features of this learner guide are detailed in the following table.

Feature of the learner guide	How you can use each feature
Learning content	Read each topic in this learner guide. If you come across content that is confusing, make a note and discuss it with your trainer. Your trainer is in the best position to offer assistance. It is very important that you take on some of the responsibility for the learning you will undertake.
Examples and case studies	Examples of completed documents that may be used in a workplace are included in this learner guide. You can use these examples as models to help you complete practice tasks and learning checkpoints. Case studies highlight learning points and provide realistic examples of workplace situations.
Practice tasks	Practice tasks give you the opportunity to put your skills and knowledge into action. Your trainer will tell you which practice tasks to complete.
Video clips	Where QR codes appear, learners can use smartphones and other devices to access video clips relating to the content. For information about how to download a QR reader app or accessing video on your device, please visit our website: www.aspirelr.com.au/help
Summary	Key learning points are provided at the end of each topic.
Learning checkpoints	There is a learning checkpoint at the end of each topic. Your trainer will tell you which learning checkpoints to complete. These checkpoints give you an opportunity to check your progress and apply the skills and knowledge you have learnt.



Foundation skills

As you complete learning using this guide, you will be developing the foundation skills relevant for this unit. Foundation skills are the language, literacy and numeracy (LLN) skills and the employability skills required for participation in modern workplaces and contemporary life.

The following table outlines specific foundation skills noted for your learning in this learner guide.

Foundation skill area	Foundation skill description
Reading	<ul style="list-style-type: none">Identifies and interprets information from organisational policies, legislative and industry-related material
Writing	<ul style="list-style-type: none">Records data accurately using relevant format, style and language suited to context and audiencePrepares specific information which clearly conveys an understanding of outcomes and uses terminology appropriate to present to relevant personnel
Oral communication	<ul style="list-style-type: none">Articulates information concisely using appropriate terminology, tone and styleUses questioning and listening techniques to exchange and clarify information
Numeracy	<ul style="list-style-type: none">Uses a wide range of mathematical calculations to analyse and compare numeric informationMakes calculations to ensure work is completed according to predetermined deadlines
Navigate the world of work	<ul style="list-style-type: none">Monitors adherence to legal and regulatory responsibilities and organisational policies and procedures
Interact with others	<ul style="list-style-type: none">Recognises and applies the protocols governing what to communicate with who, and how, in a range of work contexts
Get the work done	<ul style="list-style-type: none">Uses logical processes in planning, implementing and evaluating routine and non-routine tasks in achieving goals and timelinesUses analytical skills to identify discrepancies and attempts to resolve the issues within the context of own responsibilitiesMakes a range of critical and non-critical decisions in relatively complex situations, taking a range of factors into accountUnderstands the importance of secure information and privacy in relation to own work and takes responsibility for identifying and managing risk factors

What do you already know?

Use the following table to identify what you may already know. This may assist you to work out what to focus on in your learning.

Topic	Key outcome	Rate your confidence in each section
Topic 1 Establish procedures for payroll management	1A Establish procedures to ensure the confidentiality and security of payroll information	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1B Ensure procedures guarantee the substantiation of allowance claims	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1C Establish control measures to safeguard the organisation's financial resources	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	1D Establish systems to ensure statutory obligations are met and records are kept for the required period	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
Topic 2 Prepare payroll data	2A Use nominated industrial awards, contracts and government legislation to calculate gross pay	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2B Calculate statutory and voluntary deductions using government and employee documentation	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	2C Provide payroll data to the payroll processor for calculation within designated time lines	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
Topic 3 Authorise the payment of salaries	3A Check payroll, and authorise salaries and wages for payment	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	3B Reconcile salaries, wages and deductions in accordance with organisational policy and procedures	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	3C Deal with salary, wage and related inquiries	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident

Topic	Key outcome	Rate your confidence in each section
Topic 4 Administer salary records	4A Process declaration forms for employees	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	4B Calculate and transcribe group tax amounts, and make payments	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	4C Forward periodic deductions to nominated creditors	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	4D Prepare and dispatch payments to government authorities	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident
	4E Prepare and reconcile employee PAYG payroll summaries	<input type="checkbox"/> Confident <input type="checkbox"/> Basic understanding <input type="checkbox"/> Not confident

Topic 1

Establish procedures for payroll management

Security procedures are a key issue in relation to payroll management as there is a significant quantity of personal and confidential information that must be held by organisations. Organisations must also hold other documentation about claims that employees make in relation to personal expenditure or outgoings associated with the performance of their duties.

Procedures also need to be established to ensure regulatory requirements are met along with the appropriate storage, maintenance and retrieval of records. Management procedures are required for safeguarding an organisation's financial resources through implementation of control measures that satisfy both legislative and organisational requirements.

In this topic you will learn how to:

- 1A Establish procedures to ensure the confidentiality and security of payroll information
- 1B Ensure procedures guarantee the substantiation of allowance claims
- 1C Establish control measures to safeguard the organisation's financial resources
- 1D Establish systems to ensure statutory obligations are met and records are kept for the required period

1A

Establish procedures to ensure the confidentiality and security of payroll information

When a new employee is appointed, substantial personal information needs to be collected from the employee and from the organisation in relation to that employee. Security within the payroll functions and processes is essential to ensure confidentiality and must be given a high priority by management and staff at all times.

The key to security is competent and efficient management of the payroll as well as sound internal control processes. Good internal control measures not only assist in the minimisation of risks, but provide other benefits as well.

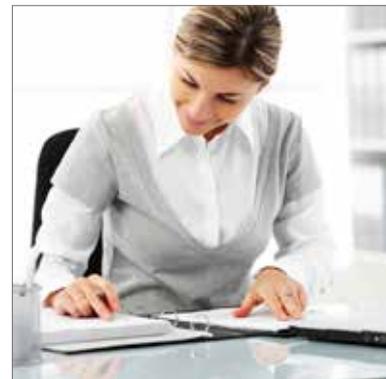
Additional benefits of internal control measures

- Legislation and organisational requirements are complied with.
- Transactions are processed in a timely manner.
- Payroll information is accurate and up to date, ensuring employees are paid the correct amount.
- Reports and documents are produced in a timely manner.
- Appropriate authorisations are provided correctly throughout the process.
- All transactions are correctly coded and entered.
- Backup of data, records and documentation is kept.

Manage payroll

The timely and correct payment of salary and wages plus entitlements is a key element in maintaining positive morale among employees. On-time receipt of salary and wages by employees builds confidence in the financial services/payroll departments and management. The employment of people in any business, however small, will require the management of the payroll function. Ultimately the scope of work involved in the management of the payroll function depends on the size and nature of the business. Duties may include managing personnel files; calculating and processing salary payments, group taxation and related payments; monitoring security arrangements; and organising payroll services through an outsourced company.

Payroll is processed using software on a computer and it would be rare to find an organisation not using a computerised system. Large companies and complex organisations can require sizeable payroll departments to handle the efficient payment of employees and the significant range of issues that arise, such as verifying claims for reimbursement of money spent in the performance of duties. Large companies often use specialist software that has been designed to cater for their types of operations and complex employee profile, which could include overseas operations and multiple locations.



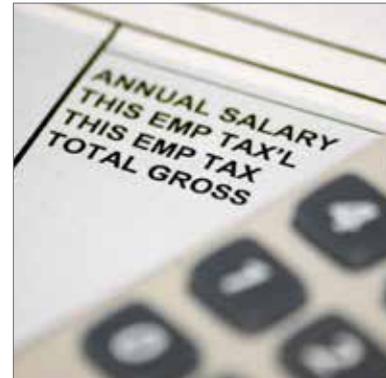
Company payroll

A company payroll is the sum of all the relevant financial records associated with salaries, wages, bonuses, commissions and entitlements; for example, leave, long service leave, and statutory and voluntary deductions. The term 'payroll' includes all employees who receive a regular salary, wage or some other form of compensation for work performed.

The difference between salary and wages

The terms 'salary' and 'wages' are often used interchangeably, though they are different.

A salary is a form of periodic payment (weekly, fortnightly or monthly) from an employer to an employee, which may be specified in an employment contract where the person is paid a specific amount for a year. They may work 35, 40 or more hours per week, or more when necessary. When a salary earner takes leave, they are paid their standard weekly salary based on their annual salary.



A wage is a payment from an employer to an employee based on an hourly rate and the number of hours worked.

In general, a wage earner working more than a set number of hours per week or on a particular day, such as a public holiday or Sunday, can be paid overtime rates and thus earn extra money in a pay period. When a wage earner takes leave, they are either not paid, in the case of a casual worker, or are paid a pro rata based on the average hours worked per week, in the case of a permanent part-time employee.

Gross income for employees

Some employees are paid a salary, while others are paid a wage based on the hours they work or the products or services they produce. Others can be compensated for the work they do based on commissions; for example, a real estate salesperson may receive payment based on the number of sales they make. These different options for each member of staff must be handled appropriately so that each employee receives the correct gross payment for the pay period in question, be it a week, a fortnight, a month or some other time frame. A company must therefore be able to obtain the required information in relation to the basis on which a person is to be paid. Such instruments include time sheets, rate of pay, employment contract and the person's tax file number declaration form.

Deductions from gross income

Once an employee's gross pay (income) is determined for a pay period, any deductions need to be calculated. Deductions can be in the form of statutory deductions, such as PAYG withholding for tax; or voluntary deductions, such as union fees, charitable donations or voluntary additional superannuation (super) contributions.

Many deductions can be based on personal circumstances; for example, having more than one job, family situation (affecting family tax benefits, child support payments, etc.) and union membership. This information must be collected so the deductions are authorised and appropriate amounts can be determined. This involves documentation being completed, with personal information being provided by the employee to the employer and the payroll department or manager.

Outsource the payroll

With the complexity that can exist in the payroll, companies often outsource this function to other companies that specialise in payroll management. This does not alleviate the need for employees to complete documentation and the organisation to gather and provide key information to the payroll management firm.

Outsource organisations, such as Aussie-Pay and ADP, often require close links to the organisation's information systems to gather employee data and meet the statutory and contractual requirements of taxation, payment times and reporting such as yearly PAYG payment summaries.



The tasks that an organisation outsources may differ between organisations; for example, some may outsource their HR function while others may outsource just the payment of super and taxes.

Employee records

When a new employee commences employment, the organisation must collect specific information to enable the payroll function to operate. Under the Workplace Relations Regulations 2006, organisations are required to maintain and retain specific records for each employee.

Information found in employee records can include:

- remuneration details, such as wage or salary details or payments for contract work, piecework or commission
- the award or agreement under which the person is employed, the classification under which the person is employed and the rate of pay
- the hours to be worked, including overtime and shift work if applicable
- start and finish times plus any other entitlements; for example, overtime, on-call allowance
- leave accrued and the amount of leave available for all categories of leave; for example, annual leave, long service leave or personal leave
- superannuation fund details and contribution rates
- voluntary contributions by the employee; for example, union fees or additional superannuation contributions.

Personal information

Other information may be required depending on the organisation; for example, driver's licence details may be a requirement for driving a company vehicle, or passport details for international travel. On conclusion or termination of employment, finalisation and departure details are also likely to be recorded.

Identity theft has become a serious issue and access to an organisation's employee records through a payroll system would provide unauthorised users with the ability to create false identities or use information for illegal purposes. Therefore appropriate security procedures must be in place to protect the employees, ensure confidentiality and protect the organisation.

Here are some of the types of personal information that may be required to be recorded in a person's file.

Personal details
<ul style="list-style-type: none">• Date of birth• Home address• Postal address• Email address, if applicable• Contact phone numbers• Tax file number (TFN)• Bank account for depositing salary and wages• Superannuation fund details• Next of kin and emergency contact numbers

Deduction details

There are a variety of statutory and voluntary deductions that may need to be applied to salary and wages. Details about these deductions need to be kept in the employee's file.

Here are some examples of deductions that are commonly applied to an employee's salary or wages.

Deductions
PAYG withholding tax, including the Medicare levy
Centrelink debts or family support deductions
Any deductions towards Higher Education Loan Program (HELP) debts or its predecessor, Higher Education Contribution Scheme (HECS) debts
Voluntary superannuation contributions additional to superannuation paid by the employer
Union fees or professional association membership fees
Charitable donations; for example, World Vision or another entity if agreed by the employer

Security of organisational payroll information

Organisational payroll information should be protected from public view. Such information can include the:

- number of employees and the type of employment arrangements
- commissions and bonuses paid
- total wages and salary outgoings
- leave liability information, such as the value of accrued leave, long service leave liability, personal leave and workers compensation payments
- fringe benefits tax (FBT) payments.

Security procedures

Organisations have a statutory responsibility to protect employees' privacy through appropriate protection of confidential information. An important aspect of this is making sure payroll officers fully understand the responsibility they have under the provisions of the *Privacy Act 1988* (Cth), which states that details of the payroll or individual employee records should not be disclosed to anyone except in accordance with organisational policy, and that employee confidentiality is maintained.

Organisations should segregate payroll duties and have procedures to reconcile calculations. Unless payroll functions are segregated and reconciliations made, there is the opportunity for dishonesty or mistakes to be made in payroll calculations and the recording of employee details.

A common way of providing employee guidelines with respect to security is to create or refer to the company's code of practice, which outlines how individuals should behave while working for the organisation. This usually includes the ethical and moral requirements of honesty, teamwork and cooperation. By adhering to the code of practice, dishonesty is discouraged and ultimately seen as destructive to the company's ethical wellbeing. Leadership and role-modelling of ethical behaviour are essential to the fight against dishonest and corrupt occurrences in organisations' financial divisions.



Approach to security procedures

Some security procedures to protect information and the possible approaches are outlined here.

Security procedure	Approach
Audit trails	Actions taken on electronic-based systems can have an audit trail that provides information on who accessed what information, at what time and what adjustments were made. An audit trail provides investigators with a path for all transactions, thus limiting fraudulent behaviour. It is a preventative measure.
Authorised access	Only personnel working in payroll or other authorised areas should have access to employee and associated payroll information. This can be password protected and any access should be tracked by the system.

Security procedure	Approach
Computer passwords	All access to personal employee information should be password protected. If an individual employee has access to their personal information or pay information online, this should also be password protected.
Ensuring security of passwords and keys	<p>Passwords should be changed or required to be changed on a regular basis; for example, every three months.</p> <p>Keys should be numbered and protected through 'not to be copied' mechanisms and a tracking system. Lost or missing keys should initiate a change in locks and a replacement of keys.</p>
Backup files and storage off-site	All employees' files and information along with all relevant payroll information relating to employees and the organisation must be backed up in a manner that minimises or eliminates potential loss of information. Copies of backup files should also be stored off-site to ensure files are available if something occurs to the organisation's filing system and the original files are destroyed.
Employees providing secure bank details	Payment of salary, wages or other remuneration is usually conducted through secure bank transactions. Bank details provided by employees should be signed as true and accurate by the employee to ensure the funds are being transferred into relevant and secure accounts. This bank information should be stored securely within the organisation.
Keeping payroll documents secure	The form of the documents could be hard copy or electronic. Payroll documents should be stored in a secure environment accessed only by authorised personnel.
Restricting access to electronic files and locking away paper-based confidential information	Access is managed through safe storage on computer systems with password access only. Hard-copy material is kept in a locked filing room or similar facility with a security key or other access procedures.

Other security considerations

Here are some other security considerations that need to be addressed within an organisation's payroll system.

Maintaining security and confidentiality of employees' details

Any personnel of an organisation who have access to employees' details should be bound by a confidentiality statement. Employees who have access to their own details should only gain access via password protection and, in the case of access to hard-copy information, after their identity has been confirmed.

Numbering payroll registers

Payroll registers are often numbered to identify them in relation to a specific location, date and the number of copies produced; for example, #1 of 3. This assists in maintaining currency and tracking the registers in the event of a breach in security and the release of confidential information.

Storing information

It is important to separate the locations of confidential information. Hard-copy files used as source documentation for generating computer-based files are stored in other locations under an organisation's record management policy and system.

Supervision of time sheets

Time sheets contain personal information as well as hours worked and these should be securely managed and not available to unauthorised personnel.

Employees signing for pay

In some situations, employees receive payment in cash and must either produce identification or sign a document when receiving their pay envelope. Employees should also check the contents in front of the authorised person issuing the pay and pay slip.

Example: access personal information

Jessica and Nick are both casual bar attendants at a large hotel in Sydney. During an evening break, Jessica comments to Nick, 'I see you clocked up 40 hours last week. You should be good for a loan soon'.

Nick is angry that Jessica has access to information that he considers personal and asks how she knows that he worked that many hours. Jessica replies, 'I saw it when I dropped my time sheet in because yours was on the top of the tray. I always see someone else's time sheet on the top of the pile'.



Practice task 1

Read the scenario, then complete the task that follows.

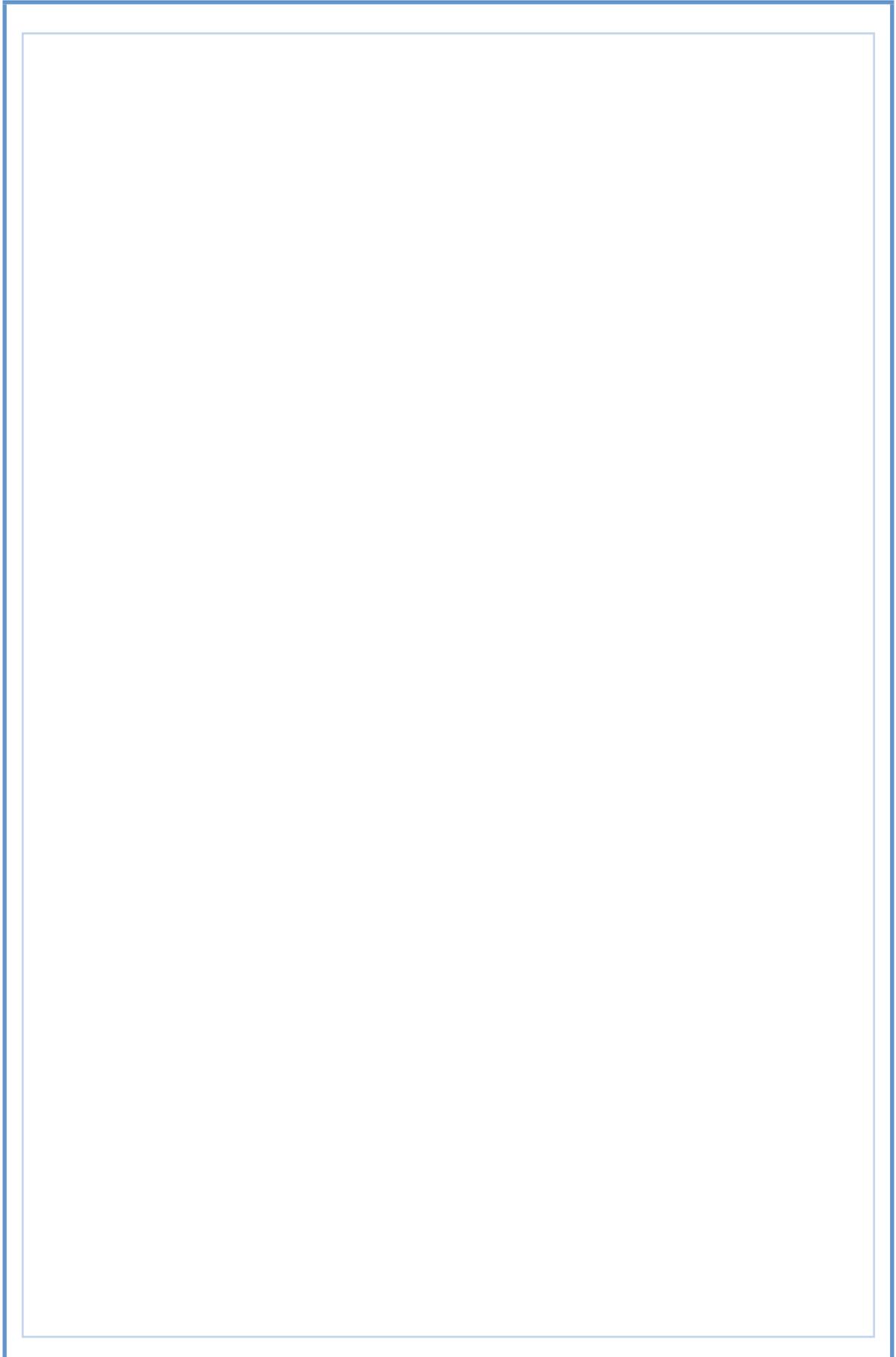
Scenario

A recent breach in confidentiality has been reported to the CEO of your company after a complaint from an employee. An audit and compliance team is set up to review the whole organisation in relation to the security of information and employees' details. You are asked to write a report outlining the security procedures that are in place in relation to the management of payroll and employees' personal details that are accessible via the payroll system.

Write a report to address this issue. It should include an overview of the security measures your organisation, or one you are familiar with, has in place and detail any monitoring or review processes that are undertaken in relation to security procedures. If appropriate, add a small section on recommendations that may be considered for improving the current security procedures. The report should not be more than two pages in length.

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1B

Ensure procedures guarantee the substantiation of allowance claims

An 'allowance' is a predetermined sum paid by an organisation to cover expected costs. A 'reimbursement' is a refund of actual expenses incurred. The term allowance is often used to encompass both of these situations.

Expenses related to the following may be considered allowance claims:

- Working conditions; for example, danger, dirt, height, shift or travelling time
- Qualifications or special duties; for example, trade, first-aid certificate or safety officer
- Expenses that can't be claimed as a tax deduction; for example, normal travel between home and work
- Work-related expenses that may be able to be claimed as a tax deduction; such as, compulsory uniform and dry cleaning



Allowances

The purpose of an allowance is to provide either compensation for working in difficult conditions, acknowledgment of increased responsibilities, recognition of possession of a particular skill or reimbursement of costs expected to be incurred by the employee in carrying out their duties. Allowances can be split into two broad types: those that relate to the function or location of the work undertaken (for example, a car allowance or site allowance) and those that relate to a specific event or activity (for example, a daily travel allowance, overtime meal allowance or kilometre travel allowance).

There are many different allowances available to employees depending on the work they perform and the circumstances in which it is performed. Make sure you are familiar with the type and extent of allowances in your organisation.

Here are some examples of employment allowances that can generally be paid under an award condition.

Award allowances
<ul style="list-style-type: none">• Tool allowance• On-call allowance• Overtime meal allowance• Higher duties allowance• Service increment• Qualification allowance• First-aid allowance• Remote areas allowance• Staff appointment allowances, which may include an allowance for relocation

Other allowances

There are a number of other allowances that might be included with a payroll system.

Other allowances might include the following:

- Flying (for Crown employees such as government and military pilots)
- Driving
- Laundry
- Forage for horses (for hand feeding a horse during work duties, such as for mounted police)
- Skilled trade
- Security and general staff
- Compensation for loss of personal property
- Project management
- Skills shortage



Substantiation of allowances

The process for payment of an allowance and substantiation of that allowance depends on the nature of the allowance itself. Allowances can be categorised as follows:

- Set allowances
- Specific event-linked allowances
- Specific event or activity claimable allowances

The nature of the allowance

Set allowances are based on an agreed standard condition or requirement of employment; for example, a vehicle allowance. Payment of these is usually established as part of the standard payroll set up for an employee and the allowances are paid consistently with the regular salary or wage.

The substantiation is in effect the individual's terms and conditions of employment, as well as any award that is applicable.

Adjustments may be made over time as a result of external (legislative) or organisational changes that occur. Adjustments of this nature usually occur on the payroll system and the substantiation is the relevant documentation relating to the changes; for example, a new enterprise bargaining agreement or changes to industry employment awards.

Adjustments can also be made as a result of changes to an individual's employment situation where changes to the allowances are made via negotiation with the employer; for example, a new employment contract.

Specific event-linked allowances

A specific event allowance is based on actions linked to the standard payroll process; for example, an overtime meal allowance.

Payment of these allowances is usually triggered by the payroll system based on correlation with other details entered; for example, overtime meal allowances would be triggered by the work hours input for an employee. The substantiation in such cases is the time sheet or recorded hours of work.

Specific claimable allowances

A specific event or activity claimable allowance is based on an application and approval process for the allowance or reimbursement of expenditure. Payment of these allowances would be subject to the submission of an allowance claim form or online completion of an application process. Employees or claimants may need to provide documentation such as receipts or other evidence that substantiates the eligibility for the allowance or expenditure to be reimbursed.

Substantiation policies and procedures

To ensure that procedures guarantee the substantiation of claims for allowances, it is essential to establish clear policies and procedures in relation to the payment of each allowance.

These policies and procedures should encompass:

- a clear definition of the allowance
- explanations of the basis for the allowance; for example, award, legislation, contract or agreement
- applications of processes for receiving the allowance or claiming the allowance
- documents that are required to substantiate claims; for example, an application form downloaded from the intranet
- approval/authorisation requirements; for example, a completed application form must be signed by the employee's manager.

Implications of allowances

It is important to be aware that the different allowance types may be treated differently in relation to superannuation contributions, state payroll taxes (which vary between states and territories) and federal withholding taxes. A payroll manager should review the relevant state payroll legislation to determine the applicability of the various allowances and the implications on the organisation's payroll processes. For example, consider the following information:

- Superannuation guarantee liabilities – implications of various allowances on the superannuation guarantee can be found on the Australian Taxation Office (ATO) website at: www.ato.gov.au/business

- Payroll withholdings – implications of allowances in relation to taxation and the withholding of tax can be obtained from the Office of State Revenue in your state.

Example: payroll officer checks allowance claims

Bill works for a medical supply company. As part of Bill's role in the finance area, he is responsible for the payroll for 50 employees, of which 33 are entitled to an allowance that is related to travel (accommodation, meals and distance travelled), overtime, claiming back expenditure in performing their duties and other things.

As a check on claims for travel and overtime expenditure, Bill analyses claims and the substantiation provided by:

- checking the distance between the places visited
- confirming the venues for accommodation
- checking that invoices or receipts are attached for all claims on the form
- reviewing items claimed as expenses to check that they are reasonable; for example, the employee is not claiming five reams of paper a fortnight when the expectation of the printing required is less than two reams
- checking that time sheets and overtime have been appropriately authorised and that overtime was approved in advance as per the company policy.



Practice task 2

In this table, identify at least eight different types of allowances that exist in your organisation, or one you are familiar with. Provide a broad description of each allowance that you could provide to a new employee in their induction program. Categorise each allowance into one of the following areas:

- Set allowance
- Specific event-linked allowance
- Specific event or activity claimable allowance

For each allowance, determine if it is subject to:

- payroll tax
- superannuation guarantee
- withholding tax.

Type of allowance	Description	Category	Subject to

continued ...

... continued

Type of allowance	Description	Category	Subject to

1C

Establish control measures to safeguard the organisation's financial resources

Payroll is often the largest expense for an organisation and therefore it is important that an organisation has appropriate safeguards to protect itself from fraud and error.

The *Fair Work Act 2009* (Cth), the framework for workplace relations, requires organisations to keep and maintain complete and accurate time and wage records. An offence under this Act may incur a penalty. Organisations should therefore ensure that they have accurate records and that they protect their financial resources through the use of internal control measures.

Legislative and organisational requirements

The range of legislative requirements that an organisation has to comply with can be substantial. Organisational requirements, as detailed in relevant policies and procedures, must be at least as demanding and rigorous as the external regulatory requirements.

Here is a list of some of the legislative and organisational requirements that may affect organisations in relation to payroll management.

AAAS

Australian Accounting and Auditing Standards

The Australian Accounting and Auditing Standards provide minimum reporting standards that entities must comply with. The standards also set out what constitutes best practice in reporting; the people responsible for financial operations in an organisation must ensure that the reporting standards are being met. Of specific interest in managing a payroll is the Australian Accounting Standard, AASB 119 – Employee Benefits. It prescribes the accounting treatment for employee benefits, including recognition, measurement and disclosure rules for expenses, liabilities and assets relating to employee benefits.

ASIC

Australian Securities and Investments Commission (ASIC)

ASIC is a government authority that administers a range of legislation to ensure that customers and investors are financially protected; for example, making sure companies meet their obligations under the *Corporations Act 2001* (Cth).

It may be part of your duties to notify ASIC if any of your company details change and to forward financial reports as directed. ASIC does not have any direct relationship with managing a payroll.

ATO**Australian Taxation Office (ATO)**

ATO regulations apply to all organisations that operate in Australia and employ and pay people. When managing a payroll, you need to understand Commonwealth tax and superannuation obligations involving contractors and employees, PAYG withholding, superannuation, employment termination payments, redundancy payments, fringe benefits tax, employee allowances, non-profit organisations, workplace giving and record keeping. Each of these will affect the setup and maintenance of a payroll system and the control of information and reporting requirements.

The Corporations Act and laws

The *Corporations Act 2001* (Cth) is the principal legislation regulating companies in Australia. It regulates matters such as the formation and operation of companies, whether companies have to pay payroll tax, duties of officers, takeovers and fundraising.

Most of the information provided by this Act is dealt with at a higher organisational level than those responsible for managing the payroll. Speak to your supervisor if you are unsure about this aspect and need to know more.

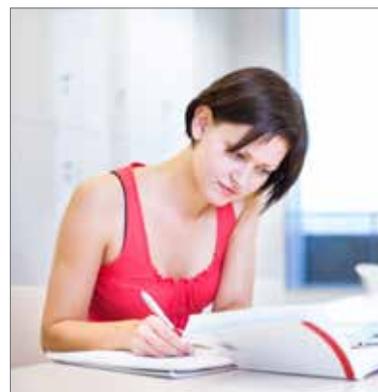
Fringe benefits tax (FBT)

A fringe benefit is a payment to an employee in a different form to salary or wages and may be liable to tax. Organisations must declare such payments and remit the relevant tax if applicable. Internal policies and procedures need to be defined for managing fringe benefits and appropriate controls need to be in place for the recording and authorisation of fringe benefits and relevant reporting to the ATO.

Higher Education Loan Program (HELP)

People who have opted to fund their tertiary education through HELP or HECS since 1988 repay their debt when they are in the workforce and their income through wages or salary reaches a certain threshold. For example, for the 2015-16 financial year, debtors must start repaying their loans when their repayment income is above \$54,126; this is the sum of taxable income plus any total net investment loss, total reportable fringe benefits amounts, reportable super contributions and exempt foreign employment income. These payments are part of the PAYG deduction.

Payroll staff or other relevant people need to be aware of the thresholds, calculate appropriate PAYG withholding and maintain appropriate confidentiality of employees' details. However, some information (such as a person's foreign income) is unlikely to be held by an employer; therefore, a greater responsibility falls on the individual to determine the appropriate tax to be withheld.



The Superannuation Guarantee (Administration) Act

Employers have obligations under the *Superannuation Guarantee (Administration) Act 1992 (Cth)* to pay a minimum amount of superannuation to their employees' superannuation funds in addition to salary or wages. The current rate is 9.5 per cent of an employee's gross wage where it is \$450 or more per month. Always be aware of the current rate. Payroll personnel will need to determine the appropriate contributions that the employer needs to make and where to send it. They will also need to keep control of relevant documentation and records.



Pay as you go (PAYG) tax

Employers are required to deduct income tax from an employee's gross pay each time the employee is paid and submit it to the ATO. This is referred to as pay as you go (PAYG) withholding. The amount that is withheld is calculated in tax tables provided by the ATO.

Taxation varies between employees and is dependent on the information provided by them on their tax file number declaration form and withholding declaration; for example, tax on an employee's gross pay may be reduced as a result of claiming such things as a family tax benefit, a dependent spouse rebate, or a zone rebate. Payroll personnel will need to be aware of changing circumstances so they can correctly calculate an employee's pay. Authorisations must be reported and signed on the relevant form when circumstances change for any employee; for example, a salary increase, changed allowances or changed circumstances of the individual.

Here are two other payroll aspects to consider.

Tax file number (TFN)

The ATO requires all employees to complete a TFN declaration when they first become employed. The information provided on this form determines the rate of PAYG withholding that will be deducted from the employee's gross pay. If a TFN is not provided, the employer must withhold tax at the maximum marginal rate on all earnings. Details regarding the TFN declaration can be found on the ATO's website.

Organisational policy and procedures for cash handling

Organisations will have appropriate policies and procedures in place relating to cash handling. This will include responsibilities, security procedures, determination of the cash required if pay is provided in cash and relevant distribution procedures including signed receipt of pay packets by employees.

Control measures

Control measures are put in place with the aim of:

- protecting against fraud and theft
- increasing organisational efficiencies via budgeting
- preventing errors at point of entry or at source
- detecting errors and inconsistencies.

The following table outlines several examples of control procedures that should be implemented by an accounts department responsible for the payroll.

Control measures	Examples of control procedures
Reconciliation of records	<ul style="list-style-type: none"> • Undertake reconciliations between payroll records and the general ledger • Undertake pay-to-pay or year-to-year reconciliations of payroll totals • Calculate and reconcile control totals on various payroll data elements • Number file registers
Control over records incorporating checks and balances, internal controls and dual checking system	<ul style="list-style-type: none"> • Review and approve detailed payroll reports • Follow-up error and rejection reports • Independently review any variations to individual payroll records • Instigate a dual checking system where payroll data is checked prior to data entry and again after entry to ensure it is correct
Input controls incorporating authorisations, checks and balances, and internal controls	<ul style="list-style-type: none"> • Approve staff appointments in line with approved delegation schedules in terms of setting the salary or wage rate, and allowances or additional entitlements • Review and approve time records • Review and approve changes to pay rates, deductions and standard data • Ensure specific authorisation and review processes are in place for non-standard payments; for example, long service leave, pay-in-advance, redundancy payments • Produce, review and approve reports on changes to payroll records

Other control measures

The payroll process as a whole provides reports that can be compared against each other and with external and internal standards and expectations. Many of the control measures taken provide additional reports that are used in the organisation as well as being forwarded to various external entities such as regulatory authorities and government departments.

Management controls

Control procedures

- Establish pre-employment processes for the checking of references and qualifications
- Establish detailed budgets (and performance targets) for payroll expenditures and liabilities
- Regularly monitor actual expenditures to budgets and performance targets and investigation of variances
- Develop and investigate appropriate investigation reports to determine any corrective adjustments to the payroll process or development of preventative reports for identified issues

Update controls

Control procedures

- Ensure all document transactions are processed
- Ensure that correct versions of payroll data files are used; for example, tax deduction tables, pay rates, leave accruals
- Produce, review and act upon reports on changes to payroll records, data rejection and data errors

Separation of duties

Control procedures

- Separate the functions of the payroll staff from the role of approval and authorisation
- Rotate payroll staff so they carry out different duties at different times

Security controls

Control procedures

- Maintain physical security over payroll and personnel records
- Implement access controls for payroll systems; for example, the allocation of passwords and regular changes, access levels linked to roles and responsibilities
- Keep confidential information separate from general payroll information and restrict access
- Produce and review audit reports on access to systems for unusual or unauthorised actions

Computer records

Control procedures

- Implement and maintain a file backup process
- Establish off-site storage as appropriate
- Establish and test the backup recovery process

Example: an organisation's control measures

Cecilia has been appointed to the position of payroll manager for a medium-sized company. After reviewing the control measures in place in the department, she implements some changes to increase the level of protection and security. These measures include the following:

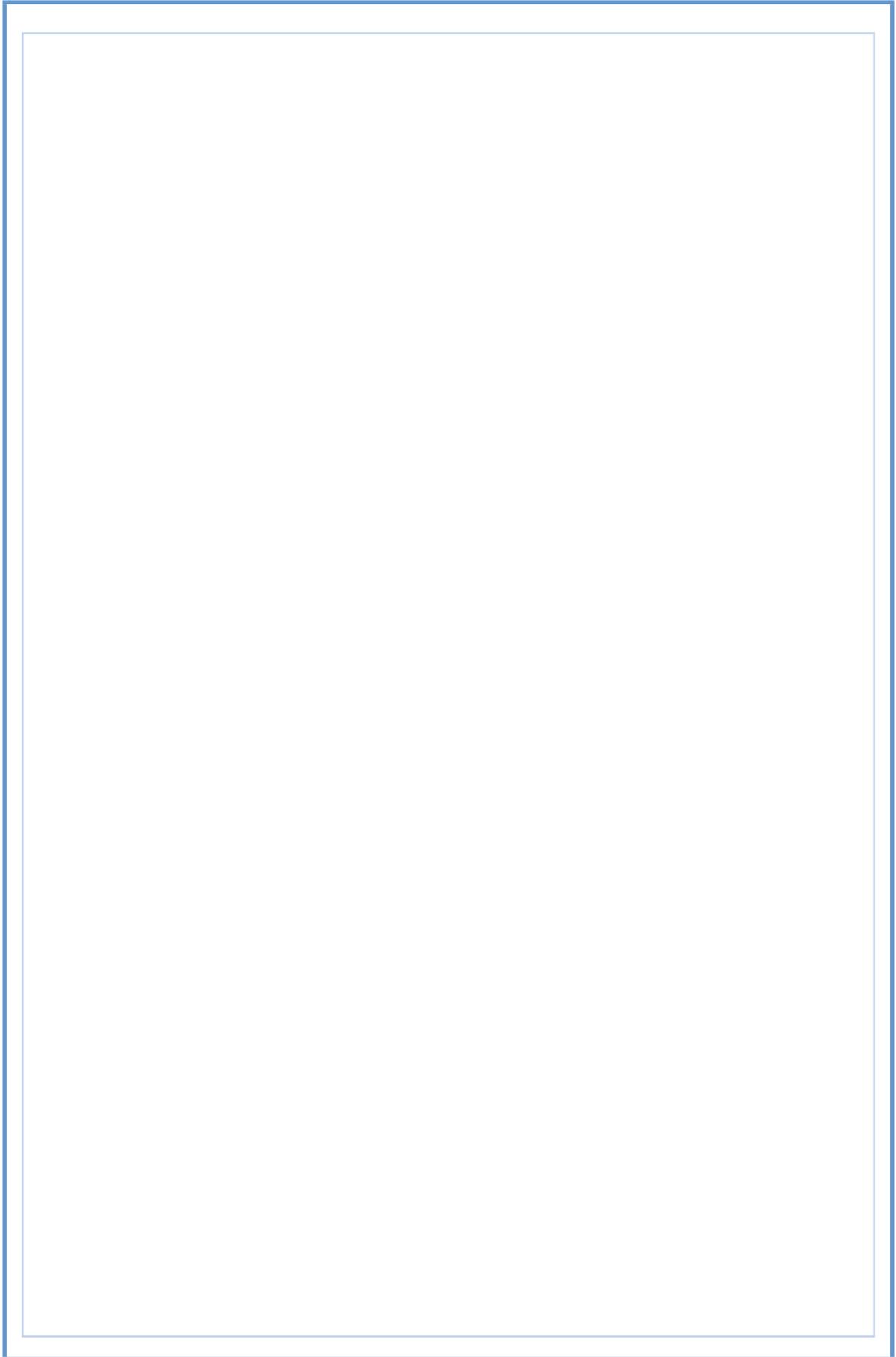
- No payroll staff member is to take any action on the system regarding information on their file (the system has an audit trail and therefore this can be monitored easily).
- Files containing hard-copy documentation and records on any staff member in the payroll department are to be separately stored in her office and thus not available to staff without her authority.
- Cecilia's payroll file is to be kept by the deputy CEO and his authorisation is required for access to it.
- Passwords are to be changed every three months for all payroll personnel with access to the system and old passwords not an option for three years.
- The assigned responsibility for departments to each payroll officer will be rotated every 12 months in February so that they do not have authorisation over the same area or people for more than a year.

Practice task 3

Write a report on the control measures currently in place for safeguarding the financial resources of your organisation (or one you are familiar with), particularly managing the payroll. If appropriate, refer to any relevant policies that are in place. As part of preparing this report, discuss the control measures that exist with relevant staff in the organisation and identify any aspects that could be considered a risk. The report should be no more than 1½ pages long.

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1D

Establish systems to ensure statutory obligations are met and records are kept for the required period

Employers have certain legal obligations when managing the payroll. People who are required to establish and work with payroll systems must be familiar with the range of government legislation and statutory requirements that must be complied with, and ensure that their payroll system complies with each obligation.

Statutory obligations	Description	Payroll responsibilities to ensure compliance
Workplace Relations Regulations 2006	This describes industrial relations conditions for the Australian workforce. It covers areas such as workplace agreements, the Australian Fair Pay and Conditions Standard, employee entitlements and record keeping.	Determine appropriate pay rates and allowances for inclusion on payroll system in calculating gross pay.
Fair Work Act 2009 (Cth)	The legislation that governs labour law within the federal industrial relations system. It is an award system with a set of national industry-specific awards and a 'catch-all' award for any person not covered by a specific award.	Determine appropriate pay rates and allowances for inclusion on the payroll system in calculating gross pay.
National Employment Standards	Describe the conditions of employment for all employees covered by the national workplace relations system. They cover the maximum weekly hours of work, flexible working arrangements, leave entitlements, notice of termination and redundancy pay.	Determine the various terms and conditions for employment and data that must be incorporated into the payroll system for calculation of gross pay and standards as well as time lines for termination and associated payments to employees.
Superannuation Guarantee (Administration) Act 1992 (Cth)	Obliges employers to contribute superannuation for their employees, currently calculated at 9.5 per cent of the employees' ordinary time earnings.	Set current minimum payment requirements and time lines to be included on payroll system. Need details of each employee's superannuation fund to determine where funds are to be sent.

Statutory obligations	Description	Payroll responsibilities to ensure compliance
Income tax	Withheld from employees' salary and wages by employers and forwarded to the ATO in accordance with the ATO's guidelines and taxation rates. A taxpayer's gross salary or wage that is liable for income tax can include various allowances, commissions, bonuses and other items. The rate of tax applicable to the gross salary is also influenced by various statutory and voluntary deductions that may apply.	Complete TFN and withholding declaration forms and ensure correct data is available for calculation of income tax. Ensure that the appropriate tax deduction tables are used.
Payroll tax	A state tax that is determined by the collective wages or salaries paid to employees. It is administered by the relevant Office of State Revenue.	You will need to know whether your organisation is required to pay payroll tax and the current payroll tax rate; for example, in Queensland, companies paying \$1,000,000 or more a year in Australian wages must pay payroll tax. There are deductions, concessions and exemptions available to those that are eligible.
Paying payroll liabilities	Employers must forward the monies withheld in accordance with the dates set by the relevant authority. These may vary between states and territories in terms of payroll tax and also vary subject to the size of the business and the monthly payroll. PAYG withholding income tax must be forwarded to the ATO quarterly. The transfer of monies to superannuation funds is also quarterly in accordance with the legislation and dates available from the ATO.	Be aware of the dates to pay payroll tax, PAYG withholding, superannuation and any other deducted liabilities; for example, in Victoria payroll tax is payable monthly by the seventh day of the following month where the employer's payroll of salary or wages exceeds the exemption level in that month.

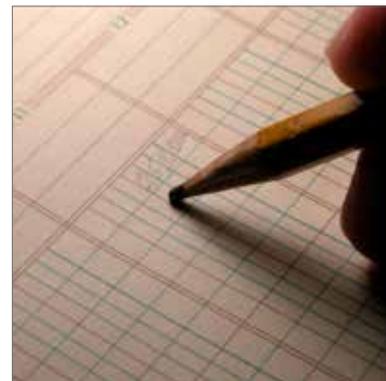
Records and record keeping

Records are associated with preparing and processing an organisation's payroll, including pay advice slips, cash analysis sheets, employee earning cards or summary reports, electronic funds transfer records, end-of-month and end-of-year reports, taxation reports and PAYG payment summaries.

Under the Fair Work Act, employers must retain financial records for at least five years, with payroll records being retained for at least seven years for auditing and substantiation purposes. In addition, employees may become involved in legal actions or workplace safety accidents that require their payroll records to be presented in court appearances to verify their previous or potential earning capacity.

The records must be legible, in plain English and readily accessible to an inspector.

Records can be kept electronically or in hard copy. They must be stored securely with controls for access and authority for appropriate personnel to make adjustments when necessary. It is common for electronic systems to record who has accessed what records, when and for how long. Some systems incorporate a full audit trail that is saved so that any adjustments made to a record can be identified. In many organisations, records are not permitted to be removed from a secure storage facility or defined area.



Employee records

There must also be a policy and procedures for the destruction of records after the required time for holding has elapsed.

According to the Fair Work Act, the following must appear in employee records:

- The name of the employer and the name of the employee
- The Australian Business Number (ABN), if any, of the employer
- The date the employee started employment

The types of employment and rates of pay information will include:

- if the employee is full time or part time
- if the employee is permanent, temporary or casual
- the employee's pay rate, including gross and net amounts paid and any deductions from the gross amount
- any loadings, monetary allowances, bonuses, incentive-based payments, penalty rates or other entitlements paid that can be singled out
- if a penalty rate or loading must be paid for overtime hours, the number of hours of overtime worked
- hours worked if the employee works casual or irregular part-time hours and is guaranteed a pay rate set by reference to a period of time worked
- a copy of the written agreement if the employer and employee have agreed to average the employee's work hours.

Written agreement

Here are some other components that will make a written agreement between the employer and the employee.

Leave

Leave information for all types of leave, including leave taken, leave balance, a copy of any agreement to cash out accrued leave, the rate of payment for the leave and when the payment was made

Superannuation

Employee's paid superannuation (excluding payments to a defined benefit fund), including amount paid, pay period, date/s paid, the name of super fund and the reason super was paid into the fund (for example, a record of the employee's super fund choice and the date that choice was made)

Termination of employment

If an employee or employer terminates the employment, they must record the name of the person who terminated the employment and the reason why the termination took place; for example, by consent, by notice, summarily or in some other form

Guarantee of annual earnings

If the employee has been provided with a written guarantee of annual earnings for an amount over the high income threshold

Records management standard

Some organisations will have a policy in place that is a commitment to compliance with Australian or international standards in relation to managing records. The relevant standard is AS ISO 15489:2004 Records Management.

Example: set up a payroll system

A businessman recently bought three companies with the intent of merging them into a single entity. Each of the three companies had approximately 120 employees. All administrative systems, policies and procedures will be redeveloped into a new approach replacing all prior systems. Currently, each of the smaller companies has its own systems, policies and procedures for the day-to-day operations and other operations, including payroll management.

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The finance director appoints Ricardo to set up a payroll system for the merged entity. Ricardo approaches this task by reviewing the payroll systems that are in place for each of the three businesses. He assesses each approach against the various legislative requirements and the organisational requirements of the new merged organisation, as detailed by the incoming senior management.

He finds weaknesses in each current payroll management process, including poor security, no policy for keeping records and no procedures for ensuring information obtained from employees is current and accurate.

He decides to set up a new system including new software with appropriate policies and procedures. The current operations with the existing companies will continue for a period of time until the new system is configured. Existing records will be imported into the new system prior to a changeover. During this same interim period, new policies, procedures, security procedures and control measures will be developed with appropriate training provided to relevant staff across the new company.

Practice task 4

1. Detail three legislative Acts and statutory obligations related to ensuring compliance.

2. Describe an approach to ensure that records are correct.

3. What document or report templates support the payroll system at your organisation, or one you are familiar with?

Summary

1. The protection of an employee's privacy and maintaining confidentiality are crucial in relation to payroll management. Organisations have a statutory responsibility to protect their employees' privacy. Payroll officers must fully understand the responsibility they have under the provisions of the *Privacy Act 1988* (Cth), which state that details of the payroll or individual employee records should not be disclosed to anyone except in accordance with organisational policy, and that employee confidentiality is maintained at all times.
2. Security procedures should be in place to protect all electronic and hard-copy payroll information.
3. Substantiation is required for any claimable expenses or allowances that an employee is entitled to. Procedures should be in place to enable such claims to be easily substantiated.
4. An organisation must have appropriate safeguards in place to protect its financial resources from fraud, theft and/or error in connection with payroll.
5. Legislative and organisational requirements will determine the types of control measures an organisation will need to implement in relation to payroll management. These include the Australian Accounting and Auditing Standards, ASIC requirements, ATO regulations, the Superannuation Guarantee (Administration) Act, PAYG tax and the employee's TFN.
6. Government legislation places a number of statutory obligations on an organisation in terms of the systems they need to implement in order to meet the requirements for appropriate records being generated and kept. This include Workplace Relations Regulations 2006, the *Fair Work Act 2009* (Cth), the National Employment Standards, income tax, payroll tax, the *Superannuation Guarantee (Administration) Act 1992* (Cth) and forwarding monies to extinguish payroll liabilities.

Learning checkpoint 1 Establish procedures for payroll management

This learning checkpoint allows you to review your skills and knowledge in establishing procedures for payroll management.

Part A

1. What is the purpose of establishing security procedures in relation to payroll information?

2. Explain the importance of managers and staff adhering to a code of practice and ethical standards in relation to managing the payroll.

3. What legislative requirements exist and apply in your organisation in relation to:
 - security of payroll information
 - safeguarding of financial resources
 - reporting to government authorities?

4. Claims for allowances require substantiation documentation. How can procedures guarantee that an employee's claim for an allowance is substantiated?

5. How should organisational requirements relate to legislative requirements concerning the payroll?

6. Complete the following tasks.

- a) In your own words, define what constitutes a record, as determined by government legislation in relation to payroll.

- b) Identify three different payroll-related records that an organisation is required to keep for employees and the minimum period that these records should kept.

7. List and briefly describe four control measures that an organisation can implement to protect its financial resources.

8. List six security procedures you would expect to find in place for an organisation with 150 to 200 employees with a dedicated team of five people operating in the financial support area, which includes payroll as one of its key functions. In one or two sentences, describe how you would expect each procedure to operate.

Part B

Read the scenario, then complete the task that follows.

Scenario

You are the finance officer of a medium-sized clothing company and are called to the deputy CEO's office for a meeting. The organisation has grown over the last 18 months, from a staff of 80 people in a single location in Melbourne to three outlets in Melbourne, one in Adelaide and one in Sydney. There are plans to open outlets in Canberra and in Wollongong and Newcastle in New South Wales. The staff profile currently totals 125 people and is expected to expand to 160 in the next four months.

The payroll function has always been outsourced to an external payroll company. With the increase in staff, the CEO has asked his deputy to investigate internalising the payroll function. Consequently, you are asked to determine what procedures would need to be established (i.e. developed and implemented) to manage the payroll function in-house. You are also advised that it is critical that the company's financial resources are protected from potential loss and that the company meets all statutory requirements. You have a week to provide a briefing to the deputy CEO for consideration, before it is forwarded to the CEO.

You will need to advise the deputy CEO about the following:

- The security procedures that should be established
- The approach to substantiation of claims for allowances as part of employment conditions and for work-related expenditure
- The safeguards that should be considered to protect the company's financial resources in terms of legislative and organisational requirements
- The maintenance and storage of records being undertaken so that legislative requirements are met

Provide a briefing of no more than three pages that identifies appropriate procedures to establish the management of the payroll function in-house.

You should include a comment on procedural issues that may arise with the separated nature of the business across eight locations, and the potential for future expansion in Sydney to additional locations.







Topic 2

Prepare payroll data

To produce a payroll and thus pay employees, key information is required to enable the payroll system to operate. Information relating to industrial awards or contracts and details regarding legislative requirements must be sourced and correctly entered into the payroll system.

Details regarding voluntary deductions must be collected from employees and entered alongside government statutory deductions. All data must be provided to the processing system in order to produce the payroll.

In this topic you will learn how to:

- 2A Use nominated industrial awards, contracts and government legislation to calculate gross pay
- 2B Calculate statutory and voluntary deductions using government and employee documentation
- 2C Provide payroll data to the payroll processor for calculation within designated time lines

2A

Use nominated industrial awards, contracts and government legislation to calculate gross pay

Gross pay is defined as the sum of an employee's wages or salary earned during the pay period, plus any allowances, commissions, bonuses or entitlements before any deductions are made.

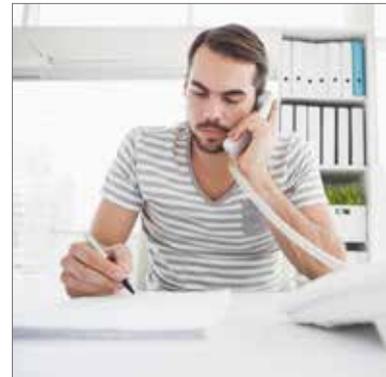
In the first instance, you will need to derive a person's gross pay from their particular contract of employment, as described here:

- Certified and workplace agreements are collective agreements or individual Australian Workplace Agreements (AWAs) that detail the salary, wages and entitlements of employees. Note that AWAs will cease on the expiry date of the current agreements and that AWAs can no longer be made.
- Enterprise agreements are agreements between an enterprise and the staff that are often appropriately signed off with management and staff (possibly via union representation).
- Federal and state/territory awards are awards that have been developed and are applicable to specific industries. They detail the salary, wages allowances and other conditions that operate in relation to employees.
- Contracts are formal arrangements that include details of the rate of pay for services or labour provided or the amount to be paid on completion of a job.

Government legislation

Government legislation applies to the setting of salaries and wages, such as the minimum wages that can be paid, and other allowances and benefits that an employer must provide for employees.

You can obtain information about workplace law, rates of pay, conditions of employment and workplace awards and agreements on the Fair Work Ombudsman's website, at www.fairwork.gov.au.



Information required to calculate gross pay

You will need several pieces of information to calculate gross pay. These are all dependent on the type of employment contract. Remember that expense reimbursements need to be calculated, but should not form part of gross pay prior to the calculation of deductions. These should be added after any deductions are determined and subtracted from the gross pay.

Make sure the information you receive and record from employees is current and accurate.

Allowances

Allowances are separately identified payments made to employees and can be divided into the following types:

- Working conditions; for example, soiled clothing from working in dirty environments
- Specific qualifications; for example, equipment licence, first aid
- Special allowance to cover employee costs that cannot be claimed as a tax deduction by the employee; for example, travel between work and home
- Work-related expenses; for example, use of a personal motor vehicle for work purposes (travel to worksites or to collect materials) or travel away from home on work business, which may encompass accommodation, meals and incidentals



Annual leave and annual leave loading

Annual leave is paid holiday time that all employees (excluding casuals, pieceworkers and some apprentices or trainees) receive for each completed year of employment and accrued leave is payable on termination. There are a variety of conditions or principles that may apply to annual leave subject to the applicable award/agreement or organisation's policies.

These conditions or principles may consist of the:

- amount of annual leave; the standard is a minimum of four weeks
- impact of shift work arrangements
- impact of employment transfer
- payment prior to accrual
- notice while on annual leave
- annual leave loading – some awards or agreements allow an extra payment by way of a loading that is added to an employee's annual leave.

Appropriate pay structure

The purpose of a pay structure is to provide a fair and consistent basis for motivating and rewarding employees. These pay structures are established through awards or agreements. Ensuring that employees are paid according to their level within the pay structure is an important element of payroll management. These pay structures and the employee's level within the pay structure will change over time for a variety of reasons.

Examples of reasons for change

- Length of service
- Additional skills or responsibilities
- Temporary appointments in other roles or in higher-level positions, and the reversal to their base position or role
- New agreement negotiations
- Changes to award conditions

Employment history cards

An employment history card may be electronic or in a hard-copy format. It will provide details of the employee's personal information, terms of employment, qualifications, training and leave information.

Fringe benefits tax (FBT)

A fringe benefit is a payment to an employee by means of the provision of goods or services other than by way of salary or wages. Depending on the type of benefit, the employer may be subject to tax on the value of the benefit. Where an employer has provided a fringe benefit to an employee that is subject to fringe benefits tax, the employer must submit a fringe benefits tax return. (Note: A fringe benefit is not likely to feature in 'gross pay' as it is, in effect, an alternative to gross pay, being goods and services instead of money.)

Salary packaging

Salary sacrifice is an arrangement between an employer and employee where the employee agrees to forego a part of their future entitlement to salary or wages in return for employer-provided benefits of a similar cost to the employee. This is also referred to as salary packaging or total remuneration packaging. The process results in:

- the employee paying income tax on the reduced salary or wages
- the employer potentially being liable to pay FBT on the fringe benefits provided.



Items that can be salary sacrificed are at the discretion of the employee and employer by agreement. Refer to the ATO website (www.ato.gov.au) for an overview of salary sacrifice arrangements, fringe benefit implications and liabilities.

Sick leave and other leave

Sick leave is where an employee is paid for a period of time when they are absent from work due to illness or incapacity. Minimum sick leave entitlements are established through an award or agreement and the employee's entitlement to sick leave payments is usually subject to certain conditions being met. For example:

- prompt notification by the employee of their illness or incapacity and the expected time line for return to work
- provision of a doctor's certificate after a nominated time frame.

Failure to abide by these conditions may jeopardise an employee's entitlement to sick leave or, in extreme conditions, their employment.

There are a variety of other leave entitlements that may be applicable to an employee. These entitlements may be the result of legislation or organisational policy. Examples of other leave entitlements are:

- family leave
- cultural leave
- parental leave
- volunteer service leave
- carer's leave
- jury duty leave.
- bereavement leave

Other entitlements

Here are some other entitlements that need to be addressed within organisational payroll requirements.

Termination payments
In the event that employment is terminated, an employee may be entitled to certain payments under an award or by agreement. These are called eligible termination payments.
Time sheets
Time sheets provide a record of the hours worked by an employee during a specified pay period.
Long service leave
Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. Entitlements for long service leave are provided for in the relevant legislation.
Overtime
Overtime is an extra payment for work performed above that of the standard spread of ordinary hours. It is commonly paid at the rate of time-and-a-half for the first two or three hours and double time thereafter, but this is subject to the terms and conditions under which a person is employed.
Penalty rates
Penalty rates are an extra payment paid for ordinary hours worked late, on weekends or public holidays.

Example: impact on payroll

Ingrid, the CEO, is negotiating with her staff through an enterprise bargaining process on the payment of salary and wages under an award. She accepts a small increment in the salary of 0.5 per cent for all the staff on the proviso that the organisation moves to a fortnightly pay period; this would reduce the overall time for entering data and preparing the payroll, and reduce the hard-copy storage requirements.

As a result, all time sheets and other documentation has to be updated and the system reconfigured to cope with fortnightly pay runs, and therefore the calculation of fortnightly gross pays with an increase in the award rates paid to employees.

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The impact of this change for Jenny, who was on a wage of \$25 per hour for 37.5 hours per week, is as follows:

- Pre-change, Jenny's gross pay was $37.5 \text{ hours} \times \$25.00 = \$937.50$ per week (or \$1,875 per fortnight)
- Post-change, Jenny's gross pay was $37.5 \text{ hours} \times 2 \text{ weeks} \times \$25.125 = \$1,884.38$ for the fortnight
- This made a difference of \$9.38 per fortnight.



Practice task 5

Detail the calculations you would use to calculate the gross pay for two employees employed under different types of contracts. Use fictitious employees. Provide the calculations either in a spreadsheet or using relevant templates from your organisation.

2B

Calculate statutory and voluntary deductions using government and employee documentation

Deductions are subtracted from an employee's gross pay in order to calculate the amount that the employee will receive – their net pay. It is illegal for an employer to deduct any amounts from an employee's wages without their prior consent. This includes deducting income tax from wages and salary; an employee completes a tax declaration form that authorises the employer to withhold (deduct) income tax, which is transferred to the ATO.

There is a large range of deductions that can reduce an employee's net pay. These deductions can be statutory or voluntary deductions that are passed on to the relevant entities on behalf of the employee.



Statutory deductions

Here are some examples of statutory deductions. Some of these have already been discussed.

Medicare levy

Australian taxpayers are liable for a contribution to the national health system, Medicare, at the rate of (currently) 2.0 per cent of their gross pay, unless they have an exemption or are below the threshold for full payment of the levy. The Medicare levy is deducted through the PAYG withholding in accordance with the ATO tax tables.

HELP

Taxpayers who are earning a sufficient salary or wage to repay their tertiary education fees should advise their employer that they have such a debt so that the appropriate deductions occur. The greater the level of income, the greater the tax withheld to repay the debt. Repayment rates can be found on the ATO website and are part of the PAYG deduction.

Student Financial Supplement Scheme (SFSS)

Any taxpayer with an SFSS debt is required to repay the loan. The payments are based on the taxpayer's income and calculated as an appropriate percentage of gross income when the taxpayer is over the threshold. Monies are withheld from salary and wages by the employer and are part of the PAYG deduction.

Child support payments

An employee who fails to make child support payments may find that the Child Support Agency can deduct such monies from their salary and wages. If this occurs, the employer will receive legal advice and information on what needs to occur. This is referred to as garnishing wages, which can also include court orders for outstanding debts.

Pay as you go (PAYG)

PAYG started on 1 July 2000 and encompassed a range of other taxes and levies, such as provisional tax, into a single group and a single report called the business activity statement (this is discussed further in section 2C).

When an employee starts a new job, they sign a tax declaration form for the employer to provide their tax file number (TFN) or Australian business number (ABN). The employer withholds tax based on the employee's circumstances and in accordance with the ATO PAYG tax tables; there are various tax tables including weekly, fortnightly, monthly and quarterly pay tables as well as a tax table for daily and casual workers.



When an employee is not an Australian resident for tax purposes, different rates apply as they are not entitled to the tax-free threshold. Also, if an employee has not provided their TFN or ABN, the withholdings are calculated at the top marginal tax rate plus the Medicare levy.

Voluntary deductions

Here are some of the types of voluntary deductions that can take place within a payroll system.

Additional tax withheld

An employee can request their employer to withhold additional tax. Generally, this is a fixed amount. It is often done to ensure they receive a tax return at the end of the financial year and is used as a means of saving. Such requests must be in writing or on an approved form supplied by the organisation.

Union fees

Employees who are members of a union may request that their union fees be deducted from their salary and wages and forwarded to the relevant union. Some unions arrange for a direct debit to be set up on a regular basis rather than the employee asking the employer to deduct the money. A request for union fees to be deducted must be in writing.

Insurance

Employees may request that money is deducted from their salary and wages to cover private health insurance. Such deductions are forwarded to the relevant insurance entity by the employer on behalf of the employee.

Workplace giving

Some organisations have workplace giving programs, where employees can contribute to the programs from their salary and wages through the payroll system. Money deducted is sent to the relevant charities by the employer. The employee must give permission for this to occur; they receive notification of such donations at the end of the financial year as these are a valid tax deduction when preparing their tax return.

Personal superannuation contributions

Employees have the right to make additional contributions to their nominated superannuation funds from their gross pay. These requests must be in writing to verify the deduction and provide authority for the deduction to be made.

Other deductions

Subject to an organisation's policies and procedures, salary sacrifices and salary packaging may incur deductions where fringe benefits are identified. The employee may have negotiated a contribution from their salary and wages to cover some or all the FBT attached to the fringe benefit they gain from packaging their salary or wages.

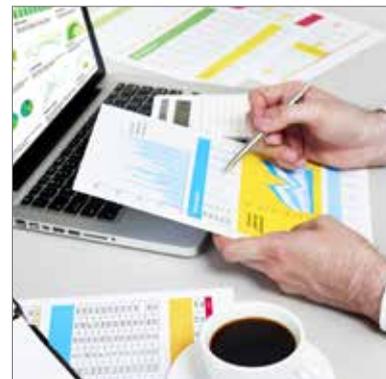
Deductions taken from employees' gross pays are not kept by the organisation but are sent by the employer to the appropriate payee.

Payroll levies for the organisation

Organisations must keep track of the total payroll details since they will be liable for certain levies. These include the superannuation levy and payroll tax.

The superannuation levy obliges employers to pay superannuation on behalf of their employees. The legislation and regulations regarding superannuation payments change from time to time, so make sure you stay up to date by regularly checking the ATO website for any changes that will affect your organisation's payroll.

Payroll tax is a state tax that is determined by the collective wages and salaries paid to employees by an organisation. You need to find out whether your organisation is required to pay payroll tax and the current payroll tax rate.



Example: check payroll deductions

Siegfried works in the finance area of a small firm of 35 employees and part of his role is to manage the payroll.

The pay period is fortnightly and closes on a Monday for the previous 14 days; the pays are processed and distributed overnight on the following Thursday with pays in the employees' bank accounts on Friday morning.

As a check on Wednesday afternoon after all data had been entered, Siegfried selects four employees at random, consults their files and calculates the deductions by hand based on their individual circumstances (for example, their TFN declaration and voluntary or other deductions) and the submitted documentation for the preceding fortnight (for example, time sheets, including overtime). If his calculation is different from the reported amount according to the system, he investigates the situation and rectifies it if necessary.



Practice task 6

1. Calculate the amount of PAYG withholding tax to withhold in these examples. Use the current ATO weekly tax tables and calculate by hand or using any other method that you are aware of to determine the correct amount. Indicate the method you have used.

Weekly rate paid	Calculated PAYG withholding	Method used
\$1,050.24 – TFN provided and tax-free threshold elected		
\$2,600.50 – No TFN provided and employee is an Australian resident		
\$900.80 – TFN provided, elected not to receive tax-free threshold and employee is an Australian resident		
\$2,800.90 – TFN provided, elected tax-free threshold and leave loading is provided		

continued ...

... continued

2. What would be the effect on the PAYG withholding if the employees in these cases had all indicated that they had a HELP debt?

Weekly rate paid	Calculated PAYG withholding
\$1,050.24 – TFN provided and tax-free threshold elected	
\$2,600.50 – No TFN provided and employee is an Australian resident	
\$900.80 – TFN provided, elected not to receive tax-free threshold and employee is an Australian resident	
\$2,800.90 – TFN provided, elected tax-free threshold and leave loading is provided	

3. What would be the effect on the PAYG withholding if the employees in these cases were not Australian residents?

Weekly rate paid	Calculated PAYG withholding
\$1,050.24 – TFN provided	
\$2,600.50 – No TFN provided	
\$900.80 – TFN provided	
\$2,800.90 – TFN provided	

2C

Provide payroll data to the payroll processor for calculation within designated time lines

To most employees, it is critical that they are paid on time. Many people have commitments such as mortgages that are drawn automatically from their accounts soon after their salary or wages are paid. Therefore it is crucial the employers meet the designated time line for payments of salary and wages.

The payroll process should have the capacity to deal with pay date variations for public holidays such as Christmas Day and Easter. There may also be other deadlines for the organisation and many of these will be set by external authorities.



Depending on the size of the organisation, you may be responsible for, or delegate, the job of processing the payroll. This entails preparing and inputting the key payroll information into the computer system. The payroll processor may have a responsibility to review the salary and wages to ensure the payroll is accurate and record any matters for attention.

Accuracy, attention to detail, keyboarding skills and good communication skills are required. The role often includes entering data from time sheets and other documents required for determining a person's salary and wages, and may include entering data and information for people on contracts.

Prepare a payroll register

The preparation of a payroll requires the input of a range of payroll data relating to each employee, including personal details such as pay rate, allowances, deductions, the number of hours worked and the PAYG withholding amount.

Once this payroll data is obtained, the payroll register is prepared, which requires a range of calculations involving gross pay, taxation and other deductions to determine net pay.

In addition to these payroll reports, the payroll register is used to prepare the journal entries that record the payroll in the organisation's general ledger. At regular intervals, the balances of all general ledger accounts are recorded in a trial balance report that must ensure that 'debit' account balances equal 'credit' account balances.

If the accounts are 'in balance', the financial reports will be accurate. If the accounts are not in balance, recording errors have been made and the financial reports will not be accurate.

Payroll reports are derived from:

- employee pay advice slips
- cash analysis sheets (showing how the wages are made up for when employees are paid in cash)
- cheques (for when employees are paid by cheque)
- bank transfers (for when employees are paid by direct credit transfer).

Key organisational time lines

Organisations are obligated to pay their employees on time and, depending upon the award or enterprise bargaining agreement in place, penalties may apply for late payment to employees. Therefore, the preparation and completion of the payroll is a high priority. Due to these strict time lines, you must make sure that you keep within the time frame allowed to prepare the payroll.

The deadline for running the payroll on whatever system is in place in an organisation will be dependent on the deadline for the production of the cheques or electronic transfer files of salary and wages for each of the employees. It is standard that a pay period will finish a number of days before the payment of salary and wages occurs and the funds are with the employees.



Other payroll deadlines

As well as the time lines for preparing and processing pays, there are other deadlines you must know about. Here are specific payments that are underpinned by organisational payroll deadlines.

ATO

The ATO issues time lines for the submission of tax file numbers, PAYG withholding, termination payments, superannuation contributions and business activity statements.

TFN declaration

When engaging a new employee, the employer must meet certain time lines. A new employee must be provided with a TFN declaration form that is completed and returned to the employer, who completes Section B of the form. The TFN declaration needs to be lodged with the ATO within 14 days after the form is signed by the new payee (new employee). The form must be kept by the organisation as part of the employee's records. If an organisation does not know an employee's TFN, it must withhold tax at the highest marginal rate.

PAYG withholding

Any tax withheld by an employer must be submitted to the ATO every three months in line with the dates set by the ATO. The amounts to be transferred to the ATO are reported on the business activity statement (BAS).

Employment termination payments

When an employee leaves an organisation, additional work may be required relating to payroll if entitlements are to be paid out, such as accrued annual leave, long service leave (if applicable) and severance pay (if applicable). When the employee's departure from an organisation is on mutually agreeable terms, the final salary or wages will generally be paid in accordance with the usual pay period. There are occasions where termination pay will be processed separately and outside the standard pay period processes. This is subject to organisational policies and procedures, the duration of the pay period and the nature of each individual case.



In order to qualify as an employment termination payment, payment needs to be received by the employee within 12 months of the termination, otherwise the employee may not receive the benefits from the reduced rate of taxation when completing their tax return.

Employer superannuation contributions

Under the *Superannuation Guarantee (Administration) Act 1992* (Cth), organisations must forward the withheld superannuation funds to the designated or nominated superannuation fund in accordance with the ATO time line, which is quarterly and coincides with the lodgement of the BAS.

Business activity statement (BAS)

The BAS is used by businesses to report and pay a number of tax obligations, including GST, PAYG instalments, and PAYG withholding and fringe benefits tax.

Organisations that are required to report quarterly may choose to report on a monthly basis, but must notify the ATO of their intentions. All activity statements are due to be lodged and payments made by the 28th day following the end of the reporting period.

A BAS must be lodged at regular intervals with the ATO. The exact dates for lodgement are determined by the size of the organisation and are set by the ATO, as outlined in this table.

Reporting interval	Eligibility
Quarterly	<ul style="list-style-type: none">• Annual turnover is less than \$20 million• Annual PAYG withholding is less than \$25,000• PAYG instalments are payable• FBT is payable
Monthly	<ul style="list-style-type: none">• Annual turnover exceeds \$20 million• Organisation's income tax year ends on a date other than 30 June• Annual PAYG withholding exceeds \$25,000 but is less than \$1 million
Weekly	<ul style="list-style-type: none">• Annual PAYG withholding exceeds \$1 million

Fringe benefits tax

Fringe benefits tax is an organisation's tax liability where a payment to an employee is made in a different form to salary and wages and where a tax liability results. The total of all the FBT liability is reported on the BAS and forwarded to the ATO in accordance with the time lines set by the ATO for reporting and payment.

It is good practice to incorporate additional time into the payroll process so you can deal with any problems that may arise when preparing payroll data.



Example: payroll information

Wages are paid fortnightly. The pay period is the two-week period from Wednesday to Tuesday inclusive. Wages will be paid overnight on the Thursday following the end of the pay period into the employee's bank account as nominated (in writing) by the employee.

Payslips giving details of earnings and deductions will be issued with each pay and sent via internal mail to the office where the employee is primarily based.

Time lines and responsibilities are outlined in this table.

Documentation	Payroll activity time line	Authorising person
Time sheets	Time sheets to be received by the pay officer by 9.00 am Wednesday morning following the Tuesday that denotes the end of the pay period. Information is entered into the system on a daily basis as time sheets arrive during the fortnight.	Employee's supervisor for sign-off on time sheets Pay officer
Employee details	Any changes to employee pay rates, deductions and allowances or leave claims to payroll officer by 5.00 pm each Monday.	Human resources department
Payroll register	Payroll register prepared by 4.00 pm each Wednesday. Time sheets verified and errors reported.	Payroll officer
Payroll register authorised	Payroll register to be sighted and authorised by accountant by 5.00 pm each Wednesday.	Payroll officer
Transfer of funds	Check files on Thursday afternoon for transfer of funds and send to banks before close of business.	Payroll officer with okay from director
Payslips	Employee payslips prepared by the Wednesday before pay day and issued to each employee via internal mail.	Payroll officers
Storage	All time sheets, payroll registers and employee earnings records to be stored for at least seven years.	Payroll officer

Practice task 7

In a spreadsheet or another form of presentation that suits, provide a list of designated time lines that you and your organisation must abide by. Consult with senior people as necessary. Present the list as if it was to be given to other people working in payroll as a guide to critical dates.



Summary

1. All details relating to relevant industrial awards, contracts and government legislation should be identified and the details entered into the payroll system.
2. All information that is required to calculate gross pay should be gathered and duly recorded. Gross pay is dependent on the terms in certified and workplace agreements, enterprise agreements, federal and state/territory awards, contracts and government legislation.
3. Net pay is calculated by reducing gross pay by all statutory and voluntary deductions. After gross pay is determined and all deductions calculated, net pay can be determined.
4. All statutory deductions should be identified and applied to the gross pay. These include PAYG, Medicare levy, SFSS, HELP and child support payments.
5. Voluntary deductions should have been duly requested and approved by the employee in writing (on the specified form if appropriate) and processed against the gross pay. These include additional tax withheld, voluntary superannuation contributions, insurance, union fees and workplace giving.
6. The payroll must be processed on time in accordance with organisational requirements.
7. The payroll should encompass any designated time lines set by the ATO and the provision of information to external bodies.

Learning checkpoint 2

Prepare payroll data

This learning checkpoint allows you to review your skills and knowledge in preparing payroll data.

Part A

1. In your own words, describe the following and how they affect the payroll:

a) A federal award

b) An industrial award

c) A state or territory award

d) An enterprise agreement

e) An employment contract

2. Using bullet points, list the key information that is required to calculate an employee's gross pay and where you would obtain this information.

3. How does the difference between a wage and a salary affect the payroll?

4. What is a salary sacrifice arrangement? What are the benefits to the employee and potential effects on the employer?

5. Actions relating to an employee's wages and/or salary arrangements can affect an organisation. Describe each of the following terms, and how and when they can affect an organisation in a financial sense:

- a) Fringe benefits tax

b) Payroll tax

c) Employer superannuation contributions

6. Complete the following tasks.

a) Identify four statutory deductions that can apply to a wage and salary earner and provide a brief description of each, including how the amount of each deduction would be calculated or determined.

b) What documentation or authorisation is required or could be provided to enable an employer to withhold statutory deductions?

7. Complete the following tasks.
- a) Identify four voluntary deductions that can apply to a wage and salary earner and provide a brief description of each, including how the amount of each deduction would be calculated or determined.

- b) What documentation or authorisation is required or could be provided to enable an employer to withhold voluntary deductions?

8. Answer the following questions about time lines.
- a) What are the key time lines in relation to a new employee commencing work at an organisation?

- b) What time lines are relevant to a person leaving the employ of an organisation?

Part B

Read the case study, then complete the tasks that follow.

Case study

Cameron works as the payroll clerk for Wally's Landscape Gardening Services. The company has 40 employees on the payroll, including full-time salaried workers (10 people), permanent part-time workers (15 people) and casual employees (15 people).

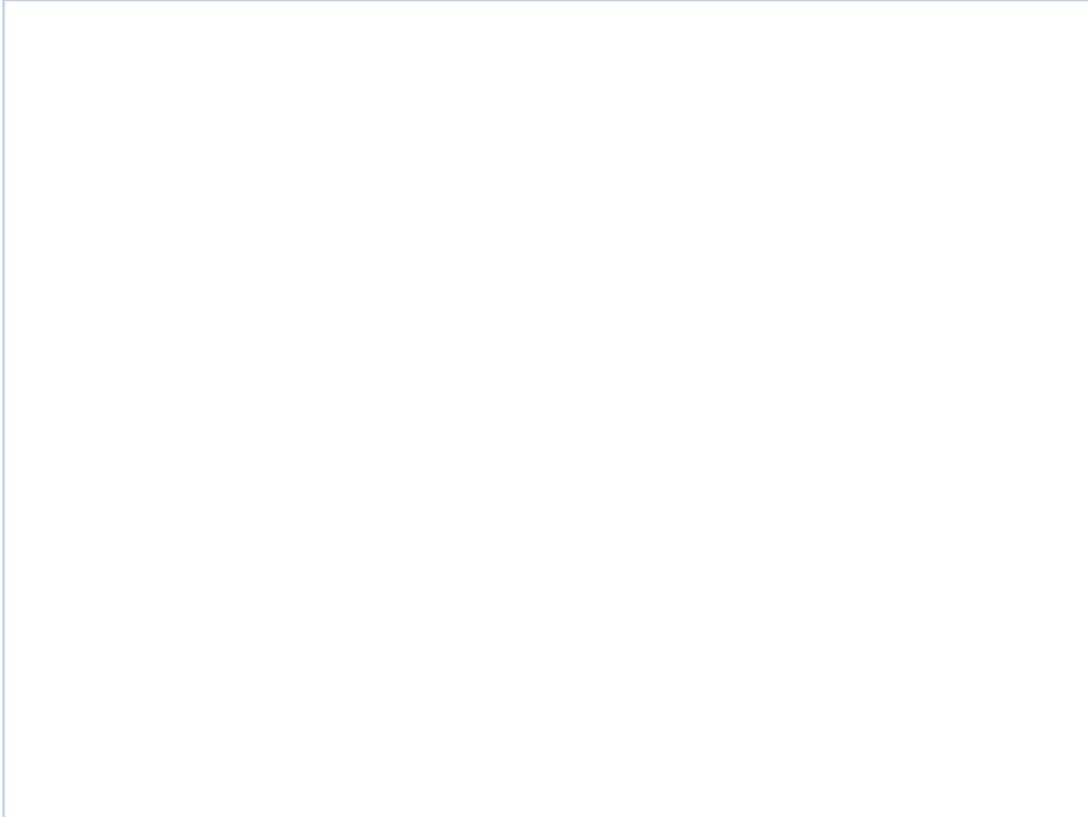
He receives the weekly time sheets for each of the employees, calculates the number of hours worked and inputs these plus any listed allowances on the time sheet into the computer using MYOB, which is the software package that has been set up for him to use. The pays are automatically produced; cheques are printed and handed to the employees.

His boss Wally asks how he knows that the pay cheques are correct. Cameron replies, 'Because they come out of the computer program.'

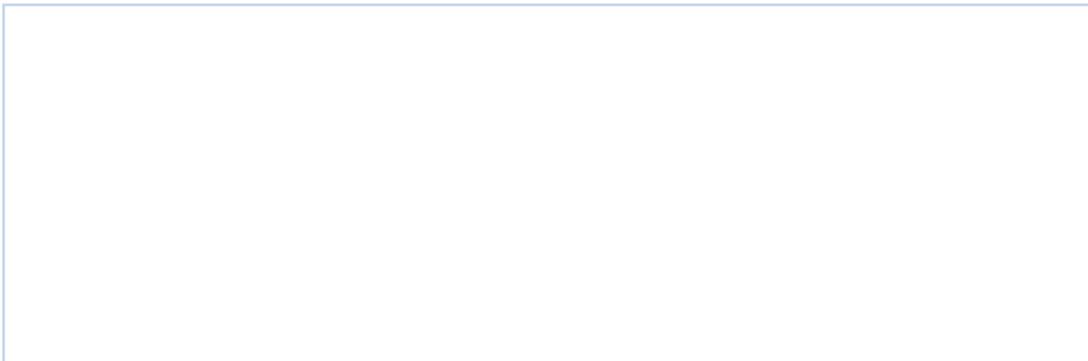
Wally realises that he needs to overhaul the payroll system. Wally's staff currently get paid on the following basis:

- \$18.00 an hour for 37.5 hours a week
- \$27.00 an hour for standard overtime in excess of 37.5 hours (time-and-a-half)

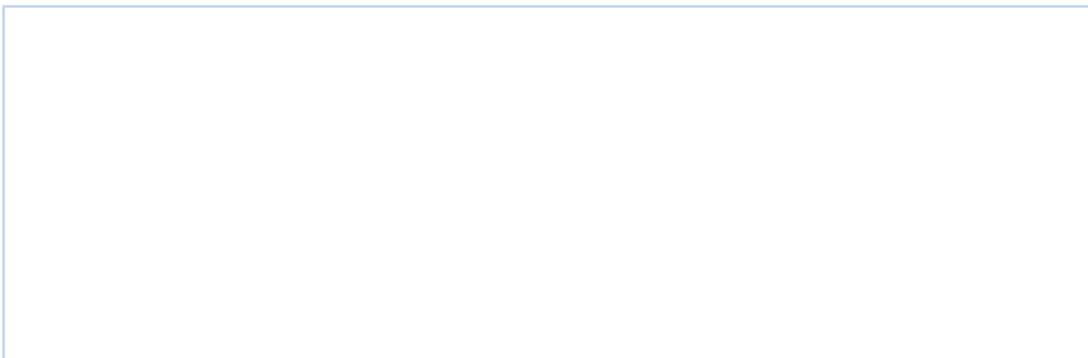
1. Using the pay rates listed, develop a simple spreadsheet or template that you can demonstrate to Wally as a means of checking that gross pay is correct based on normal time (1x) and time-and-a-half (1½x), using hours worked as:
 - 35 standard hours in a week
 - 50 hours in a week.



2. Provide a step-by-step guide for Wally on how to access the relevant tax table to determine the correct PAYG withholding or how he can use the ATO tax calculator.



3. Given that Wally pays his 40 staff weekly and that this occurs on Thursday night, provide the necessary time lines with a schedule of actions that need to be completed for Wally to achieve the payment of his employees on the Thursday evening.



Topic 3

Authorise the payment of salaries

The production of a payroll is one step towards employees being paid. Before action is taken to finalise the payroll and distribute funds to the employees, superannuation accounts, the ATO or other entities, appropriate checks should be undertaken and relevant authorisations received. Longer-term checks such as reconciling the payroll in terms of salaries, wages and deductions also need to be undertaken so that any potential errors or discrepancies are identified, reported and resolved.

Employees will occasionally seek clarification as to the reason for a variation in pay or have inquiries relating to salary and wage issues, including allowances received or deductions. Appropriate procedures need to be in place to handle such inquiries.

In this topic you will learn how to:

- 3A Check payroll, and authorise salaries and wages for payment
- 3B Reconcile salaries, wages and deductions in accordance with organisational policy and procedures
- 3C Deal with salary, wage and related inquiries

3A Check payroll, and authorise salaries and wages for payment

Organisations must reconcile salaries, wages and deductions in order to safeguard their financial resources as well as to ensure they meet the obligations of any statutory requirements related to accurate reporting and transfer of the correct amounts.

Organisations determine their own time lines for undertaking checking and reconciliation procedures. Such time lines will be influenced by the size and nature of the business. They will also be influenced by the preferences and needs of the senior management and the general capabilities of the organisation, the staff and the systems in place.

Reconciliation and checking processes

A payroll register must reconcile in order to be sure no errors have occurred. Payroll reconciliation requires the total of all net pays to equal the total gross pay less total deductions. To reconcile the pay register, the total of the entries in the 'Totals' column must equal the total of the entries in the 'Net pay' column. If the two calculations do not agree, they have not been reconciled and errors exist in the register. If they agree, the register is reconciled and there are no errors in the register. However, just because the register reconciles doesn't mean there aren't calculation errors in determining the data to be entered into the payroll register; for example, tax calculations performed incorrectly, overtime mistakenly calculated.

Ways to reconcile

Having an unreconciled payroll register may result in employees being incorrectly paid and the trial balance of the general ledger being out of balance.

Wherever possible, the payroll process should include reconciliations that prove the accuracy of the payroll register and protect the pays prepared and distributed to employees.

If the payroll register does not reconcile, check the calculations thoroughly again. If you are unable to reconcile an unbalanced register, you should notify your supervisor or manager immediately so the error/s can be identified and corrected.

Here are some methods that can be used to ensure the payroll register reconciles.

Employee numbers

The number of employees to be paid for the period should be checked against the number of employee history cards and the number of time sheets submitted for the pay period. When a discrepancy is found, the discrepancy should be reported to a supervisor and an investigation conducted to determine the reason for the difference. This practice can be effective in ensuring that 'ghost employees' are not placed on the payroll by unscrupulous employees; for example, a timekeeper preparing a time sheet for a fictitious employee and collecting the pay.

Normal and overtime

A comparison can be made of the normal and overtime hours recorded on the employee time sheets, with the hours recorded in the payroll register. This checking process can also be extended to personal leave and other leave payments. If there is a difference between the hours worked and the hours being paid, a supervisor should be informed, an investigation carried out immediately and the error rectified. This reconciliation process will prevent a payroll employee preparing a pay for a ghost employee.

Number of cheques

The number of cheques or pays prepared for employees must tally with the number of employees on the payroll register. This will ensure that the person preparing the pays or cheques does not make additional payments to ghost employees.

Example: monthly and quarterly reconciliation of payroll

Super Stainless Steel has over 180 employees and contractors across six locations on the eastern seaboard. The organisation's policy is that its financial position must be checked regularly, with detailed quarterly reports provided to the CEO and the Board by the Chief Financial Officer (CFO).

Zaheer is a senior payroll officer who reports to the CFO. Salary and wages with related deductions and payments to other entities, such as superannuation funds, are a major expense for the organisation and Zaheer must reconcile the payroll and provide a report to the CFO for inclusion in the CFO's report to the Board. To ensure he can be confident in the reports he runs at the end of the quarter, Zaheer runs a 'mini-reconciliation' after each fortnightly pay period to ensure that all salary and wage accounts and payments to other entities are correct.

Zaheer runs a full reconciliation at the end of each quarter and provides a report to the CFO with any issues identified that need to be corrected. By running the fortnightly reconciliation, he is able to identify problems and address them prior to the quarterly report. Because he is able to cross-reference this against his fortnightly reports, he saves significant time if he finds a variation.

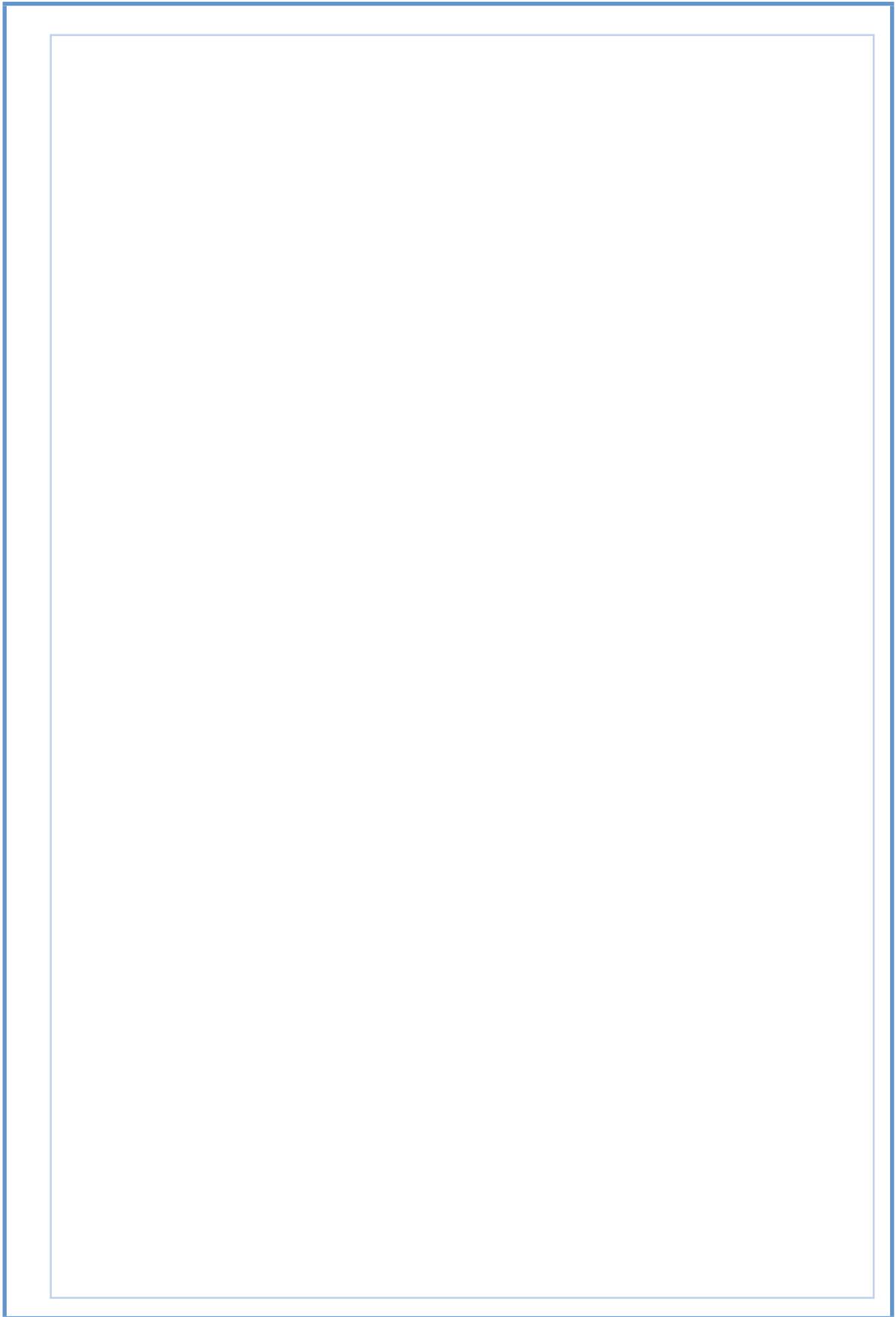


Practice task 8

1. Write a set of instructions outlining the reconciliation activities undertaken when checking your organisation's payroll, or that of an organisation you are familiar with. The instructions should be written so that they could be used by a new employee who has to undertake the reconciliation.

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2. Where discrepancies are found, detail the steps that the employee would take to identify the problem and rectify the situation, including reporting the matter to their supervisor or yourself.

3. Discuss your set of instructions with a colleague or employee, and document the feedback you receive.

3B

Reconcile salaries, wages and deductions in accordance with organisational policy and procedures

It is important that the payroll is checked for errors before authorisation is sought to finalise the payroll and issue payments to employees and any other authorised parties. Computerised payroll systems can be configured to identify possible discrepancies.

Source documentation, such as time sheets and claims for allowances with substantiation, should have been authorised by the relevant supervisor or designated person as part of the process of preparing payroll data. Control measures should be in place to safeguard an organisation's financial resources and this incorporates those measures outlined in Topic 1C.



Effectively, all documentation that provides data or information into the calculation of a person's gross pay should have been approved for data entry into the system. Similarly, any documentation that relates to deductions from the gross pay should have been approved by a relevant authority in the organisation; for example, the TFN declaration or the authorisation of an employee's request to deduct additional tax, union fees or contributions to workplace giving.

Make relevant data adjustments

Information regarding pay rates and entitlements is initially input into the payroll system on commencement of employment. Adjustments to pay rates and terms and conditions of employment that occur across the board or are time-driven are also generally supported by the payroll system. Such events can include:

- a change in pay rates or terms and conditions due to new enterprise bargaining agreements or a change in award rates of pay
- a change in taxation rates or the Medicare levy rate
- the anniversary of employment and progression to the next increment on the pay scale
- the achievement of a qualification or certificate that changes the applicable pay scale.

Adjustments that affect payroll

Adjustments to information that affects the payroll will occur when an individual's circumstances change or the individual takes action that results in a change to their payroll calculation.

When there have been changes, it is good practice to have the data checked against source documentation by an independent person; that is, not the same person who entered the information. Some organisations will have data entered twice by two separate people in an attempt to identify inconsistencies and avoid errors.

Here is a list of circumstance that could affect an organisation's payroll.

Circumstances that could affect the payroll
Submission of a new TFN declaration form with changes, such as claiming the tax-free threshold or an indication of a HELP debt
Joining, or withdrawing from, a union or professional association and adjusting the deductions taken from salary and wages
Voluntarily asking for an additional amount of tax to be withheld from each pay packet
Joining or withdrawing from workplace giving
Imposition of a court order for wages or salary to be garnished for child support or other reasons

Check the data

Electronic payroll systems, and computer systems in general, can be interrogated through either built-in reports or the creation of specific reports. In relation to payroll, such reports can be generated as a means of identifying employees who have a significant variation in terms of the salary and wages that are being paid over consecutive pay periods. Where the variation is in excess of a set percentage, the salary and wage calculation can be checked through examination of the source documentation to verify that it is correct, or to correct an error.

Other reports that compare the average salary and wages for a person over a year against the current salary or wage scheduled to be paid can also highlight possible irregularities that need to be checked. Any anomalies that need corrective action should be addressed prior to finalising the payroll.

Authorise payment

Before a payroll register is released by the payroll officer or payroll department, an authorised person in the organisation should ensure that it has been prepared in accordance with the organisation's procedures and that reconciliations have been made.

Once any adjustments have been made to correct the payroll, appropriate authorisation is required. The actual nature of this authorisation will vary depending on the organisation's size, structure and specific policies and procedures.



Arrange payment

The relevant transfer of funds to employees and/or production of cheques for distribution should occur inside the organisation's time line for delivery of payments. Individual payments may be made by cash, cheque or electronic transfer directly to employees' bank accounts, according to individual needs or organisational policy; for example, the permanent employees in your organisation may be paid by electronic transfer, a contractor may be paid by cheque and someone who does piecework may be paid in cash.

Here is an outline of the process for these payment methods.

Cash payments

Process

- Prepare a cash analysis sheet to calculate the breakdown of notes and coins required for distribution to employees.
- Draw a cash cheque for the amount of the total net wages and present it to the bank along with a copy of the cash analysis sheet. The notes and coins taken from the bank are then placed into each employee's pay packet.
- Employees should be required to check the contents of their pay packets and sign an acknowledgment to verify that they have received the correct amount of cash. This procedure allows for an audit trail to check the correctness of the payments made.

Cheque payments

Process

- Prepare a cheque for each employee to the value of the net pay calculated.
- All cheques should be signed by two authorised signatories, usually an accountant or manager.

Electronic payments

Process

- Pay is paid directly into the employees' bank accounts by electronic funds transfer. Each employee must provide their bank account details to their employer, including bank, BSB (bank/state/branch) number, account number and the name on the account.
- Prepare a payment listing detailing the employees' accounts and the amount of each employee's net pay. The payment listing is usually prepared on a duplicate form and should be signed by the authorised signatories.
- The bank transfers the total net payroll from the employer's bank account and distributes it into the employees' bank accounts as per the payment listing.
- Pay advice slips are prepared and distributed to employees, confirming the deposits into their bank accounts.

Post-run errors

There may be occasions where errors arise after a payroll has been run and money distributed, such as when a payment is rejected by a bank because the account is incorrect or closed. Such rejections generally appear as a deposit in the bank register for the organisation. On advice or discovery of a rejected payment, the matter needs to be investigated by checking the employee's file to see if a new account number has been advised or by contacting the employee to correct the situation.

Pay slips

The salaries, wages and deductions for an employee for a pay period are shown on their pay advice slip. Elements on each pay slip will form part of a payroll activity (summary) for each employee.

Pay slips must be produced and provided to employees each time they are paid. Pay slips are a formal record of the salary and wages provided to an employee for a specific pay period.

As a minimum, pay slips must contain the:

- name and ABN of the employer
- name of employee
- classification of the employee under their award or enterprise agreement (including full-time, part-time and casual status)
- date when the payment was made and period of employment to which the payment relates
- amount of money paid before tax (gross pay)
- amount paid as overtime or information to allow the employee to calculate the amount of overtime
- amount deducted for tax (PAYG withholding)
- any amount deducted by the employee for superannuation
- employer superannuation contribution and the name of the fund to which it is sent
- details of all other deductions (for example, a union or professional association fee)
- amount paid after tax (net pay).

Other things included in a payslip

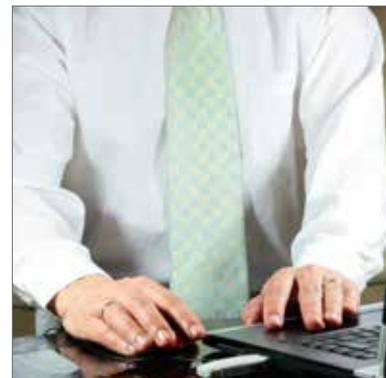
Pay slips can be distributed electronically as attachments to an email or via access to the employee's personal file; as a hard copy in the post, internal mail or collection; or accompanying the pay cheque or pay packet.

Pay advice slips should not be distributed to employees until they have been reconciled against the payroll register. Again, a person in authority should be responsible for this process.

Payslips will differ according to the computer package that generates them or the organisation that prepares them.

Many pay slips include the:

- gross pay year to date (YTD)
- tax withheld YTD
- net pay YTD.



Example: pay advice slip

East Point Supplies					
Pay advice slip					
Company ABN:					
Employee no:	Date of payment:		Pay period ending:		
Employee's name:					
Employment status: (full time, part time, casual)					
Wages, allowances and overtime		Hours	Rate	Amount	
Wages	Standard hours				
Wages	Overtime rate 1				
Wages	Overtime rate 2				
Allowance 1					
Allowance 2					
Public holidays					
Payment summary		This pay		Year to date	
Wages					
Allowances					
Gross pay					
PAYG tax					
Deductions					
Net pay					
Deductions		Amount			
PAYG tax					
Superannuation					
Total deductions					
Health fund					
Other deductions					
Superannuation guarantee levy					

Practice task 9

Obtain a copy of an organisation's policy and procedures relating to checking payroll and authorising the payment of salaries and wages. Provide an overview of the policy and a summary of the procedures. Comment on any strengths and weaknesses you believe are present in the current procedures. Provide sample documents of the checks that are carried out as attachments to your summary, including any reports or documented evidence that the checks have been done.

3C

Deal with salary, wage and related inquiries

Some organisations allow their employees access to their pay information on the organisation's intranet through a personal identification number or password. This allows them to view their leave entitlements and employment history, and update their contact information. However, in many organisations employees simply receive their pay slip each pay day. Employees may sometimes question their pay slips and the amounts paid to them.

Inquiries from employees are likely to cover a variety of situations and a level of complexity ranging from informal questions to serious complaints. Here are examples of some of the inquiries that may relate to salary and wages.

Salary and wage inquiries

- Hours worked and thus the calculation of gross pay
- Allowances paid
- Amount of tax via PAYG withholding
- Amount of other deductions
- Net pay (which is derived from the above)
- Holiday pay
- HELP contributions
- Medicare levy
- Organisational policies about pay rises or allowances.

Legislative requirements

To be able to competently handle payroll inquiries, you must be familiar with legislative requirements such as maintaining privacy, keeping records for tax purposes, allowable deductions, current tax rates and the governing legislation relating to the inquiry. Although some queries may be answered easily with prepared responses, others may require you to access the employee's data file, particularly when leave entitlements are in question. In some cases you will need to know how to access information that is not readily available.

Be familiar with the types of queries a payroll department receives. It is good practice to prepare a set of responses for the most commonly asked questions so payroll officers can refer to them when employees make payroll inquiries.



Methods of handling inquiries

The options for handling payroll inquiries will depend on the size and nature of the organisation's operations, including the location of employees; for example, whether employees are at various locations, work shifts, based overseas or in isolated locations, or whether employees are all full time and based in a single location. Consequently, individual organisations' policies and procedures can vary substantially.

Methods for handling inquiries can be face to face, via email or telephone, or in writing. Some organisations have a form that should be used to record the inquiry. Most will have a clear policy in relation to the lodgement of inquiries and a stated time line for a response.

There may be procedures that need to be followed when an inquiry or complaint is received, such as writing the complaint into a record book and including details about follow-up action.

The most important part of dealing with payroll inquiries is ensuring that you deliver an appropriate response that is in accordance with your organisation's policies and procedures and is as prompt as possible.

In general, it is good practice to:

- resolve simple inquiries immediately
- make a record of the inquiry; date and file each inquiry and response
- deal with inquiries in a professional and courteous manner
- refer the employee to the appropriate person if applicable.

Communicate appropriately

Explaining information clearly to an employee is an important skill. Financial matters often involve industry jargon that may need to be explained in simplified terms; for example, PAYG withholding, tax offsets or salary sacrificing. It is useful to prepare a list of commonly used terms and their meanings for your staff to refer to when necessary.

Here are some other tips you can use or pass on to other team members who will need to handle payroll inquiries. In all situations you require good listening and questioning skills to accurately identify an employee's query.

Summarise

Summarise what the employee has told you and repeat it back to them. This is a good way of ensuring that you have a clear understanding of the situation.

Be aware

Be aware of people's cultural differences or differences of ability. Becoming more aware of these differences can help you communicate with others more effectively.

Remain professional

There may be times when a person is upset or angry about their pay. In these circumstances it is of the utmost importance that you maintain a professional and polite manner. Being able to calm the person down, reassure them and explain to them what will be done prevents the situation from escalating.

Keep the employee informed

Keeping the employee informed of the steps you are taking to resolve the issue gains the employee's trust and helps to reduce their distress. Sometimes you may have to collect further information and get back to the employee at a later date. Let them know what you are doing and when you are likely to contact them again.

Personally

Never take a complaint personally – an employee's anger is often a way of coping with distress or the fear that nobody will respond to or resolve the issue.

Resources to handle inquiries

You will need access to documentation or records to address any query relating to an employee's pay. The following table is used to highlight the documentation or records required from within the organisation.

Area of inquiry	Documentation/records required
Hours worked and calculation of gross pay	<ul style="list-style-type: none">• Employment contract and applicable pay scale• Time sheets, including overtime and shift details and relevant pay rates
Allowances paid	<ul style="list-style-type: none">• Allowances to which they are entitled• Allowance rates• Completed claim forms for allowances, if applicable, and source documents, if applicable
Tax withheld	<ul style="list-style-type: none">• Current TFN declaration• Access to relevant tax table
Other deductions	<ul style="list-style-type: none">• Documentation relating to employee-approved deductions (for example, union fees or workplace giving)• Documentation on enforced deductions (for example, child support payments)• Relevant rates for deductions or tables of deductions
Net pay	<ul style="list-style-type: none">• Basis of the calculations of all the above and potentially all relevant documentation or records relating to the above

Internal support information

Many organisations will place information on internal websites to assist employees in understanding the methods of calculating the various components that make up their net pay. For those employees without access to the intranet, hard documentation can be provided in the form of brochures. Many organisations provide new employees with such information as part of their orientation or induction materials.



Support from the ATO

The ATO publishes a significant range of materials that can assist organisations in their corporate responsibilities in relation to determining the net pay of employees, as well as materials that can assist individuals in understanding the process and all the elements that need to be taken into account. The ATO website also has details of where additional or updated information can be found.

You may need to refer to the ATO website for a suitable response to the following questions.

Tax questions

Why is tax taken from my pay?

How much tax should be taken from my pay?

Online tax calculator

The ATO provides an online tax calculator that can calculate the amount of tax that should be withheld based on information regarding the employee provided by the employee themselves or by a relevant person in the organisation. These calculators cover most of the basic situations.

The online version of the tax withheld calculators for the current financial year, information on how to use them and an explanation of terms can be found on the ATO website, at www.ato.gov.au. These calculators can be used online without the need to provide any personal identification details.

There are two main calculators:

- Tax withheld for individuals calculator
- Voluntary agreement calculator

Example: common inquiries

Here are several common inquiries that are made to the payroll department on a regular basis.

Inquiry	Knowledge required	Possible responses
How is my pay calculated each week?	<ul style="list-style-type: none"> • Remuneration method; for example, salary, wages or commission • PAYG withholding tax and adjustments for offsets and debt payments • Overtime policy • Allowances • Deductions • Leave policy 	Explain how gross pay, deductions and net pay are calculated. Explain relevant policies. Refer employee to their contract of employment.
Did you deduct my savings contribution?	<ul style="list-style-type: none"> • The policy and procedures for salary sacrificing and voluntary contributions • The layout of the pay advice slip 	Show the pay advice slip and explain where and how the information is shown.
It doesn't look like you paid me the correct rate for my overtime.	<ul style="list-style-type: none"> • Overtime policies • How overtime is recorded • Overtime calculations 	Explain the system for recording overtime and check the employee's time sheet and employee's record. Discuss the pay advice slip.
How much annual leave do I have left?	<ul style="list-style-type: none"> • Policies for annual leave 	Check the employee's leave history and calculate the leave owing.
How did you calculate my commission this week?	<ul style="list-style-type: none"> • Rate of commission • Procedures for calculating commission 	Explain the rate of commission and examine the pay advice slip.
My car allowance is not in my pay.	<ul style="list-style-type: none"> • Policy for granting allowances • Procedures for recording payroll data 	Explain how allowances are recorded and examine the employee's claim. Check the employee's earning card and the pay advice slip.
Peter does the same job as me. Why does he get paid more?	<ul style="list-style-type: none"> • Knowledge of the <i>Privacy Act 1988</i> (Cth) and the consequences for disregarding it. 	You would be able to discuss the pay details of the employee raising the question; however, you could not discuss Peter's pay.

Rectify errors and record outcomes

Errors should be corrected as soon as possible. In most situations, you should be able to handle the inquiry yourself. However, with more-complex queries or complaints, you may need to refer the situation to someone else if it is outside your area of expertise or responsibility or if the employee threatens to complain to a consumer affairs body.

In all cases you must be aware of the confidentiality aspects of dealing with payroll inquiries. Make sure you reassure the employee that their inquiry will be handled sensitively and follow privacy regulations; for example, while you may need to have more information from the employee, you cannot access their tax records.

When referring inquiries, it is important to let the employee know what you are doing to resolve the issue. Always keep them up to date with the progress of the inquiry when you can't get back to them with an immediate reply.

It is essential to record all inquiries made regarding the payroll. An organisation should have a complete record of all official interaction with its employees and keep these records in personnel files. Records may need to be produced in a formal inquiry.



Example: handling salary and wage inquiries

Antonio works as part of the financial services team for an organisation with 750 people on the payroll. There is also a staff turnover of 12.5 per cent per year, resulting in a situation where inquiries related to wages and salaries are being regularly received. Antonio is the first contact point for inquiries; the general inquiry email address on payroll matters comes to his computer. He is also the person called to the counter to handle the same type of inquiries.

Antonio sees those people who come to the counter immediately if possible or sets a time after taking down the details of their inquiry. For those inquiries received by email, he sends a standard response acknowledging receipt of the email; he responds to them within 24 hours. All email responses offer the opportunity for the employee to meet with him to discuss the situation if they are not satisfied with the email response.

The ATO's tax calculators are used to demonstrate the correct deductions for PAYG withholding. Antonio has a simple set of Excel templates he uses to demonstrate other calculations and aspects of calculating gross pay or deductions.



Practice task 10

Read the scenario, then complete the task that follows.

Scenario

In early April 2016, Franco receives a \$60-a-week pay rise and is looking forward to the extra \$40 he expects in his pay based on the fact that he is in the 32.5 per cent marginal tax rate bracket. What Franco does not realise is that the extra \$60 per week pushes him over the threshold for repayment of his HELP debt. Consequently, his take-home pay ends up slightly lower than it was in the previous pay packet. He sends an email to you, as the senior payroll officer, asking for an explanation.

Provide a draft response to Franco explaining why his take-home pay has not increased by the expected \$40 per week and the implications of the fact that the pay rise has occurred three months before the end of the financial year. What suggestions would you make to Franco?

Summary

1. Required checks in accordance with organisational policies and procedures should be carried out to identify any anomalies prior to the running of a payroll in order to minimise errors and safeguard the organisation's financial resources.
2. Any errors or anomalies detected should be rectified as soon as possible and reported to management, if appropriate.
3. Pay slips need to be issued to all employees (salary and wage earners) and must include specific information as determined by the ATO.
4. Salary and wage payments and all deductions should be reconciled on a regular basis.
5. Variations discovered when reconciling salaries, wages and deductions should be investigated and corrected and any systemic problems reported accordingly.
6. An organisation should have an appropriate policy and associated procedures for handling inquiries on salaries, wages and deductions.
7. Appropriate explanatory documentation and/or references to such information should be available to assist with resolving inquiries on salaries, wages and deductions.

Learning checkpoint 3 Authorise the payment of salaries

This learning checkpoint allows you to review your skills and knowledge in authorising the payment of salaries.

Part A

1. Answer the following questions about checks.

a) What checks should be performed prior to the authorisation of running a payroll?

b) What checks does your organisation perform? Comment on any differences.

2. What is source documentation? Why might you need to access source documentation after performing some payroll checks? Provide an example of when you have done so.

3. What is the purpose of reconciliation between various documents and/or records?

4. Outline a procedure you follow when a discrepancy occurs when reconciling salaries, wages or deductions.

Part B

Read the case study, then complete the tasks that follow.

Case study

Jacinta is the payroll manager for a legal firm in a metropolitan area and is aware that many of the people working for the company have significant HELP debts. Jacinta herself has a HELP debt from when she completed her tertiary studies a few years ago.

Jacinta is aware that the minimum repayment threshold for HELP debts will be lowered at the start of the next financial year, which is only two months away. This will affect many staff members' net pay from July, as well as their individual tax positions at the end of the financial year. After speaking with her supervisor, Jacinta decides that it would be prudent to provide a briefing report on the implications to the staff and send a memo to all employees with a HELP debt indicated on the payroll system.

The key reason for doing this is that many employees are likely to either complain that the staff in payroll did something wrong, or want an explanation. Given that the staff are very busy, she knows that the memo to the relevant people must be no more than one page long and must include the implications of the change and possible options for minimising the impact.

Jacinta's approach is proactive because it may save significant time later when employees approach her office. le text

1. Investigate the implications of the HELP repayment changes on the ATO website, at www.ato.gov.au, or any other sources of information you might find. Record your main findings.

2. Who else might Jacinta consult to make sure she understands the situation correctly?

3. Draft a one-page memorandum to employees in the organisation who have a HELP debt, outlining the implications of the changes to the HELP repayment threshold. Include suggestions that they might consider in terms of voluntary deductions to safeguard or improve their chance of a tax refund by using salary packaging to reduce their taxable income or by having additional tax withheld on the basis of their own calculations or on advice from a tax accountant or financial advisors, if appropriate. Make sure you include a paragraph on the appropriate forms they would need to complete and the process they should follow.

4. Provide a numerical example as an appendix to the memo if you believe it would assist in your explanation.

5. Here are a number of typical employee inquiries about the payroll. In each case, make a note of the policy that Jacinta needs to refer to or knowledge she needs, and the action she should take.

Inquiry	Policy/knowledge required	Possible responses
I didn't get paid!		
My leave has been approved but I would like to change the dates I will be away.		

Inquiry	Policy/knowledge required	Possible responses
I need to change my bank account details.		
I am getting a higher duties allowance. Will this be in my next pay?		
I want to increase my superannuation contribution. What do I have to do?		
Does this organisation offer salary packaging? How do I arrange for it?		
Can I deposit my pay into more than one bank account?		
I don't want to tell you about my HELP debt. Why should you know how much I owe to the tax office?		
My child support rate has been increased – do I have to tell you what it is or is it taken out automatically?		
I have lost my PAYG payment summaries. Can I get a copy of them?		
I wasn't paid for the correct number of hours worked.		
Is the amount of tax I am paying correct?		
Can I change the amount of tax I am paying?		

Topic 4

Administer salary records

The key to administering salary records is due diligence in processing documentation and information provided by the employees in an accurate and timely manner. The requirements for processing TFN declaration forms and withholding declaration forms are set by the ATO, as are the requirements for completing and storing new forms. The deductions authorised by completing the TFN declaration form and any other deductions authorised by the employee must be collected and sent to the nominated creditors in accordance with the time lines set.

Payments to government authorities should be reported on the relevant forms and made in accordance with legislation. At the end of the financial year, documentation should be produced with the issuance of PAYG payment summaries to people on the payroll register, with relevant information forwarded to the ATO.

In this topic you will learn:

- 4A Process declaration forms for employees
- 4B Calculate and transcribe group tax amounts, and make payments
- 4C Forward periodic deductions to nominated creditors
- 4D Prepare and dispatch payments to government authorities
- 4E Prepare and reconcile employee PAYG payroll summaries

4A

Process declaration forms for employees

You need to follow the requirements laid down by the ATO for processing declaration forms for all employees.

As previously discussed, the tax file number (TFN) declaration form is critical for both the employee and the employer. The declaration form must be submitted within 14 days of an employee starting work. If it is not supplied, the employee is taxed at the highest rate.

The TFN declaration form

The TFN declaration form has two sections: Section A must be completed by the employee and Section B by the employer.

An employee must provide the following information:

- Tax file number – if they do not have one then they must apply for one on a separate application or claim an exemption
- Full name
- Whether there has been a name change since last advising the ATO
- Date of birth
- Home address in Australia
- Basis of payment – the employee's employment status; for example, full time, part time, casual
- Australian residency status for tax purposes – if the employee is not an Australian resident, the employer is required to withhold tax at a higher rate

Changes in TFN declarations

An employee's circumstances may change. If such changes affect the deductions that need to be made in relation to salary and wages, then another TFN declaration form should be completed.

Such changes can include:

- reaching the age of 18 or earning a wage or salary that no longer enables an exemption
- taking on a second job elsewhere and changing their tax-free threshold to a different employer
- becoming liable for a HELP debt, having commenced study towards a tertiary qualification and utilised HELP
- changes in circumstances such that there is a change in eligibility to claim a tax offset.

Employer or payer declaration

When a completed TFN declaration is submitted by an employee (Section A), the employer is required to complete the payer's section of the declaration (Section B).

If an existing employee's circumstances change and they submit a new form, the most recent one will override any previous declarations. The TFN declaration form is a duplicate form; the original must be sent by the employer to the ATO within 14 days of hiring the employee, while the duplicate is kept by the employer in the employee's file.

Here are examples of what the employer must provide.

What an employer needs to provide

- 1 Australian Business Number (ABN)
- 2 Details of the application for an ABN if they don't already have one
- 3 The registered business name
- 4 The address of the business
- 5 The name and phone number of a contact person for the business
- 6 Advice, if applicable, that the employee no longer receives payments from this employer

More declaration information

There are other types of information that must be recorded on a TFN declaration form. The form must be signed by the employee and return to the employer. The employee must be advised that there are penalties for deliberately making a false or misleading statement.

The full set of instructions and details regarding the TFN declaration can be found on the ATO website. Here are examples of further types of information that must be included in a TFN declaration form.

Tax-free threshold

Whether the employee wants to claim the tax-free threshold for this employer. Australian residents are not required to pay tax on the first \$18,200 they earn per year. This is known as the tax-free threshold. A taxpayer can only claim the tax-free threshold from one employer. If an employee claims the tax-free threshold from more than one employer, the result will be an underpayment of tax.

Secondary employment

The employee will be required to pay additional tax when they lodge their tax return if they have claimed the tax-free threshold from two employers. Employees should claim the tax-free threshold from their primary job (the job in which they earn the most income). If they have more than one job, their secondary employer/s will be required to deduct a higher rate of tax.

Seniors and pensioners tax offset

Whether they want to claim the seniors and pensioners tax offset (a withholding declaration form is also required). If this is claimed, their weekly tax amount will be reduced.

Other tax offsets

Whether they want to claim other tax offsets, such as the zone, overseas forces or dependent spouse tax offsets (a withholding declaration form is also required).

Debt

Whether they have a HELP debt or SFSS debt. The employer may be required to increase the employee's weekly withholding tax.

Withholding declaration

Another declaration form employees and employers are required to complete is a withholding declaration to claim reductions in the amount of tax the employee pays. Tax on their gross pay may be reduced as a result of claiming tax offsets such as a family tax benefit, a dependent spouse offset, an invalid and invalid carer offset, or a zone offset.

This form is also used if information previously provided on a TFN declaration or a previous withholding declaration needs to be changed.

The withholding declaration is produced by the ATO in a workbook format. The employee completes the required areas in the workbook and calculates the amount of the benefits or offsets to be claimed. Once all calculations are complete, the employee transfers the resulting amounts into the withholding declaration form that is attached to the back of the workbook. The employee retains the workbook and submits the form to the employer. The withholding declaration may only be completed by employees who have previously completed a TFN declaration.

The employee's responses to the questions on the withholding declaration form will indicate which of the tax tables you should use as the basic rate of withholding.



Store and dispose of declaration forms

In keeping with the *Privacy Act 1988* (Cth), an employer must use secure methods for storing and disposing of any tax file number information. If an employee leaves their employment, a copy of the completed TFN declaration form must be kept for the current and next financial years.

Example: correct document storage

A situation recently arose in an organisation where there was an official request in November for a copy of the last TFN declaration form completed by an employee in August some 15 months prior. The document could not be found and the company had to inform the ATO that they did not have the copy. The ATO was not impressed as they were attempting to build a case of fraud against a taxpayer for false and misleading declarations.

Sharna, the payroll manager who had only commenced work three months before, was asked to investigate. She found that the staff responsible for records management in the payroll office had been working on the basis that they only needed to keep such documents to the end of the current financial year. A new procedure was implemented for the future, which included scanning TFN declarations when they were submitted. Disposal or destruction of hard-copy documents would have to be approved by the payroll manager in future.



Practice task 11

Collect a copy of a TFN declaration form from your organisation, a newsagent or the ATO.

1. Complete the form so you know how you would explain it to someone who is unfamiliar with the language used, for whom English is a second language or who has language difficulties.
2. Describe the procedure for handling TFN declarations in your organisation, or one you are familiar with.

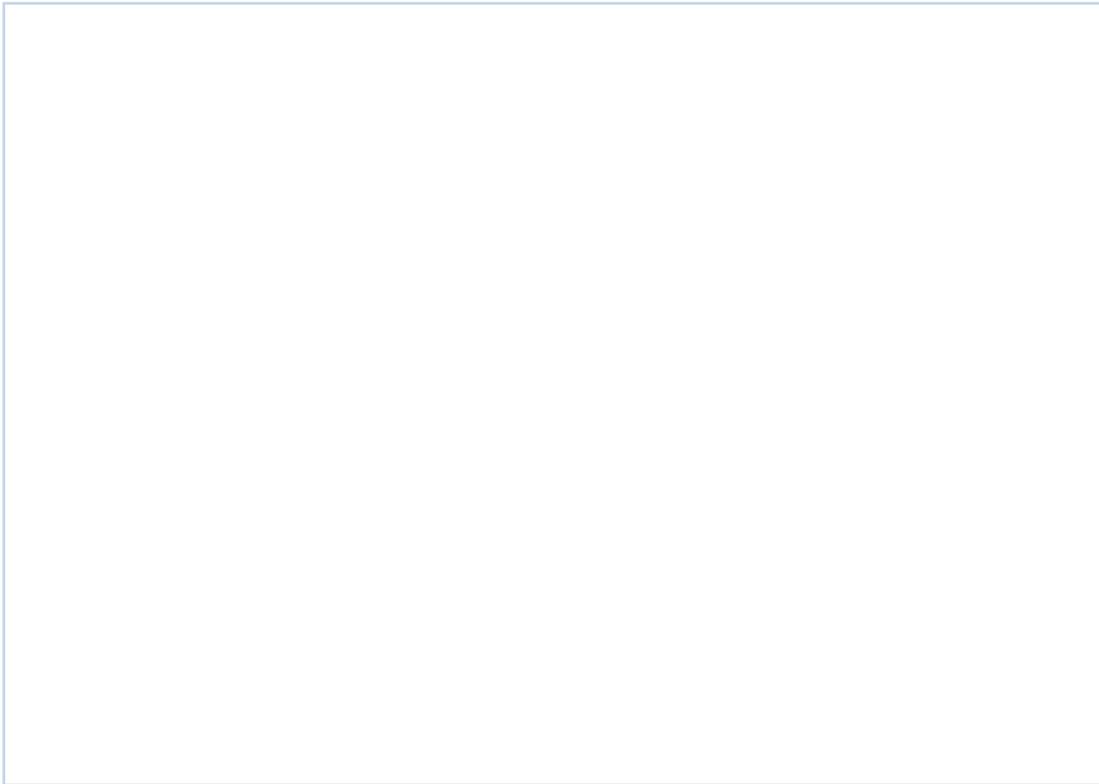
continued ...

... continued

3. Provide an overview of the procedure for disposing of TFN declaration forms that are no longer required, including any authorisations that are required.



4. Are there any areas relating to TFN declaration handling that you believe can be improved? Justify your answer.

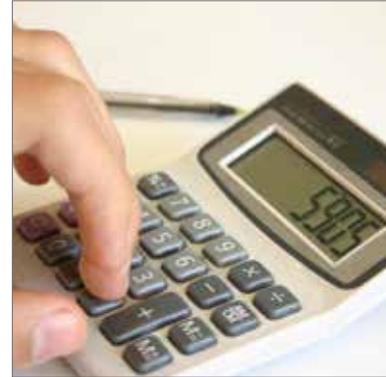


4B

Calculate and transcribe group tax amounts, and make payments

The main requirement for determining group tax amounts is the reporting and payment of PAYG withholding amounts and FBT amounts to the ATO. Both of these are determined by the terms and conditions of employment for each employee of an organisation.

Employers are not required to perform cumbersome calculations when deducting tax from an employee's gross pay, as the ATO has produced a schedule of tax instalments for weekly, fortnightly or monthly payrolls. These are known as PAYG withholding tax tables, and include weekly rates for PAYG, a 'ready reckoner' for tax offsets and weekly tax tables for the HELP and the SFSS. The tables are available on the ATO website, which also has a PAYG withholding calculator that you can access.



Calculate PAYG withholding

The amount of tax deducted from an employee's gross pay is calculated according to the information provided by the employee on the TFN and withholding declaration forms. People are required to pay different amounts of tax according to how much they earn, the allowances they receive, the claims they make and the various debts they have to the Federal Government, such as HELP and SFSS.

The different rates of tax for each income level are known as marginal tax rates. The Medicare levy of 2.0 per cent of annual gross income is added to each of these rates.

If an employee does not provide an employer with their tax file number, the employer is required to deduct tax at the highest marginal rate, plus the Medicare levy.

To obtain the amount of tax to be deducted from an employee's gross pay, you must have all the information provided by the employee on the TFN declaration form and the withholding declaration form, as well as the employee's gross pay.

Weekly tax table

You should obtain a copy of the weekly tax table from the ATO, or ask your trainer to provide you with a copy. To use the PAYG withholding tax tables, you need to be familiar with the following aspects of the tables:

- The gross pay is listed in column 1.
- Columns 2 and 3 show the taxation deduction amounts for each gross pay.
- If the tax-free threshold is claimed, tax must be applied using column 2.
- If an employee does not claim the tax-free threshold, tax must be applied using column 3.
- When determining the applicable tax amount, you must ignore any cents in the gross pay amount. For example, \$526.01 and \$526.99 should both be read as \$526.00.

Calculate tax offsets

An employee may have submitted a TFN declaration claiming the tax-free threshold, and a withholding declaration specifying an amount covering a claim for the family tax benefit, dependent spouse tax offset or another offset. If an employee is claiming any tax offsets, the tax calculated on the employee's weekly gross pay must be reduced.

If the employee has not claimed the tax-free threshold, they are not eligible to claim a tax offset.

Any tax offsets (reductions in tax) that are claimed by an employee can be calculated using the ready reckoner for tax offsets. This table is part of the PAYG withholding weekly tax table.

Calculate fringe benefits tax (FBT)

Organisations that provide employees with payments in the form of non-cash benefits, such as cars purchased by the organisation but available for an employee's private use, free or discounted airline transport, or rent-free accommodation, may be required to register for and remit FBT at the rate equal to the top prevailing marginal rate of personal taxation plus the Medicare levy. This is because it is deemed to be made as a substitute for taxable income.

Employers are required to calculate the amount of fringe benefits provided to employees during the fringe benefits year, calculate the amount of FBT payable and complete a fringe benefits tax return form.

Note that the tax year for FBT differs to the financial year and runs from 1 April to 31 March. Based on the submission of an FBT return, the ATO may designate that FBT instalments are to be paid on a quarterly basis (assuming a quarterly BAS is lodged).

FBT is currently calculated at the rate of 47 per cent on the taxable value of each fringe benefit paid. The taxable value varies between types of benefit and the details of the categories can be accessed on the ATO website.



Calculate HELP debt tax

Additional tax that an employee is required to pay if they have a HELP debt can be calculated using the PAYG withholding HELP weekly tax table. This table is produced by the ATO for employers to easily calculate the amount of additional tax to deduct for an employee with a HELP debt.

The rates set by the ATO for HELP repayment are set annually on 1 July. The rates are applied as a percentage of the employee's gross pay rounded to the nearest whole dollar, with 50 cents being rounded up.

Calculate financial supplement debt tax

Additional tax an employee is required to pay for a financial supplement debt can be calculated using the PAYG withholding SFSS weekly tax table. This table is produced by the ATO for employers to easily calculate the amount of additional tax to deduct for an employee with an SFSS debt.

The rates set by the ATO for SFSS repayment are set annually on 1 July. The rates are applied as a percentage of the employee's gross pay rounded to the nearest whole dollar, with 50 cents being rounded up.

Example: HELP debt

If Gary earns a weekly gross pay of \$1,068.25 and has declared a HELP debt, Gary's weekly tax calculation would be increased by \$43.00.

$\$1,068 \times 4.0\% = \$42.72 \approx \$43.00$

If Gary's weekly tax on his gross pay is \$206.00, his net tax (including the HELP contribution) is calculated as follows.

Tax on gross pay of \$1,068.25	\$206.00
Add HELP debt contribution	\$43.00
Net tax	\$249.00

Practice task 12

Collect copies of the following documents. Delete or block out any personal or organisational details.

- An FBT return for your organisation
- A completed TFN declaration form

How would you verify the information on these documents? What course of action would you take if you found that the information provided on these forms was incorrect, but the forms had already been lodged?

4C

Forward periodic deductions to nominated creditors

Deductions made from salary and wages can be statutory or voluntary. In all cases, the employee must have given permission for the employer to withhold the relevant amounts for forwarding to the relevant or nominated creditors. Deductions taken from employees' gross pays are not kept by the employer but must be sent by to the appropriate payee within designated time lines.

Nominated creditors

Nominated creditors include government bodies such as the ATO and Centrelink, private superannuation funds, unions, professional industry organisations or bodies nominated as part of salary packaging. Make sure you have the relevant documentation for authorisation, the current details of the payee, bank account details and the due date for remittance.

Here is a list of nominated creditors.

Nominated creditors
PAYG withholding including income tax, Medicare levy, HELP and SFSS contributions are forwarded to the ATO.
Child support is forwarded to the Child Support Agency.
Court orders go to the person named on the order.
Private medical fund contributions are sent to the employee's medical fund.
Vehicle leasing payments go to the relevant organisation.

Salary sacrifice

Some employers offer employees an option to sacrifice part of their gross pay prior to tax being deducted, as a concession granted by the government to reduce taxable income. The amount sacrificed is most commonly used for additional superannuation contributions, but may also be used for car leases and mortgage repayments. The benefit of salary sacrificing is that the taxable income is reduced, which effectively reduces the amount of tax paid. In all cases, agreements must be made and relevant documentation provided as evidence that the employee has authorised the deductions and appropriate records are on file.

Money relating to the elements sacrificed/ packaged must be forwarded to the various entities that provide the items packaged in line with the times set.

Superannuation funds

All employers are required to contribute 9.5 per cent of an employee's gross ordinary income to a complying superannuation fund under the *Superannuation Guarantee (Administration) Act 1992* (Cth). The employer holds the funds on behalf of each employee for payment to the superannuation fund nominated by the employee. In addition to the amounts contributed by the employer, there may be an arrangement where the employee contributes from their gross pay based on the terms and conditions of their employment or as a voluntary arrangement where the employee has authorised the employer to deduct money and forward it to the superannuation fund.



More periodic deductions

Payments contributed by the employer and those withheld from the gross pay of the employee are forwarded to the relevant superannuation funds in accordance with the payment schedule set by the ATO. This schedule currently aligns with the quarterly dates for BAS submissions and payment of PAYG withheld.

Here are examples of other periodic payments that can be deducted from an employee's pay.

Health insurance

Subject to the organisation's policy and procedures, employees can have their private health insurance payments deducted from their gross pay and forwarded to the relevant private health fund. Subject to the arrangements and requirements of the health fund, the money will be forwarded to the health fund with the relevant employee's details (for example, their fund membership number) at designated times.

Union membership fees

Employees who are members of a union may request that their union fees are deducted from their gross pay and forwarded to the relevant union. Relevant documentation must be completed. The deducted money is forwarded to the nominated unions according to relevant payment schedules.

Professional membership fees

Employees who are members of a professional organisation may, subject to the policy of their employer, have professional memberships paid from their salary or wages and forwarded to the professional body. Relevant documentation must be completed and the deducted money is forwarded to the designated professional body according to relevant payment schedules.

Workplace giving

Where organisations have a workplace giving arrangement, it is common for a number of charities to be dedicated recipients of funds on a regular basis. The funds are contributed from the salary and wages of employees who have agreed to contribute. The employers and staff can determine who receives the donations, but the recipient must be eligible to receive tax-deductible gifts.

Money must be transferred to the nominated charities in accordance with any designated time lines.

Example: deal with employee contributions

A spate of natural disasters in Australia and overseas plus regular requests from major charities encourage some employees to suggest a workplace giving program, as many employees feel guilty for not having cash to contribute at work or find the endless requests for support distracting. Miriam and Sinead ask if a program can be set up where employees can donate a fixed amount per pay or a percentage of their gross pay, and that the organisation will contribute 80 per cent of the weekly funds to designated charities with the other 20 per cent being stockpiled for contributions to emergency relief when needed and in accordance with the preferences expressed by contributing employees. The scheme and list of recipients is to be reviewed every two years.

The scheme is approved and incorporated into the payroll system. Contributions made to the various charities and relief efforts over time are recognised by the receiving agencies, often by letter or poster. These documents are placed in a display cabinet in the main lunchroom.

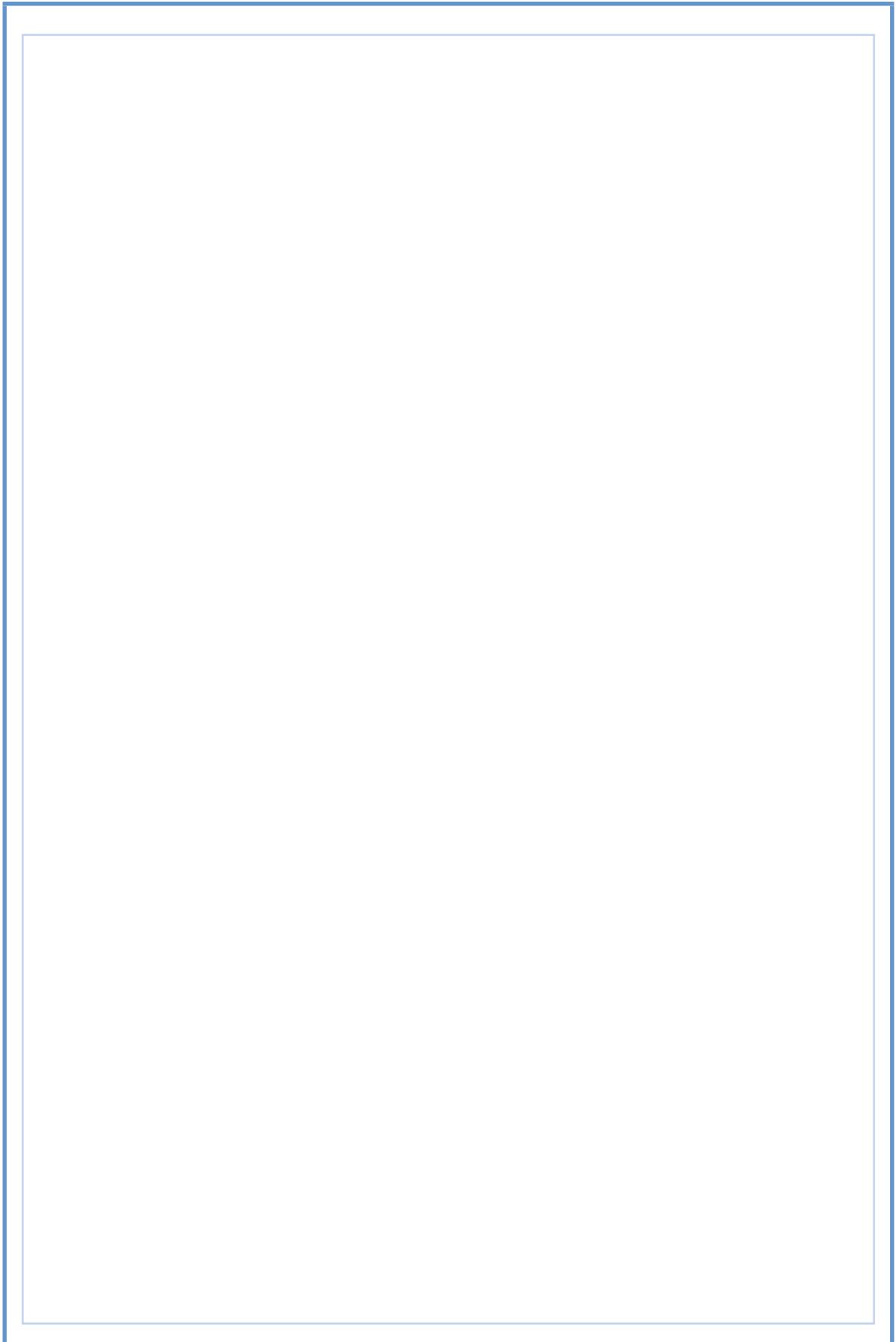


Practice task 13

Write a briefing report for your supervisor or trainer that identifies the entities that the organisation forwards money to, where that money has been deducted from employees' salaries or wages through the payroll system. Detail the frequency of these payments for each recipient.

continued ...

... continued



4D Prepare and dispatch payments to government authorities

The ATO is the chief recipient of money deducted from an employee's salaries or wages. The two key payments in relation to salary and wages are:

- PAYG withholding
- fringe benefits tax (FBT).

Both of these use the Business Activity Statement (BAS) as the reporting tool.

Other money sent to the ATO, such as Medicare levy, HELP and SFSS payments, is included as part of the PAYG withholding. These payments are not reported separately on the BAS and the actual amounts for each area (Medicare levy, HELP and SFSS) are determined for each employee by the completion of their annual income tax return.



In all instances, be familiar with the correct form you need to complete, know whether it can be submitted electronically and be aware of the submission dates. Late lodgements to some regulators carry lump-sum and interest penalties. There should be standard operating procedures in place to help organisations manage the preparation for these deadlines; it is advisable to keep a comprehensive calendar to record critical dates.

Pay the PAYG Withholding

The key statutory deduction is PAYG withholding. The individual amounts withheld for each pay period are accumulated for each employee and paid as a lump sum to the ATO at regular intervals depending on the size of the organisation (generally on a quarterly basis). Disclosure of the total amounts withheld is shown on the organisation's BAS.

Make sure you are familiar with the structure of the BAS so you can complete the relevant sections if this is your responsibility. The make-up for each entry for PAYG payments is summarised in the following table.

PAYG particulars	Explanation
W1 – Total salary, wages and other payments	<ul style="list-style-type: none"> • Salary and wages paid to full-time, part-time and casual employees inclusive of overtime, penalties and allowances • Commissions, retainers, bonuses and performance incentives, annual leave loadings • Compensation, sickness or accident payments relating to an incapacity, where payments are made on a regular basis • Payments made to a person who has entered into a voluntary agreement where amounts are to be withheld • Payments made to labour hire firms under labour hire arrangements • Termination, severance and redundancy payments • Eligible termination payments (ETP) and superannuation-type payments (for example, annuities and pensions) • This does not include: <ul style="list-style-type: none"> – non-employment-related payments – any money from which tax was withheld for failure to provide an ABN

PAYG particulars	Explanation
W2 – Amounts withheld from salaries or wages and other payments	This is the total of all amounts withheld from payments detailed at W1. Effectively this includes amounts withheld from: <ul style="list-style-type: none"> • all salary and wages paid to employees • any amounts withheld from those items listed in the table above under W1.
W4 – Amounts withheld where no ABN is quoted on invoices	This figure will be derived from the finance system rather than payroll, as it relates to payments made to entities conducting business transactions with the organisation where the contractor/supplier has not provided an ABN relevant to the business activity.
W3 – Other amounts withheld	This includes all other amounts withheld from payments that are not reported in W2 or W4.
W5 – Total amounts withheld	This includes: W5 = W2 + W4 + W3.

Pay the FBT

Employers have to record the value of fringe benefits provided to each of their employees. If the value of certain fringe benefits provided exceeds \$2,000 in an FBT year (1 April to 31 March), you will be required to record the grossed-up taxable value of those benefits on your employee's payment summary for the corresponding income year (1 July to 30 June). You may also have to report the notional value of certain exempt benefits.

An FBT return has to be lodged with the ATO for the FBT year each year if the organisation has an FBT liability for the year. The date for lodgement is set by the ATO and is generally late May, unless the returns are being lodged via a registered tax agent and thus more time is allowed.

Based on the submission of an FBT return, the ATO may designate that FBT instalments are to be paid on a quarterly basis (assuming a quarterly BAS is lodged). There is an opportunity to vary the amount and provide a reason, if applicable.



Other agencies – garnishing wages

When a taxpayer owes money to the ATO or Centrelink or is required to pay money for child support and has failed to do this voluntarily, the relevant government agencies can garnish a person's wages via their authority, or a court order if applicable. A person's wages may also be garnished for money owed to other creditors via a court order if they are able to obtain such an order. A garnishment must be dealt with immediately on receipt and the payroll process has to be capable of handling it with well-defined procedures in place. The wages withheld are forwarded to the relevant agency in accordance with time lines set by the garnishment order.

Example: adjust the BAS

Yuri has a small consultancy business that specialises in project management; it has 16 employees. In the 2014-15 financial year, his wages and salaries for the business were over \$1.2 million. According to his FBT return lodged in May 2015 for the period 1 April 2014 to 31 March 2015, his FBT liability was close to \$80,000.

After a restructure of the business and with two senior employees changing their salary packaging, his FBT liability for the following year was expected to be reduced to less than \$10,000. On discussing this with Svetlana, his office accountant and payroll manager, Yuri was advised that the \$20,000 instalments he was to pay each quarter would be a significant over-payment. Svetlana indicated a variation on the BAS was required and she prepared a variation advice to the ATO by completing W2, W3 and W4 on the BAS return.



Practice task 14

Using the following information, complete the PAYG tax withheld component of the BAS shown below.

- Salary and wages of \$122,500
- Tax withheld on salary and wages of \$21,456
- Allowance paid totalling \$756 and no tax withheld on this allowance
- Contractor paid commission of \$800, but no ABN was provided so tax withheld of \$388
- ETP (eligible termination payment) of \$3,609

PAYG tax withheld		
Total salary, wages and other payment	W1	\$
Amount withheld from payments shown at W1	W2	\$
Amount withheld where no ABN quoted	W4	\$
Other amounts withheld (excluding any amount shown at W2 or W4)	W3	\$
Total amounts withheld (W2 + W4 + W3)	W5	\$

4E

Prepare and reconcile employee PAYG payment summaries

Payment summaries (formerly referred to as group certificates) are issued to employees by their employer at the end of each income year. The payment summary shows the total amount of income earned by that employee, how much tax was withheld and the period of employment. It could also include allowances, lump-sum payments and the value of fringe benefits provided to the employee (called the reportable fringe benefits amount). Details of fees paid to a union or professional association are documented, as well as any workplace giving amounts if these are deducted through the payroll.

If the payroll is being outsourced, the payroll company will prepare these forms based on details supplied by the organisation.

A copy of the PAYG payment summary should be with the employee no more than 14 days after the end of the financial year. The original is provided to the ATO and a copy kept by the employer.

End of payroll year checks and processes

Here are the steps that should be undertaken after the final pay for the year has been processed in order to check the details that will appear on the relevant PAYG payment summaries.

Employee details

Using the relevant employee's files or reports from the payroll system, check the following:

- Name and address
- Date of birth
- Tax file number
- That the employee was active in the organisation during the year
- Termination date if the employee 'exited' during the year

Employee entitlements

- Print the relevant report/s (for example, payroll entitlement balances) and check them for accuracy.
- Ensure that any entitlements that can carry over will do so with the appropriate indicator/s.

Pays completed

- Confirm that all pays have been processed for the current year, including any commissions and bonuses.
- Confirm that any adjustments have been processed.
- Check for any un-presented pay cheques via bank reconciliation.
- Check that both the electronic clearing account and payroll clearing account balances are zero.

Reconcile payroll

- Various payroll reports should be printed prior to the commencement of a new payroll year. Some reconciliation actions may be done electronically.
- Reconcile the payroll activity summary against the payroll register summary for the year.
- Review the payroll summary for allowances and entitlements.
- Reconcile superannuation payable in the balance sheet (statement of financial performance).
- Reconcile gross wages and PAYG withholding in the payroll register with the amounts reported on the BAS at W1 and W2, less any non-taxable allowances.

Payroll register

Reconcile the payroll register with the following:

- Gross wages and salaries accounts in the general ledger of the accounting system
- Superannuation expense in the general ledger of the accounting system
- PAYG withholding in liabilities in the general ledger of the accounting system

Payment summaries

- Print payment summaries.
- Reconcile summary of PAYG payment summaries with payroll register/summary.
- Create file for submission to the ATO, if applicable.
- Distribute payment summaries as required.
- Create a master file of copies for storage.

Distribute payment summaries

The PAYG payroll summary must be given to the taxpayer (payee) by 14 July following the end of the financial year (30 June), unless other arrangements have been made.

A payee may request, in writing, their PAYG payroll summary prior to 9 June in the current financial year and the employer must provide the payment summary within 14 days of the receipt of such a request.

The employee no longer has to lodge a copy of their payment summary, but should keep their copy for their records; the details have been provided to the ATO by the employer either electronically via a data transfer or via the ATO copy of the PAYG payroll summary.

The PAYG withholding payment summary annual report that details the PAYG payment summary for each employee must be with the ATO by 14 August.



Example: PAYG summary forms ample

There are other PAYG payment summary forms that should be used in various situations, as listed in the following table. A full list and details of these and other PAYG payment summary forms are available from the ATO. Before printing the PAYG payment summary for employees, it is critical that a series of checks are performed to ensure that the summaries are correct.

PAYG payment summary form	Details
Labour hire and other specified payments	This payment summary should be used to provide details of amounts withheld from payments made under labour hire arrangements or other specified payments.
Voluntary agreement	This payment summary should be used to provide details of amounts withheld from payments made to a payee engaged under a voluntary agreement.
Withholding where ABN not quoted	This payment summary should be used to provide details of amounts withheld from payments for goods and services where a supplier (payee) has not quoted an ABN.
Personal services attributed income	Personal services attributed income is certain personal services income of an individual that is received by a company, partnership or trust. This type of income is included in the individual's assessable income.
Employment termination payment	This payment summary should be used if you make an employment termination payment (ETP) to: <ul style="list-style-type: none"> • an employee whose employment has been terminated • a non-dependant because of an employee's death • a dependant because of an employee's death if the taxable component of the payment exceeds the ETP cap • a trustee of a deceased employee's estate.

Practice task 15

Obtain a blank PAYG payment summary – individual non-business. Complete the form based on this information.

Employer's name:	Fibreglass Constructions Pty Ltd
ABN:	92 444 555 666
Employee's name:	Alan Henry Knight
TFN:	123 456 789
DOB:	21 March 1973
Period worked:	Has worked the whole year
Home address:	18 Smith Street, Browns Creek, NSW 2819
Gross salary:	\$42,000
Motor vehicle allowance:	\$1,500
Laundry allowance:	\$520
Workplace giving:	\$260
Accommodation reimbursement while on work trip:	\$375
PAYG withheld:	\$7,516
Reportable fringe benefits:	Nil
Union membership:	\$255

Summary

1. A TFN declaration form must be completed for all employees in accordance with the ATO requirements. This is a critical document for both the employer and employee in that it provides authority for the employer to deduct (withhold) tax at the appropriate rate and not the required maximum marginal rate if the employee has no TFN. A new TFN declaration can be completed and lodged with an employer if there is a change in the employee's circumstances.
2. To claim reductions in the amount of tax the employee pays, a withholding declaration form must be completed in accordance with the ATO requirements.
3. Deductions made from salaries and wages can be statutory or voluntary. The employee must have given permission to the employer to withhold the relevant amounts for forwarding to the relevant or nominated creditors. Deductions taken from employees' gross pays are not kept by the employer, but must be sent by to the appropriate payee within designated time lines.
4. The main government recipient of deductions from gross pay is the ATO as the result of statutory deduction, with some other government organisation receiving money through enforced deductions; for example, Centrelink or the Child Support Agency.
5. Payments to government authorities for PAYG withheld and FBT must be made in accordance with the schedules set by the ATO or other entities. They are reported using the BAS.
6. Voluntary deductions need to be forwarded to a wide range of entities, subject to the organisation's policies and the wishes of individual employees. Entities may include unions, superannuation funds, vehicle leasing organisations or professional associations.
7. An end of financial year set of checks and reconciliations of payroll should be undertaken prior to the issuance of PAYG payment summaries.
8. PAYG payment summaries must be produced and provide to employees in accordance with the ATO guidelines and time lines.

Learning checkpoint 4

Administer salary records

This learning checkpoint allows you to review your skills and knowledge in administering salary records.

Part A

1. Under what circumstances should an employee complete another TFN declaration form? If you have advised an employee to do this, explain why.

2. What are the time lines for completion and lodgement of the TFN declaration with the ATO? What methods would you use to ensure these time lines are met?

3. What is the required period for keeping a TFN declaration for an employee? How could you ensure your organisation meets this requirement?

4. Given that an organisation keeps a file on every employee, what records would you expect to find in this file? Identify which items are required by legislation.

5. Detail the files your organisation keeps in relation to payroll records, in what format and what security systems are in place to protect these records from misuse. Alternatively, detail the files an organisation should keep.

6. List the agencies or types of nominated creditors that an organisation could be required to forward money to on the basis of deductions withheld from an employee's salary or wages. Indicate the time lines that must be complied with in terms of forwarding the money.

7. Provide an overview of the procedure an organisation may use for processing a garnishment.

8. What elements on a BAS form are directly related to the payroll function? What is the process you use, or would use, to complete these elements? Provide a completed form (making sure names and other identifying information have been deleted).

9. Must the money forwarded to a nominated superannuation fund be exactly 9.5 per cent of an employee's gross pay? Justify your response and provide an example of a variation (if appropriate).

10. Explain the role of a PAYG payment summary – individual non-business. What time lines are critical in terms of issuing the document to the taxpayer and advising the ATO?

Part B

Read the scenario, then complete the task that follows.

Scenario

The management of Clancy & Associates issues a directive that says the whole company is to do away with the issuance of cheques and that all transactions relating to the company are to be done via electronic means. The board of management further advises that this is a step towards achieving a policy of 80 per cent paperless administration as a contribution towards the environment by reducing its carbon footprint.

As the payroll manager, your initial reaction to electronic payment is 'Terrific. It's not an issue!', because most of the payments to nominated creditors are already done electronically.

In addition, you realise that a significant amount of the management and administration of payroll and the associated records revolve around:

- the completion of forms; for example, TFN declaration, allowance claims
- the storage of paper; for example, time sheets
- production of internal reports for checking and reconciling activities
- documentation for employees; for example, pay slips and PAYG payment summaries.

Consider the issue of a paperless payroll function. Your supervisor asks you to provide a report outlining the opportunities that could be considered in achieving the goal of a paperless payroll system and highlight the issues that would need to be addressed in terms of adjustments to policy and procedures. Clearly document any legislative matters that would require the need to maintain a paper-based procedure.

Consult with colleagues or others with experience in managing payroll. Provide a list of at least three people that you have involved in the discussions to develop this report.





