



Astute
Business & Consulting
Services Pty Ltd

Payroll End of Year Procedures - June 2010

Producing Payment Summaries

This FAQ has been produced to walk you through the production of your payment summaries, whilst it seems huge, every step is covered in detail and you'll be through it in no time!

This first part is the things to check before producing your payment summaries, and the second is a tick list as you go thorough the production of the payment summaries.

BEFORE YOU BEGIN – make sure that in payroll, under the print menu, you have an option that says PAYGW Payment Summaries 2009/10. If not please contact me immediately.

What's new this year?

- **There are three new boxes on the Individual Non Business Payment Summary**
 - **Professional/Union fees now have their own payment type as this is now separate on payment summaries.** You will need to change your current payment type from "D"eduction to "P"rofessional/Union Deduction.
 - **Reportable Employer Superannuation Contributions.** Salary Sacrifice amounts also now need to be shown separately, please see item 2 below.
 - **Exempt Foreign Income Employment now has it's own payment type as this is now separate on payment summaries.** Payment Type code "E".
 - **Type of Lump Sum A payments.** These payment types are now split between:
 - Lump Sum Genuine Redundancy – Payment Type code "LA"
 - Lump Sum NonGenuine Redundancy – Payment Type code "LN"
- **Other Income Box has been removed,** it will now report as part of the Gross box.
- **Voluntary Agreement and Labour Hire payment summaries have been replaced** by a single "Business and Personal Services Income" payment summary.
- **Reprints of payment summaries** will now have the words "This is an amended payment summary" printed and the "notice to employee" wording is also different.

What do I need to check before I produce my Payment Summaries?

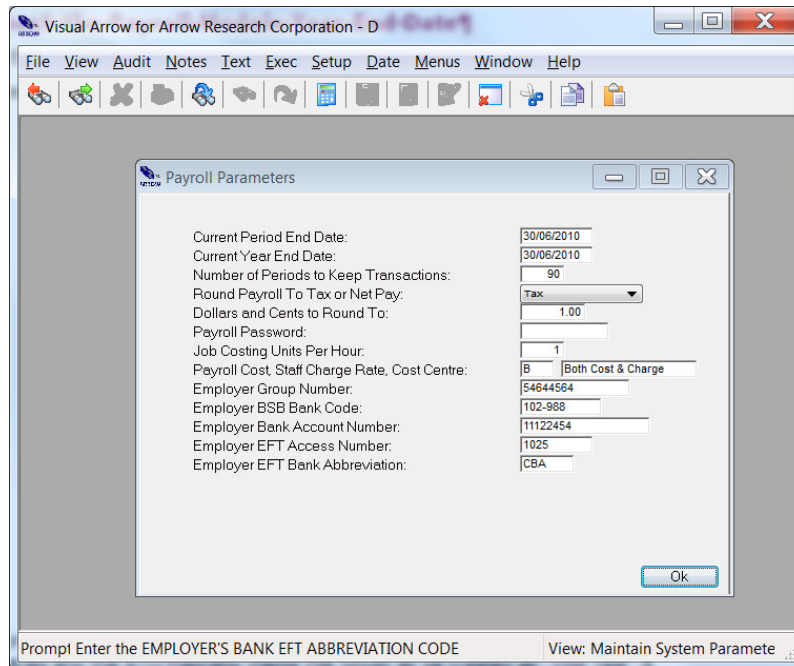
If you have produced payment summaries previously out of Arrow Financials, then very little has changed. The things to check are:

Payroll

1. Check the Payroll Module Year End Date

To do this, select the Main Menu of Arrow and Click on the Setup Menu.

Then select Setup, Modules and then Payroll.



The Current Year End Date should still be 30/06/2010. This means that any reports, Payment Summaries and the ATO Magnetic Media File would all be created as "This Year".

It is best not to roll over the Payroll module until all the end of year processing has been completed. If the Current Year End Date is 30/06/2011 then the Payment Summaries and the ATO Magnetic Media File would be created as "Last Year".

2. Check all Salary Sacrifice amounts have been processed to a "R" payment type.

Salary Sacrifice Amounts are now (2009-10 year) required to be shown on the Payment Summaries. As most sites have their salary sacrifice amounts as "Deductions" from the Gross pay, you need to process an EXTRA payroll to record the amount of Salary Sacrifice to appear on the payment summary. A Payment type for Reportable Salary Sacrifice must be created, and an amount for this processed in the Payroll.

On our website www.astutebusiness.com.au under Resources there is a FAQ on how to set up Reportable Salary Sacrifice in payroll and how to add the amounts into the payroll if you need help in this area.

3. Check all FBT amounts have been processed.

FBT (Fringe Benefits Tax) may be required to be shown on your Payment Summaries. A Payment type for FBT must be created, and an amount for FBT be processed in the Payroll.

The FBT years runs from April 1 to March 31. The transactions posted should only be those that related to your FBT Lodgement made as at the 31st March the year.

On our website www.astutebusiness.com.au under Resources there is a FAQ on how to set up FBT in payroll and how to add the amounts into the payroll if you need help in this area.

4. Check all ETP Payments have been processed.

An ETP is an Eligible Termination payment, now called Employment Termination Payment. It is a payment made upon termination that is taxed differently to "normal" earnings. It has to be reported separately on an ATO form call an ETP form. Arrow will print these forms. An employee who has an ETP will also receive a Payment Summary for the rest of their payments during the current year.

On our website www.astutebusiness.com.au under Resources there is a FAQ on how to set up ETP in payroll and how to add the amounts into the payroll if you need help in this area.

5. Check all Payment Types have the correct Group Certificate Box.

Check that the correct Group Certificate box is chosen on each payment type that is to be included on you Payment Summaries. The options are:

G – Gross Earnings Box

A - Allowance Box

E – Exempt Foreign Income Employment

LA – Lump Sum Payment Box A – Annual & Long Service Leave **GENUINE REDUNDANCY**

LN – Lump Sum Payment Box A – Annual & Long Service Leave **NON GENUINE REDUNDANCY**

LB – Lump Sum Payment Box B – Long Service pre 16/08/79

LD – Lump Sum Payment Box D – Tax Free Redundancy

LE – Lump Sum Payment Box E – Back Payments Accrued more than 12 months ago

D - Deductions Box

P - Professional/Union Fees Deductions Box

R - Reportable Salary Sacrifice Box

T - Tax Deductions Box – this includes Tax, Extra Tax and HECS

C - CDEP Salary and Wages (CDEP=Community Development Employment Projects)

F - FBT Reportable Amount

W - Workplace Giving (Workplace giving is a simple way for employees to regularly donate to charities or organisations who are entitled to receive tax deductible donations and has a deductible gift recipient status) This prints in a separate area on the Payment Summary.

N - Not required to appear on Group Certificate or Payslip (Items such as Super Guarantee Levy. Which is a payment but is not be shown on the employees pay slip or paid directly to the employee).

The codes noted below indicate amount only printed on an **Eligible Termination Payment Summary**

E6 – ETP – Post June 83 – Untaxed

E7 – ETO – Post June 83 Taxed

E8 – ETP – Post June 94 Taxed

E9 – ETP – Tax Deducted

6. Check Employee Names and Addresses are in the correct format.

In **Maintain Employee Details** ensure that the name of each employee is in the format of SURNAME, FIRST AND SECOND NAMES. For example: MOUSE, MICKEY not MICKEY MOUSE. The comma tells the ATO to break between surname and first name.

Check that the employee is set to an Employee Status of

- Full Time
- Part Time
- Casual
- Ent Casual

The **State** field in the **Maintain Employee Details** screen can only be three characters. They are: VIC, NSW, QLD, SA, WA, TAS, and NT, ACT.

7. Check Employees with foreign addresses.

If you have Employee addresses that are not in Australia, for any type of payment summary then please check the following:

The postcode field **MUST BE** set to 9999 and then the Name of the Country. E.g. 9999UK

The street address **MUST BE** entered in the **Address** field,

The town, state or region and area code must be entered in the **Suburb** Field

The **State** field must be set to OTH.

An example address of 275 Central Park West, Apartment 14F, New York, New York, USA 10024, would be entered as:

Street = 275 CENTRAL PARK WEST APT 14F

Suburb = NEW YORK NY 10024

State = OTH Postcode = 9999USA

8. Check Employees who have a Voluntary Agreement/Labour Hire

A voluntary agreement is usually a person who has an ABN and you have agreed to take a percentage of each payment and remit it to the ATO on their behalf. A number of sub contractors operate this way.

In **Maintain Employee Details**, check that the employee is set to an Employee Status of **Subcontractor**.

Check that the "Employee Type" that the employee belongs to does not have [001] or [002] as part of the description of the employee type. This means that it is a Labour Hire Agreement, not a Voluntary Agreement.

Labour Hire agreements are produced by personnel agencies and the like. If you are not in the business of hiring out labour to other businesses, then you will not use these types of payment summaries. If you do produce Labour Hire or Other Specified Payment payment summaries, then you need to check:

In **Maintain Employee Details** ensure that the name of each employee is in the format of SURNAME, FIRST AND SECOND NAMES. For example: MOUSE, MICKEY not MICKEY MOUSE. The comma tells the ATO to break between surname and first name

Check that the employee is set to an Employee Status of **Subcontractor**.

Check that the "Employee Type" that the employee belongs to HAS EITHER

- [001] as part of the description of the employee type. This means a LABOUR HIRE payment summary
- [002] as part of the description of the employee type. This means that it is an "Other Specified Payment" payment summary.

9. Check any No ABN Withholding Payment Summaries

A No ABN creditor usually a person or contractor who does not have an ABN and gives you an invoice for their work that you pay through payroll. Most businesses do not deal with people who do not have an ABN so it is not likely that you will have any of these employees.

In **Maintain Employee Details** ensure that the name of each employee is in the format of SURNAME, FIRST AND SECOND NAMES. For example: MOUSE, MICKEY not MICKEY MOUSE. The comma tells the ATO to break between surname and first name

Check that the employee is set to an Employee Status of **No ABN**.

10. Balance the Payroll Summary and Payroll History reports

Make sure that the totals for the Payroll Summary Report at the end of the month are balancing with the Payroll History Report.

To Print the Payroll Summary Report

The Payroll Summary Report will print the totals out by Payment Type. Chose the Arrow Payroll Menu, Print, Print Payroll Summary. Example of Payroll Summary noted below:

Date: 15/06/2010		ARROW RESEARCH CORPORATION - D Payroll Summary to 30/06/2010		Page: 1	
Code	Description	Hrs/Qty	* YTD Value *	* PTD Hrs/Qty *	Value
PAYMENT TYPES					
NORMAL	NORMAL TIME	4,052.88	68,898.96	337.74	5,741.58
Total Payments.....		4,052.88	68,898.96	337.74	5,741.58
Summary Totals.....					
SOCIAL	SOCIAL CLUB		-14.40		-1.20
SUPER	SUPERANNUATION - EMPLOYER DED		-1,800.00		-150.00
UNION	UNION FEES		-8.40		-0.70
Total Deductions.....			-1,822.80		-151.90
EXTAX	EXTRA TAX		-180.00		-15.00
TAX	TAX DEDUCTION		-14,352.00		-1,196.00
Total Tax Deductions.....			-14,532.00		-1,211.00
Summary Totals.....					
		4,052.88	52,344.16	337.74	4,378.68
OCCSUP	OCCUPATIONAL SUPER - EMPLOYER		6,200.88		516.74
Not Included in Net Pay.....			6,200.88		516.74
NONE	NO COST CENTRE CODE	4,052.88	58,745.04	337.74	4,895.42

To Print Payroll History Report

The Payroll History Report prints the Payroll details by Employee. It will give the Month to Date and year to Date values.

Choose the Arrow Payroll Menu, Print, Print Payroll History. An example of the last page is noted below:

Date: 15/06/2010		ARROW RESEARCH CORPORATION - D Payroll Employee History to 30/06/2010		Page: 2	
Empl Code	Description	Hours/Qty	* YTD Value *	* PTD Hrs/Qty *	Value
Pay...	ALL PAYROLL CODES				
Total Payments.....		4,052.88	68,898.96	337.74	5,741.58
Total Allowances.....					
Total Deductions.....			-1,822.80		-151.90
Total Gross/Taxable.....		4,052.88	68,898.96	337.74	5,741.58
Total Tax Deductions.....			-14,532.00		-1,211.00
Total Net Pay.....					
Total Net Pay.....		4,052.88	52,344.16	337.74	4,378.68
Not Included in Net Pay.....			6,200.88		516.74

CHECK THAT THE TOTAL PAYMENTS, ALLOWANCES, DEDUCTIONS AND TAX DEDUCTIONS BALANCE IN EACH REPORT.



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Checklist for Payment Summary Production Year End June 2010

Payroll

- € Have you worked through the “things to check before producing payment summaries?”
- € If you are printing onto ATO stationery, do you have enough certificates? Remember you usually need 1 or 2 to get the line up right!
- € If you are printing on plain paper, do the ATO know you are doing this? This means that you need to lodge the payment summary details electronically too. If you did it last year, you do not have to tell them again. However, if it’s your first time, then you need to let them know.
- € Make SURE you have run all your payrolls for the year ended 30 June 2010 before you produce your payment summaries.
- € Make SURE you have entered any Eligible Termination Payment (ETP) amounts for terminated employees where you have to produce an ETP certificate. These employees must be terminated and have been paid their ETP.
- € Make SURE you have entered any “Exempt Foreign Income Employment” amounts for any employees that are required to be printed on payment summaries.
- € Make SURE you have entered any “Workplace Giving” amounts for any employees that are required to be printed on payment summaries.
- € Make SURE you have run a payroll to add in your FBT amounts, for the year ended 31 March 2010 BEFORE you produce your payment summaries.
- € Make SURE you have run a payroll to record your salary sacrifice amounts for any employees that are required to be reported on payment summaries.
- € Are you printing your payment summaries as “This Year” or “Last Year”? Refer to step 1 in “things to check before producing your payment summaries” if you are not sure.
- € Print your payment summaries. This is done through **Payroll, Print, and PAYGW Payment Summaries 2009/2010.**
 - 1) If you are printing on ATO stationery, then choose **Pre-Printed ATO Ind Non-Bus** when asked “Payment Summary type:” When the Output Box appears choose PRINT.
 - 2) If you are printing on Plain Paper, then choose **Standard Plain Individual Non Bus**. These need to conform to ATO specifications in format, layout and size; so the **only output** options that meet these criteria are LASER or VIEW.
 - 3) Print one set as Employee Format. **PLEASE NOTE:** *when you print PAYG pay summaries the system will only print one copy. The ATO requires that the employee only gets one copy now. Employees do not have to provide the ATO with a copy of their payment summary. The ATO has the copy lodged by the Employer to check the employee tax return against.*
 - 4) Print another set as Company format. This produces 1 payment summary per employee, rather than printing 2 copies of the 2-page employee format. This can then be kept as your record.

Notes for Items on this screen:

If Payroll Code is left blank all payroll codes will be included in this print.

This Year/Last Last – Do not roll over the Payroll Module until the year end processing has been done. If your year end is still 30/06/10 choose THIS YEAR. If you have rolled the payroll to the new month/year then choose LAST YEAR.

Include Terminated Employees – It is a good idea to include Terminated Employees. Even if you have previously given a Payment Summary when an employee has left. This is because the report at the end of the print needs to be balanced with the Payroll Summary and Payroll History Reports.

Select Payment Summary Type – Select Standard Plain Individual NonBus. If you are printing on ATO supplied stationery you must select Preprinted ATO Individual NonBus.


Employee Format – Employee Format Summaries will be selected to print the employee copy of their Payment Summary.

Company Format Summary will be printed to print the copy of the Payment Summary to be retained by the company

- € Check the prints of ALL payment summaries. If there are payment summaries with negative amounts, the employee name does not print. Instead a warning will print on the certificate. Make the changes you need to and then go through and reprint the certificates that need to be reprinted. Remember to reprint your June reports if you had printed them previously.
- € Reprint any payment summaries that you need to. You can reprint them as many times as required.
- € Reconcile your payment summaries to your payroll to ensure all payment summaries are printed and accounted for.

Creating Magnetic Media

If you are printing plain paper certificates, then you need to create a disk file to send to the ATO with payment summary information in it.

- € The file for the ATO is created through **Other Modules, GST, Create PAYG Payment Summary Disk**. If you do not have any creditors who have voluntary agreements, you do not have to include Creditors.
- € In the Create PAYG Summary Disk screen, using the  icon, or hitting Alt +F2 will take you to the information screen. Check that the contact name and the company details are all correct.
- € Remember to include Terminated Employees when creating the file.
- € When the Output Box comes up, you are choosing where the report about the file will go, not the payment summary file itself. **DO NOT choose DISK**. Send it to the printer or View.
- € You may need to create two separate files. One file can contain everything **EXCEPT NO ABN**. You must create a separate file for No ABN payment summaries that contains only No ABN payment summaries.
- € If you are creating the file on a floppy disk, make sure it is a NEW disk. This will reduce

the possibility of faulty media.

€ The file created is called EMPDUPE.A01. Do not rename this file; this is the ATO required file name. If you have created the file on the hard disk it will be in the arr@data or arr@data/company directory.

€ Once the file is created, you can either mail the floppy disk/CD/Zip Disk to the ATO OR you can import it into the ATO's ECI program.

You can check the file that has been created before sending it to the ATO. The file can be checked at the following web site. <http://eci.ato.gov.au>

The ECI site ensures that the file you are submitting meets with the ATO requirements before the file is sent. This may eliminate you having to send a corrected file at a later date.

Update your tax scales

€ **After** you have run the last payroll for June and have printed your payment summaries, then make sure that you have updated your **tax scales** for **payments made on or after 1 July 2010**. These can be downloaded from the ATO website at <http://www.ato.gov.au/taxtables>, or you can use the search facility to locate them.

- The standard PAYG Withholding Tax Statement of Formula is NAT 1004
- The PAYG Withholding Tax Incorporating HECS is NAT 2335
- The PAYG Withholding Tax incorporating SFSS is NAT 3305.

Just type in the number after the NAT and the ATO website will find it for you. If you do not have access to the Internet, you can contact the ATO advice line 13 24 78.

Make sure that you check the date on the tax scales is for amounts deducted on or after 1 July 2010

These are entered through **Payroll, Enter, and Maintain Tax Scales**.

€ Have a coffee, you deserve it!

Notes On Magnetic Media

Q. How is the file submitted?

Either through the ECI (Electronic File Interface) or by Floppy disk, CD or Zip Disk. Note that the ATO is no longer accepting magnetic tape.

The best way to guarantee the correct transfer of the file is through the Electronic Commerce Interface or ECI. This software enables you to check your file for errors and then once in the correct format, send the file to the ATO via the ECI client. The ECI software can be downloaded from the ECI website, <http://eci.ato.gov.au>. This website contains all the information on the Electronic Commerce Interface including all the technical documentation to install and run ECI.

Q. Where do I send the disks?

You need to fill in an ATO form for Magnetic Media and send it along with the floppy disk/CD/Zip Disk to the ATO address on the form. The Magnetic Media forms can be downloaded from

<http://www.ato.gov.au/content/downloads/MAGMEDIAINFOPay.pdf>

The identifier required on the form is any word of six letters or less that you put on the form and also on your floppy Disk/CD/Zip Drive, so that if the paper and media become separated at the ATO, they can work out which form belongs to which media. So, if you were ABC Enterprises, you might use ABCENT as the identifier on the form and the Floppy/CD/Zip Drive.