Outline for End of Financial Year (EOFY) Single Touch Payroll (STP) Using Xero: A Guide for Employers

Introduction
This guide provides a step-by-step process for small business owners using Xero to prepare and submit their end of financial year (EOFY) payroll, including Fringe Benefits Tax (FBT). It aims to simplify the necessary steps for Single Touch Payroll (STP) compliance, ensuring all payroll obligations are met accurately and on time.

Pre-Requisites
- Ensure all pay runs for the financial year are complete and posted.
- Verify that employee details (e.g., names, addresses, TFN) are accurate and up to date.
- Confirm that all payroll categories, including FBT, are correctly assigned to the appropriate STP categories.

Step-by-Step Process:

1. Review Payroll Data
- Check YTD Totals: Verify the year-to-date totals for all employees, ensuring accuracy in payments, deductions, superannuation contributions, and FBT.
- Review Leave Balances: Confirm that leave balances are accurate to avoid discrepancies in the STP report.

2. Account for Reportable FBT
- Identify Reportable FBT: Determine which fringe benefits need to be reported for each employee. This includes benefits that exceed the tax-free threshold and are thus reportable on their payment summary.
- Update FBT Amounts: Ensure all reportable FBT amounts are correctly recorded in Xero under the designated payroll categories.

3. Finalise Pay Runs
- Lock Pay Runs: Ensure that all pay runs for the financial year are locked to prevent any changes that might affect the STP submission.

4. Prepare STP Submission
- Generate STP Report: Use Xero to generate the pre-submission report and review it for any errors or inconsistencies, including FBT reporting.
- Address Errors: Correct any identified discrepancies in the payroll data before finalizing the STP submission.

5. Submit STP Data to the ATO
- Finalize Year: Use the 'Finalize Year' feature in Xero to declare that the payroll data, including FBT, is complete and accurate for the year.
- Submit to ATO: Send the final STP report to the Australian Taxation Office (ATO) directly through Xero.

6. Record Keeping
- Documentation: Save all relevant payroll reports and STP submissions as required by law, including details on FBT.
- Backup Data: Ensure that payroll data in Xero is backed up and securely stored.

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Troubleshooting Common Issues

1. Incorrect Payment Summaries
- Problem: Errors in payment summaries such as incorrect salary amounts, tax withheld, or superannuation contributions.
- Solution: Regularly review and reconcile payroll data throughout the year. Before finalizing STP, double-check all entries and make adjustments if necessary in Xero.

2. Mismatches in Year-to-Date Totals
- Problem: Discrepancies between internal records and year-to-date totals reported in Xero.
- Solution: Use the 'Payroll Reconciliation Report' in Xero to compare and correct mismatches. Ensure all pay runs are correctly posted and updated before the year-end submission.

3. FBT Discrepancies
- Problem: Fringe Benefits Tax amounts not matching with the company's records or incorrectly categorized.
- Solution: Verify all FBT entries and ensure they are categorized under the correct payroll items. Update any discrepancies and confirm the total FBT liability before finalizing the STP submission.

4. Submission Errors
- Problem: Errors during the STP report submission process, such as connection issues or data validation errors from the ATO.
- Solution: Check the Xero status page for any known issues. Ensure all data fields are filled out correctly and resubmit. If problems persist, consult Xero's support team or a professional advisor.

5. Locking Issues with Pay Runs
- Problem: Inability to lock pay runs due to pending or incorrect entries.
- Solution: Ensure that all pay runs have been approved and that there are no draft or pending adjustments. Review any open pay runs, make necessary corrections, and lock them to prevent further changes.

6. Confusion Over Payroll Categories
- Problem: Payroll categories not correctly set up for STP reporting leading to incorrect data submission.
- Solution: Review and adjust the payroll categories in Xero to align with ATO reporting requirements. Utilize Xero's help resources or contact a certified advisor for setup guidance.

Conclusion
This document outlines key steps for preparing and submitting end of financial year (EOFY) payroll through Single Touch Payroll (STP) in Xero, including reportable Fringe Benefits Tax (FBT). By following these guidelines, you'll ensure compliance with ATO requirements. For any issues, refer to the troubleshooting section or reach out to KOnsult. Regular and proactive payroll management will help simplify your EOFY submission.

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