



# Payroll for beginners.

## **A 12-step checklist for setting up your small business payroll.**

Hiring staff is one thing, but paying them correctly can seem like a complex process.

To take the pressure off, we've put together this helpful checklist. Just tick off each step as you go and you should be on your way to a well-oiled payroll system.



# 1. Should you outsource or in-house?

Do you have time to handle payroll yourself? This may save you money and give you more control. Alternatively, you can outsource to a reputable bookkeeper, accountant or payroll service provider. My payroll will be done:

In house.

Outsource.

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## 2. Gather the employee records you need.

Essential information includes:

- Employee's full name, current address, tax file number.
- Employee's start date.
- The basis of their employment, e.g. full/part-time or casual.
- Wage or salary and deductions.
- Bonuses, allowances, benefits.
- Super amount and fund.
- Leave entitlements.
- Bank details, if you're paying by direct deposit.

Note: You should have most of the above as part of a thorough onboarding process.

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## 3. Check you're paying the correct wages/entitlements.

Make sure you're meeting the minimum entitlements for employees. Tick when you've read and understood the following:

- The national minimum wage.
- The National Employment Standards (NES).
- Awards.



**TIP:** Not sure what should be going into your employees' pay packets? If they're covered by a modern award, try using the Fair Work Ombudsman's Pay and Conditions Tool (PACT) to calculate their pay rate, shift work and leave entitlements.

## 4. Work out what tax you need to deduct from your employee's pay.

To stay on the right side of the ATO, you need to meet your [PAYG withholding obligations](#).

Don't know how much tax to collect? [The Tax withheld for individuals calculator](#) can help. Figure out the amount, then enter into the box below.

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## 5. Calculate your employee's super entitlement.

You'll need to identify which super fund will be used as the default for your employees if they don't have a preferred provider. [This is compulsory](#), so have this ready before they start.

Superannuation obligations include paying the [super guarantee](#). The ATO has a guarantee contributions tool that can help you work out the correct entitlement. Fill this out in the box below.

My super fund is:

The correct entitlement is:

Not sure whether you need to make super contributions?  
Use the [super guarantee eligibility decision tool](#) to check.

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## 6. Understand your obligations under Single Touch Payroll (STP).

[STP](#) means you are now required to report payroll information to the ATO in real-time with every pay run. The good news is the ATO has made [concessions](#) for micro-employers (1-4 employees) to help you get onboard.

I've read and understand my STP responsibilities.

## 7. Know the difference between an employee and contractor.

Employees and contractors are treated differently for tax and super purposes. Getting it wrong can incur penalties.

Not sure where a worker fits? Use the ATO's [employee/contractor decision tool](#).

I am employing:

Employee.

Contractor.

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## 8. Pick a payroll solution that works for you.

If you're managing payroll in-house you'll need, at minimum, a digital solution that can handle STP compliance. Beyond that, you can tick off the features that work best for you below:

- Accessible on the go.
- Can be adapted as your business grows.
- Handle recurring and ad-hoc payments.
- Reimburses expenses.
- Approves and tracks employee leave.
- Handles timesheets.
- Backs up your data securely.
- Is STP compliant.
- Has an easily available support team.
- Easy integration with your other software.
- Allows employees access to enter leave, timesheets, etc.

Note: You should have most of the above as part of a thorough onboarding process.



**TIP:** If you already use accounting software, it may come with payroll features built-in or as an add-on option.

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## 9. Decide how often you'll pay your employee/s.

Payment cycles can be weekly, fortnightly or monthly. Set reminders or schedule recurring payments by direct deposit to make sure you're never late.

My payment cycle will be:

Weekly.

Fortnightly.

Monthly.

## 10. Get across your pay slip responsibilities.

Pay slips must be issued to each employee:

- In electronic form or hard copy.
  - Within one working day of pay day.
  - With specific details included.
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## 11. Keep up-to-date records.

Under workplace laws you have to keep accurate and complete records for all of your employees for 7 years - even if they leave. Make sure your payroll solution regularly backs up your data.

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## 12. Ensure you're meeting privacy standards.

You'll be holding a lot of confidential information on your new staff, so it's vital to employ best practice privacy standards, regardless of whether you have your payroll in-house or not.

- My solution adheres to best practice privacy standards.
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Investing time upfront in a comprehensive payroll system is time well spent. The right system should help you meet your compliance obligations and avoid costly errors, simplify processes and keep your employees happy, leaving you free to focus on building your business.

Once filled in, keep this checklist handy and use it whenever you have payroll queries. For more helpful advice head to our Help for your small business hub.

Help when  
it matters

