

## Handling Disaggregation of Gross with Rolled Up Allowances under STP2 in Reckon – A Simpler Method.

This is a variation on how to handle rolled up allowances where the ATO requires the Gross to be disaggregated under STP2.

The method is simpler than the Reckon's currently published method, and some may find it more intuitive. Importantly, the "Hourly Rate" includes the allowances, so it can be used to calculate overtime, leave, cashed out leave and annual leave on termination. I will use this paper as a basis and explain how it works and the benefits of using this method. The Reckon method is below:

[Handling All purpose allowances with Overtime in Reckon Accounts 2023 - Reckon Help and Support Centre](#)

My method requires a new deduction to be added. What we want to achieve is:

- Set the Hourly Pay at the rolled-up rate of \$893.40 per week (\$23.51053 per hour). Overtime and leave are also based on this rate.
- Add the Tool and Industry Allowance as an allowance. This is to tell the ATO how much we are paying in these allowances.
- Deduct an amount for Tool and Industry Allowance as these amounts are already included in the Hourly Pay. This amount also deducts from the Taxable Pay and Gross reported to the ATO so everything reports and is taxed correctly.

Follow the Reckon paper for steps 1 and 2, then add this.

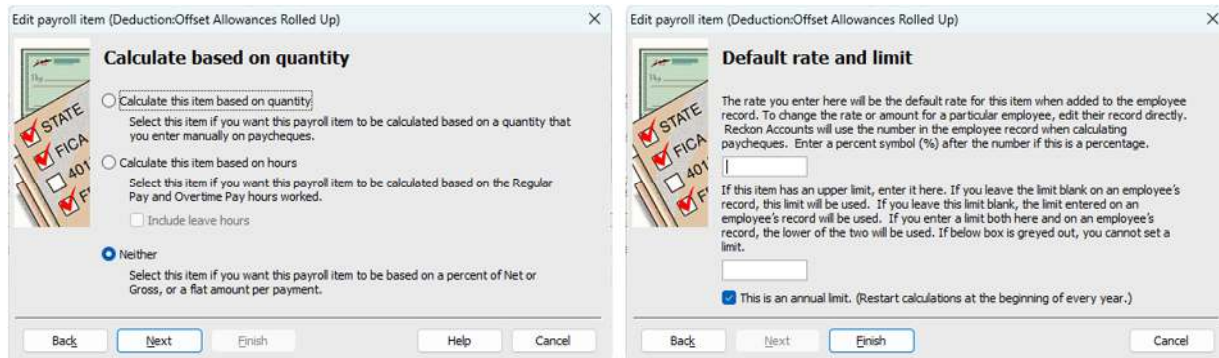
**Step 2a:** Create a new deduction to offset the allowances paid in the hourly rate.

The first screenshot shows the 'Name used in payments and payroll reports' section. The text 'Offset Allowances Rolled Up' is entered in the 'Enter the name for deduction:' field. Below it, there is a checkbox for 'Payroll item is inactive' which is unchecked. The second screenshot shows the 'Agency for employee-paid liability' section. The 'Liability account (employee-paid):' dropdown menu is set to 'Payroll:Gross Wages'. Both screenshots have 'Next' buttons highlighted in blue.

Note: For the Liability Account, choose the same expense account used for "Hourly Pay". This may be Payroll Expenses, Gross Wages or similar.

The first screenshot shows the 'Tax tracking type' section. The 'Gross Payments' option is selected in the dropdown menu. The second screenshot shows the 'Taxes' section. Three checkboxes are checked: 'Payroll Item', 'PAYG Tax', and 'State Payroll Tax'. A 'Default' button is visible to the right of the checkboxes. Both screenshots have 'Next' buttons highlighted in blue.

These settings are crucial to getting the tax and STP reporting correct. They may feel wrong but remember that this amount is negative and will reduce the taxable gross.



You can set a default rate here, but I generally leave this as blank and set the rate in the employee setup.

## The Variation

Here, we leave the Reckon example, and look at how the employee is set up. I have used the Reckon sample file for these screenshots.

Information for: Samantha Stone

Change tabs: Payroll and Compensation Info

**Payroll Info**

[What is a payroll schedule?](#)

Item Name	Hourly/Annual Rate
Hourly Pay	23.51053
Time and a Half	35.27

Use time data to create paycheques

Payroll Schedule: [Dropdown]

Pay Frequency: Weekly

Pay Method: Bank (Online)

Income Type: SAW - Salary and Wages

STP Tax Category: [Dropdown]

Class: [Dropdown]

Taxes...  
Leave Details...  
Direct Deposit  
Super Details...  
Raises & Promotions

Item Name	Amount	Limit
Tool Allowance	20.02	
Industry Allowance	33.28	
Offset Allowances Rolled Up	-53.30	

Note here, the Hourly Pay rate is the rolled-up rate of  $(\$840.10 + \$33.28 + \$20.002)/38 \text{ Hours} = \$23.51053$ . The overtime rates can be added here, or they can be added during the payrun as the rate is just 150% of the Hourly Pay rate.

The deduction "Offset Allowances Rolled Up", is the sum of the rolled-up allowances:  
 $\$20.02 + \$33.28 = \$53.30$ .

## The Payrun.

Review Paycheque

**Samantha Stone** Employee Number: 0003 Cheque No.:

Tax Code: 2-TFT Pay Period: 23/02/2024 - 22/03/2024

Income Type: SAW - Salary and ... Class:

Earnings			
Item Name	Rate	Hours	Customer:Job
Hourly Pay	23.51053	38:00	
Time and a Half	35.27	2:00	
Double Time	47.02		

Total Hours: 40:00

Other Payroll Items		Employee Summary (adjusted)	
Item Name	Rate	Quantity	
Tool Allowance	20.02		
Industry Allowance	33.28		
Offset Allowances Rolled Up	-53.30		

Company Summary		
Item Name	Amount	YTD
Super	98.27	98.27

Item Name	Amount	YTD
Hourly Pay	893.40	893.40
Time and a Half	70.54	70.54
Double Time	0.00	0.00
Tool Allowance	20.02	20.02
Industry Allowance	33.28	33.28
Offset Allowances Rolled Up	-53.30	-53.30
PAYG Tax	-149.00	-149.00
<b>Cheque Amount:</b>	<b>814.94</b>	

Available: Personal 54:00, Holiday 54:00, Other 1 0:00, Other 2 0:00

Accrued: Personal 2:00, Holiday 2:00, Other 1 0:00, Other 2 0:00

Do not accrue time  
 Advanced Hol. Payment

OK Cancel Help  Lock Net Pay  Unlock Net Pay

For the payrun, there is nothing tricky to do. You can see above that I have added Double Time and the rate has automatically calculated this at 200% of the Hourly Pay rate.

### Calculations:

PAYG Withholding is correctly calculated on the Hourly Pay (including the rolled-up allowances) plus the Time and a Half:  $\$893.40 + \$70.54 = \$963.94$ . Tax is correctly calculated at  $\$149$ . Super should be 11% of the Hourly Pay:  $\$893.40 \times 11\% = \$98.27$ . Net Pay is Hourly Pay + Time and a half – PAYG =  $\$893.40 + \$70.54 - \$149.00 = \$814.94$ . The Tool Allowance, Industry Allowance and Offset Allowances total zero and do not affect the calculations.

### STP Lodgement

The lodgement shows as follows:

Gross Pay	PAYG	Leave	Overtime	Allowances	Bonuses & Comm.	Directors Fees	Salary Sacrifice	Lump Sum	ETP	Deductions	Super
\$840.10	\$149.00	\$0.00	\$70.54	\$53.30	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$98.27

All of the items are accurately reflected.

### Accounts Affected

Payroll Item	Account	Debit	Credit
	ABC Bank		814.94
Hourly Pay	Gross Wages	893.40	
Time and a Half	Overtime	70.54	
Double Time	Overtime	0.00	
Super	Superannuation Expense	98.27	
Super	Superannuation Payable		98.27
Tool Allowance	Allowances	20.02	
Industry Allowance	Allowances	33.28	
Offset Allowances Rolled Up	Gross Wages		53.30
PAYG Tax	PAYG Withholding		149.00
		<u>1,115.51</u>	<u>1,115.51</u>

Note that Offset Allowances reduces the posting to Gross Wages: =  $\$893.40 - \$53.30 = \$840.10$

## Advanced Concepts

If you have staff that work variable part-time hours, you can set this screen in both the allowances and the offset allowance as based on quantity.

Edit payroll item (Addition:Industry Allowance)

### Calculate based on quantity

Calculate this item based on quantity  
 Select this item if you want this payroll item to be calculated based on a quantity that you enter manually on paycheques.

Calculate this item based on hours  
 Select this item if you want this payroll item to be calculated based on the Regular Pay and Overtime Pay hours worked.

For the employee setup, the rates put in for the allowances and deductions are the hourly amounts:

Additions, Deductions and Company Contributions

Item Name	Amount	Limit
Tool Allowance	0.52684	
Industry Allowance	0.87579	
Offset Allowances Rolled Up	-1.40263	

During the payrun, the hours worked are entered in the allowances to calculate the correct reporting of Tool Allowance and Industry Allowance.

Review Paycheque

**Samantha Stone** Employee Number: 0003 Cheque No.:  
 Tax Code: 2-TFT Pay Period: 16/03/2024 - 22/03/2024  
 Income Type: SAW - Salary and ... Class:

**Earnings**

Item Name	Rate	Hours	Customer:Job
Hourly Pay	23.51053	22.80	

Total Hours: 22.80

**Other Payroll Items**

Item Name	Rate	Quantity
Tool Allowance	0.52684	22.80
Industry Allowance	0.87579	22.80
Offset Allowances Rolled Up	-1.40263	22.80

**Employee Summary**

Item Name	Amount	YTD
Hourly Pay	536.04	1,429.44
Tool Allowance	12.01	32.03
Industry Allowance	19.97	53.25
Offset Allowances Rolled Up	-31.98	-85.28
PAYG Tax	-44.00	-193.00

Cheque Amount: 492.04

**Company Summary**

Item Name	Amount	YTD
Super	58.96	157.23

Buttons: OK, Cancel, Help,  Lock Net Pay,  Unlock Net Pay

## Graham Boast

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