



Expanding Single Touch Payroll (Phase 2)

For employers

The expansion of STP (also known as STP Phase 2) will reduce the reporting burden for employers who need to report information about their employees to multiple government agencies.

The mandatory start date for STP Phase 2 reporting will be 1 January 2022.

What's happening now?

There is nothing you need to do right now with us. We are working closely with digital service providers who will update their STP-enabled software. What you need to do will depend on the product you use and how you manage your payroll.

Your digital service provider will be in contact with you about the next steps. More information about applying for additional time (if required) to transition to STP Phase 2 will be provided soon.

What's not changing?

While you will need to report additional information in your STP report, there are many things which aren't changing, such as:

- the way you submit your STP report
- STP reports are still due on or before pay day unless you are eligible for a reporting concession
- the types of payments that are in-scope for STP reporting
- taxation and superannuation obligations
- end of year finalisation requirements.

Key changes

Employment conditions

The extra information you will include in your STP report will mean you no longer need to send us Tax File Number (TFN) Declarations – you will only need to keep them with your employee records.

This information includes:

- **Employment basis** – the work pattern or engagement relationship (for example, whether your employee is full-time, part-time or casual).
- **Tax treatment** – by reporting some extra information each payday, you'll help us identify the factors that influenced how you calculated the pay as you go withholding (for example, where your employee has notified you that they have a Study Training Support Loan).

You will also need to provide information if your employees cease employment that will reduce the need for you to provide them with separation certificates. This information will include a:

- **Cessation type** – you will need to provide a reason for the separation in your STP report (for example, if it was voluntary, a redundancy, or due to illness).

Child support garnishees and Child support deductions

You will have the option to include Child support garnishees and Child support deductions in your STP report. This will reduce the need for separate remittance advice reporting to the Child support registrar.

Income type and Country code

The reporting of income types and country codes is being introduced to identify payments you make to your employees with specific tax consequences and to make it easier for them to complete their individual income tax return. It will also help us identify where you are using a concessional reporting arrangement, such as for closely held payees.

Country codes will need to be reported about the home country of your employee who is either an inbound assignee or working holiday maker, or the host country of the employee who is an Australian resident working overseas.

Disaggregation of gross

Your STP report will separately itemise the components which make up the gross amount by the following payment types:

- bonuses and commissions
- directors fees
- paid leave
- salary sacrifice
- overtime
- allowances
- gross (other).

You will need to report all allowances separately, not just expense allowances that may have been deductible on your employee's individual income tax return.

Salary sacrifice

From 1 January 2020, salary sacrifice contributions can no longer be used to reduce ordinary time earnings or count towards your minimum superannuation obligations. You will need to report salary sacrificed amounts in your STP report.

Lump sums

Changes to how lump sum payments will be categorised include both the following:

- **Lump sum E** – a financial year indicator has been added, which will eliminate the need for you to provide lump sum E letters in most cases.
- **Lump sum W** – the return to work payment that occurs in extremely limited circumstances and is taxed concessionally (formerly reported in STP under Payee Gross) is now separately itemised under this new label.

Reporting previous Business Management Software IDs and Payroll IDs

You will now be able to provide us with previous Business Management Software IDs and Payroll IDs in your STP reports where there has been a change to one of these. This might occur when you have had a change of business structure or where you have changed software and do not have the ability to zero out or finalise the previous records.

This will help us reduce and fix issues with duplicate income statements for employees in ATO online.

Visit ato.gov.au/stp to find out more about Single Touch Payroll.

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations. If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

This information is current as at March 2021.

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