



Expanding Single Touch Payroll (Phase 2)

For employers

Single Touch Payroll (STP) Phase 2 will make it easier for employers who need to report information about their employees to more than one government agency. Services Australia will also use the data to improve services for their customers, who may be your employees.

Flexible transition

STP Phase 2 reporting started from 1 January 2022, with employers transitioning to the new system from that date.

When you transition will be based on your product readiness and individual circumstances:

- **If your product is ready** – start STP Phase 2 reporting. Follow your digital service provider's (DSP's) instructions on the steps you need to take.
- **If your product is not ready** – DSPs who need more time to update their products to support STP Phase 2 reporting applied for a deferral which covers their customers. Your DSP will let you know if they have a deferral and when it's time for you to start STP Phase 2 reporting.

Benefits of STP Phase 2

Benefits for employers

- You no longer have to send us your employees' TFN declarations. Your employees will still provide them to you, but you only need to keep them with your employee records.
- You can tell us if you're using concessional reporting options by reporting income types, such as for closely held payees or for inbound assignees.

- You don't need to give your employee a lump sum E letter when you make a lump sum E payment where you have reported this information through STP.
- Services Australia will streamline requests for you to provide or confirm employment and payroll information about your employees.

Benefits for employees

- Tax time will be easier for employees as we'll have better visibility of the types of income they've received and where to pre-fill it on their tax returns.
- Over time, we'll use the new information reported to tell employees if they've given you incorrect information that may lead to them getting a tax bill.
- Services Australia will use the information to improve their services over time, by pre-filling details they already know, and contacting customers less.

What isn't changing

While you'll report additional information in your STP report, many things will stay the same, such as:

- how and when you lodge
- the types of payments you need to report
- tax and super obligations
- end of year finalisation requirements.

Key changes

Disaggregation of gross

Your STP report currently includes a gross amount. This is the total of many different components and payment types. Because some of these are treated differently for social security purposes, you'll now report these in more detail.

Employment and taxation conditions

There are many factors that influence how you manage your employees in your payroll. These include:

- their employment basis
- the information on their TFN declaration
- details of when and why they leave.

You currently provide this information in different ways and on different forms.

STP Phase 2 streamlines this process by including the information in your STP report.

Income types

Income types are being introduced in Phase 2 to help us identify:

- payments you make to your employees with specific tax consequences
- where you are using a concessional reporting arrangement.

Country codes

Sometimes you'll need to report a country code. For example, if you make a payment to an Australian resident working overseas, you need to provide information about the host country.

Other changes

You may be able to include child support garnishees and deductions in your STP report. This will reduce the need to give separate remittance advices to the Child Support Registrar.

You may have the option to provide us with previous Business Management Software IDs and Payroll IDs in your STP report. For example, when you've changed your business structure or software. Providing this information will help us reduce and fix issues with duplicate income statements for employees in ATO online services.

These features are optional, and not all STP-enabled products will offer them.

What's next

Your DSP will let you know when your STP-enabled product is ready to support Phase 2 reporting, and what you need to do. You can start preparing now, by:

- reviewing the STP Phase 2 employer reporting guidelines – see ato.gov.au/stp2guide
- reviewing your business and payroll processes
- visiting ato.gov.au/stp2 and ato.gov.au/stpresources for more information.

If you need more time to get ready for STP Phase 2 reporting, you can apply for more time – see ato.gov.au/delayedstp2transitions.

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 2022.

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