BUSINESS BULLETIN — AUTUMN 2022

SINGLE TOUCH PAYROLL PHASE TWO – STP2.

Single Touch Payroll was first introduced on 1/7/18 or 1/7/19 depending on the number of employees you have and no doubt you are now well acquainted with the system. The government announced in the 2019/20 Budget that the Single Touch Payroll (STP) process would be expanded to include additional information that will assist the administration of the social security system and reduce some elements an employer needs to report to other government agencies (eg Services Australia and Child Support Agency). STP 2 is the result of that expansion.

What is STP2?

Single Touch Payroll Phase 2 (STP 2) is a sweeping change to the existing Single Touch Payroll (STP) system that has been in operation for a few years now. The government require you to adopt STP 2, it is not optional. There are some minor efficiency gains for employers and informational gains for employees, but the key outcome is the sharing of payroll data with a number of other government departments to improve delivery of government services; initially Services Australia and the Child Support Agency but potentially Fair Work Australia and others over time. In order to achieve the objectives of STP 2 a huge amount of additional information needs to be accurately extracted from payroll systems and transmitted with each pay run.

KEY DATES

21 MARCH
Due date for February monthly Activity Statements

21 APRIL
Due date for March monthly Activity Statements

28 APRIL
Due date for Superannuation Guarantee contributions

28 APRIL
Due date for 3rd Quarter Activity Statements (if lodging by paper)

21 MAY
Due date for April monthly Activity Statements

21 MAY
FBT annual return – due for lodgement for some employers

26 MAY
Due date for 3rd Quarter Activity Statements (if using a BAS Agent or Tax Agent)

28 MAY
Due date for Superannuation Guarantee Charge Statement if you failed to meet your 28 April contribution obligations on time)

Key Dates

The commencement date for STP Phase 2 reporting was 1 January 2022.

However, the ATO have advised, they are working with digital service providers (DSPs) that provide the payroll software solutions and as the DSPs update their payroll solutions to support the STP Phase 2 reporting, businesses can join STP 2 reporting as their payroll solution gets upgraded.

If a Digital Service Provider's software is not ready for use by 1 January, the provider (the software company) will negotiate with the ATO for a later implementation end date for all its users. You may need to contact your service provider to identify that company's STP2 rollout date as each payroll solution will be different.

Due to these DSP negotiations, there is no need for you to seek any deferral confirmation directly from the ATO until such time as that DSP deferral deadline has passed.

This allows you the time to transition to STP Phase 2 reporting when your software solution is ready. As noted, many of the major suppliers of payroll software have indicated they will not be ready from 1 January 2022 and have agreed with the ATO on some deferral dates. Here is a list of larger DSPs intended commencement dates current at the time of writing:

Intuit/QBO	Have secured a deferral for all customers and partners to start STP Phase 2 reporting from 1 March 2022
MYOB	Have secured a deferral for all customers and partners to start STP Phase 2 reporting from 1 January 2023.
Reckon	Have secured a deferral for all customers and partners to start STP Phase 2 reporting from 1 January 2023.
Xero	Have secured a deferral for all customers and partners to start STP Phase 2 reporting until 31 December 2022

Effect on Employees

The fundamental basis of STP 2 is that more payroll data is being transmitted to more government departments who will rely on that data for their proper administration. This means that should there be a mistake with an employee's payroll, the flow on impact to the employee could be large. It is important that employers understand the complexity of this new system and seek assistance as necessary to avoid any mistakes.

Effect on Employers

Should employers undertake the processing of their own payroll there will be two broad challenges to overcome. Firstly, understanding the payroll changes in your software system. Secondly there needs to be a working knowledge of the newly created STP 2 labels and codes (see below). It is fair to say that the software will not automatically deal with the changes, the behind the scenes set up will be crucial to ensure correct data is transmitted.

The necessary payroll skill requires an understanding of what information is sought in each of the STP 2 labels. There are quite a lot of labels and codes that need to be correctly chosen from to properly process payroll under STP 2 here is the list:

• Employment Basis – 7 codes	•	Cessation Type – 7 codes
• Employment Category – 10 codes	•	Tax Treatment – 9 codes
• Medicare Surcharge – 3 tiers	•	Medicare Levy Exemption/Reduction – 2 codes
• Study & Training Support Loans – 2 codes	•	Income Stream Types – 10 choices
• Paid Leave Types – 6 choices	•	Allowance types – 10 choices
• Salary Sacrifice – 2 types	•	Lump Sum – 6 types
• Eligible Termination Payments – 8 types	•	Deductions – 4 types

• Superannuation Entitlements – 3 codes	• Reportable Fringe Benefits – 2 types

Some of the options chosen in STP 2 payroll processing affect your employee's Services Australia entitlements, Child Support Agency position or income tax outcome so care needs to be exercised in understanding the different codes selected.

Implementing STP 2 – Checklist

It is important to plan for STP 2 well in advance as it will take time to get across both the knowledge and set up needed. Here is an idea of the steps that could be taken.

- **Implementation Timetable:** STP 2 is operative from 1 January 2022 and your implementation date is driven by two things: The readiness of your chosen software and your operational preparedness to implement STP 2; set a timeline that captures both. Extensions are available if your software provider is not ready, or if you or your BAS Agent need more time to implement STP 2 in your business, an extension can be gained through Online Services (ATO).

- **Payroll Software:** Select your Payroll Software (DSP*) to implement STP 2; (*ATO acronym: DSP = Digital Service Provider). All existing mainstream payroll suppliers have indicated they are or will be approved STP 2 DSPs with the ATO. Your DSP will keep you informed as to software availability and each will provide guidance on operation of their software. Familiarize yourself with the operation of the new features inherent in their STP 2 software.

- **Inform Your Employees:** Your employees will be impacted by STP 2 many will be unfamiliar with it. You should contemplate providing your employees with additional STP2 information.

- **Assign Payroll Roles:** There are two key roles to assign:

  - Implementation of STP 2 across your business: Employee payroll files need to be properly configured in terms of the STP 2 codes and labels. If commencing part way through a financial year you will need to select either the Replace Payroll ID or Hybrid methods. Procedures need to be established around capturing the correct employee payroll data to be able to operate the new software. A methodical and considered approach to set up and configuration of STP 2 will get you off on the right foot.

  - Continued Payroll Processing of your business's payroll: You need to assign personnel, employed (or contracted), that possess the necessary payroll and software skills that will be capable of properly processing your payroll.