Single Touch Payroll Phase 2 employer reporting guidelines

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/
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Single Touch Payroll Phase 2 employer reporting guidelines

Single Touch Payroll (STP) is the way you report your employee's tax and super information to the ATO.

These guidelines aim to help you understand what is required for STP Phase 2 reporting through your STP Phase 2 enabled software.

Most employers are now reporting through STP. You will need to start reporting if you have not transitioned yet unless you:

- have an exemption
- have a deferral.

STP is part of the government's commitment to streamlining employer reporting obligations. It was legislated on 16 September 2016 as part of the Budget Savings (Omnibus) Act 2016.

See also:

- Single Touch Payroll Phase 1 Employer Reporting Guidelines

In this content:

Definition of terms

These terms are used in these guidelines.

- Digital service provider (DSP) – those who develop or deliver digital services that help the community (and business) meet their tax and super obligations.
- Pay event – the file generated by an STP-enabled software or solution. This file must be lodged to us on, or before, the payment date when an employer makes a payment to an employee or payee that is subject to withholding.
- Update event – the service that allows an employer to transition to STP and correct or finalise STP data to us. This does not include employees that are paid payments subject to withholding (pay event).
- STP report or reporting – used for reporting either
  - a pay event (upon payments subject to withholding), or
  - an update event (upon transition, correction or finalisation).

- BMS ID – a business management software identifier that uniquely identifies the source of employee data sent to us as a specific instance of payroll software.
- Payee payroll ID – a key identifier that represents each employee in the payroll that, in conjunction with payee details and the tax file number (TFN), enables us to uniquely identify the taxpayer.
- Income statement – the ATO equivalent of an employer-issued payment summary. It contains the latest year to date (YTD) STP data reported by employers. It is made available by the ATO through ATO online services accessed through myGov. If an employee does not have a myGov account they can create one and link it to the ATO.
- Finalise – when an employer must make a declaration to us that they have provided all the information for each employee for a financial year. This is done by providing the finalisation indicator as a part of an employee's STP report.

Expansion of STP (Phase 2)

In the 2019-20 Budget, the government announced that STP would be expanded to include additional information.

Including this additional information will:

- reduce the reporting burden for employers who need to report information about their employees to multiple government agencies

- support the administration of the social security system.

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

We are working with digital service providers that are updating their solution to support Phase 2 reporting. Your provider will let you know when your solution is ready.

Some digital service providers, despite their best efforts, will need more time to get ready and transition their customers. They will advise if we have approved a deferral for you to start reporting later than the mandatory start date.

If you can transition to STP Phase 2 reporting when your solution is ready then you do not need to ask us for more time, even after 1 January 2022.

If you need more time in addition to your digital service provider's deferral, you must apply. We are accepting applications from 1 October 2021 and will provide more information soon about how to apply.

How STP works

STP works by sending tax and super information from your STP-enabled payroll or accounting solution to us as you run your payroll.

This has not changed with Phase 2.

Your STP Phase 2 solution will send us a report with the information we need from you, such as:

- details of the remuneration you pay
    - the type of income it is for the employee (such as salary and wages or working holiday maker income)
    - the components which make up the amounts (such as gross pay, paid leave, allowances or overtime)

- details of your pay as you go (PAYG) withholding
    - the amounts you have withheld from payments you make
    - information about how you calculated the amount, which you currently provide to us by sending a copy of the employee’s TFN declaration

- super liability information.

This guide provides information on:

- mandatory reporting
- voluntary reporting
- payments that are out of scope and cannot be reported through STP.

These have not changed under Phase 2.

There are rules about:

- how to report employment and taxation information through STP Phase 2
- reporting the amounts you have paid
- other components of your STP reporting
- when an employee transfers or leaves.

You can also make corrections to your employees' YTD amounts in your next pay event, or through an update event. This is explained in correcting information reported through STP.

How you send STP information to us depends on the solution you use.

Find out about:

- Transitioning from STP Phase 1 to STP Phase 2 reporting

See also:

- What is STP
- How to report

Transitioning from STP Phase 1 to STP Phase 2 reporting

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=2
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Once your STP solution is upgraded to offer Phase 2 reporting you can transition at any time throughout a financial year.

The way you transition from STP Phase 1 to STP Phase 2 reporting will depend on your circumstances and the solution you use.

You should follow your digital service provider's instructions to upgrade your solution. Your digital service provider will tell you if you need to take any other steps, such as re-mapping pay codes.

If transitioning to STP Phase 2 reporting means you also need to change your payroll solution, see Changing your payroll solution or employees' Payroll IDs during a financial year.

If full YTD data is not available

As you report YTD information through STP, it means you need to have relevant data available from the start of the financial year in order to report in the new STP Phase 2 format.

We understand that there are circumstances which mean it won't be possible for some employers to have all this data available if they are transitioning to STP

Phase 2 in the middle of a financial year. In this situation we don't expect you to create that data by reprocessing your payroll or creating new STP reports for periods you have already correctly reported using STP Phase 1.

We have introduced two concessional methods to assist employers in this situation transition to STP Phase 2 reporting. You should seek your DSP's advice and follow their instructions about:

- whether these methods are appropriate to use with your payroll solution
- how to implement these methods within your payroll solution.

You can only use these methods in the financial year that you transition from STP Phase 1 to STP Phase 2.

The hybrid disaggregate method

In STP Phase 1, you reported a single Gross amount which was made up of several different payment types. In STP Phase 2, many of these need to be separately reported.

Using this method, you do not need to separate the Gross amount already reported through STP Phase 1 into its STP Phase 2 disaggregated components. This means that, for the remainder of the financial year when you transition, your STP reporting is a hybrid between STP Phase 1 and STP Phase 2.

However, amounts relating to pay dates after you transition to STP Phase 2 must be correctly reported using STP Phase 2. This means that where amounts need to be separately reported, or reported in a different way detailed in these guidelines, you must do so.

If you choose to use this method, you must:

- ensure your STP Phase 1 reporting is complete and that you have made any corrections that are required
- assign your STP Phase 1 Gross amount to the most appropriate income type (and if required for that income type, the most appropriate country code) in your STP Phase 2 reporting
- assign any allowances that are separately identified in STP Phase 1 to the most appropriate equivalent in STP Phase 2 (if you cannot fully disaggregate them)
- ensure that you have set up your payroll solution so that you are reporting correctly in STP Phase 2 moving forward.

Example: the hybrid disaggregate method

John employs one staff member to work in his shop. The staff member earns ordinary salary and wages, and sometimes they work overtime.

In STP Phase 1 reporting, John did not need to separately identify what was ordinary salary and wages and what was overtime. To meet his STP Phase 1 reporting requirements, John stored only the information that was needed for the STP Phase 1 report – gross pay.

For the period 1 July to 31 December 2021, John has paid his staff member $26,000, consisting of:

- $23,000 of ordinary salary and wages
- $3,000 of overtime.

John has correctly reported $26,000 as the Gross YTD amount in his STP Phase 1 report.

John transitions to STP Phase 2 reporting on 1 January 2022. STP Phase 2 reporting requires separate reporting of ordinary salary and wages (gross) and overtime. John changes the way he captures his payroll information so that both are available for his STP Phase 2 reporting. However, he isn't able to retrospectively separate the $26,000 he has already reported through STP Phase 1 into its components.

John chooses to use the hybrid disaggregate method to transition to STP Phase 2 reporting.

For the period 1 January to 30 June 2022, John has paid his staff member $24,000, consisting of:

- $23,000 of ordinary salary and wages
- $1,000 of overtime.

John correctly reports these components in his STP Phase 2 report.

At the end of the year, John's employee has one income statement available for their tax return, which shows for the Salary and Wages (SAW) income type:

- Gross: $49,000 (which is made up of $26,000 John reported through STP Phase 1 and $23,000 he reported through STP Phase 2)
- Overtime: $1,000 (which is the overtime John reported through STP Phase 2).

The replacing payroll IDs method

Your payroll solution will generate your STP report for your pay cycle by ABN, branch and BMS ID. We use this combination of information, together with the payroll IDs you report, to identify when we need to display a separate income statement to your employees. We will display a separate income statement for each combination.

This means changing the payroll IDs for your employees is a way to separately finalise your STP Phase 1 reporting and restart from zero using STP Phase 2 because a separate income statement will be displayed for each.

Before deciding to use this method, you should consider whether it is appropriate for your circumstances. Factors which may influence this include:

- How many employees you need to change the payroll ID for, and the work needed for you to do this in your payroll solution
- Whether it may cause you to exceed the limits of your payroll solution's subscription, plan or pricing tier
- Whether the payroll ID is used elsewhere in your business that may result in adverse consequences if it is changed.

If you choose to use this method to transition to STP Phase 2, you must:

- ensure your STP Phase 1 reporting is complete and that you have made any corrections that are required
- finalise your STP Phase 1 reporting for each employee
- follow your DSPs instructions for:
  - upgrading your payroll solution to enable STP Phase 2 reporting, and
  - changing your employees' payroll IDs within your solution.

Example: the replacing payroll IDs method

Tracey employs one staff member to work in her shop. They are recorded in her payroll system with the payroll ID 1234. The staff member earns ordinary salary and wages, and sometimes they work overtime.

Tracey didn't need to separately identify what was ordinary salary and wages and what was overtime in her STP Phase 1 reporting. To meet her STP Phase 1 reporting requirements, she captured only the information that was needed – gross pay.

For the period 1 July to 31 December 2021, Tracey has have paid her staff member $26,000, consisting of:

- $23,000 of ordinary salary and wages
- $3,000 of overtime.

Tracey has correctly reported $26,000 as the YTD amount in her STP Phase 1 report at the label Gross.

On 1 January 2022, Tracey makes sure her STP reporting is complete and finalises her STP Phase 1 reporting for her employee.

Later that same day, Tracey transitions to STP Phase 2 reporting by following her DSP's instructions for upgrading to a new version of her payroll solution. She changes her employee’s payroll ID to 1235.

For the period 1 January to 30 June 2022, Tracey pays her staff member $24,000, consisting of:

- $23,000 of ordinary salary and wages
- $1,000 of overtime.

At the end of the year, Tracey's employee has two income statements available for their tax return:

- One income statement from STP Phase 1 for payroll ID 1234 covering the period from 1 July to 31 December, showing:
  - Gross: $26,000

- One income statement from STP Phase 2 for payroll ID 1235 covering the period from 1 January to 30 June, showing:
  - Gross: $23,000
  - Overtime: $1,000.

Find out about:

- How to report employment and taxation information through STP Phase 2

How to report employment and taxation information through STP Phase 2

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=3
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There are many factors to help you work out the correct amount to withhold from your employees' pay. These may be based on information they provide in their TFN declaration or withholding declaration, or their employment information.

You must now report this information in each STP report, reflecting any changes to their employment basis.

You already provide some of this employment information to us, such as your employees' commencement and cessation dates. Other information is provided to us and other government agencies through other forms such as TFN declarations and employment separation certificates.

By including this information in your STP report, in most cases you will no longer need to send TFN declarations to us or provide employment separation certificates when your employees leave.

You do not need to get new TFN declarations from your current employees to start reporting through STP Phase 2. Any new employees still need to provide you with their TFN declaration that you need to keep for your records.

Identifying employees in your STP report

You must provide either a TFN or Australian business number (ABN) for each payee included in your STP report. If you have not been provided with the employee's TFN you must use the TFN exemption codes.

When you report a payment and withholding for a contractor under the voluntary agreement (VOL) income type, you must provide the contractor's ABN. The contractor's TFN is not required.

If a payee is a contractor and employee with the same payroll ID within the same financial year you must report both their ABN and TFN.

Commencement date

You must report your employees' commencement date. If you do not know their commencement date, you can report a default date of 01/01/1800.

Employment basis

You must report information about your employees' employment basis according to their work type.

- Full time (F) – a person who is engaged for the full ordinary hours of work as agreed between the payer and the payee and/or set by an award, registered agreement or other engagement arrangement. A full-time payee has an expectation of continuity of the employment or engagement on either an ongoing or fixed term basis.
- Part time (P) – a person who is engaged for less than the full ordinary hours of work, as agreed between the payer and the payee and/or set by an award, registered agreement or other engagement arrangement. A part time payee has an expectation of continuity of the employment or engagement on either an ongoing or fixed term basis.
- Casual (C) – a person who does not have a firm commitment in advance from a payer about how long they will be employed or engaged, or for the days or hours they will work. A casual payee also does not commit to all work a payer may offer. A casual payee has no expectation of continuity of the employment or engagement.
- Labour hire (L) – a contractor who has been engaged by a payer to work for their client. Income for contractors only, does not include employees.
- Voluntary agreement (V) – a contractor with their own ABN who has entered into a voluntary agreement with a business to bring work payments into the PAYG withholding system. To do this a contractor would normally complete a Voluntary Agreement for PAYG Withholding form.
- Death beneficiary (D) – the recipient of an employment termination payment (ETP) death beneficiary payment who is either a dependant, non-dependant or trustee of the estate of the deceased payee.
- Non-employee (N) – a payee, such as a contractor, who is not in scope of STP for payments but may be included in STP for voluntary reporting of superannuation liabilities only.

An employee may have one payroll ID, but more than one employment basis. For example, if an employee has multiple active employment contracts or engagements with you. In this case, if your employee has:

- multiple work patterns, report the first from this list that applies
  - full time
  - part time
  - casual
- a labour hire employment basis and a work pattern, report labour hire
- a death beneficiary employment basis and a work pattern, report the work pattern.

Tax treatment

Your STP Phase 2 report will include a six-character tax treatment code for each employee. The tax treatment code is an abbreviated way of telling us about factors that can influence the amount you withhold from payments to your employees

Reporting this information through your STP report means that when your employees give you a TFN declaration you no longer need to send a copy to us. It will also allow us to notify your employee if they have provided you with incorrect information which may lead to them getting a tax bill at the end of the year.

Your STP solution will automate the reporting of these codes and ensure that the tax treatment code you report is valid. Even though the creation of this code will be automated for you, it is still part of your STP report. It is important for you to understand what it means.

This table shows the components of the tax treatment code.

Category of tax (character 1)	Options per category (character 2)	Are study and training support loans (STSL) (character 3) and Medicare levy variations (MLV) (characters 4-6) permitted?
R (regular)	• T (tax-free threshold) • N (no tax-free threshold) • D (daily casuals)	STSL is only permitted for T (tax-free threshold) or N (no tax-free threshold). Report S at character 3. Otherwise report X at character 3. MLV is only permitted for T (tax-free threshold). Refer to tax tables for when different kinds of variation are permitted. • If Medicare levy surcharge variation is claimed, then at character 4 report the tier level (1, 2 or 3) or X if not applicable. • If Medicare levy exemption is claimed, then at character 5 report half (H), full (F) or X if not applicable.

		• If Medicare levy reduction is claimed, then at character 6 report ◦ number of dependents (0 for spouse only ◦ 1-9 for dependent children ◦ A for 10 or greater dependent children), or ◦ X if not applicable.
A (actors)	• T (tax-free threshold) • N (no tax-free threshold) • D (daily performances) • P (promotional activity)	• No STSL or MLV permitted • Report XXXX
C (horticulturists and shearers)	• T (tax-free threshold) • F (foreign tax resident)	• No STSL or MLV permitted • Report XXXX
S (seniors and pensioners)	• S (single) • M (married) • I (illness separated)	• STSL is permitted for all. Report S at character 3 if applicable. Otherwise report X at character 3. • MLV is permitted for all, but Medicare levy reduction cannot be claimed for a spouse for single (S). Refer to tax tables for when different kinds of variation are permitted. • If Medicare levy surcharge variation is claimed, then at character 4 report the tier level (1, 2 or 3) or X if not applicable. • If Medicare levy exemption is claimed, then at character 5 report half (H), full (F) or X if not applicable. • If Medicare levy reduction is claimed, then at character 6 report number of dependents ◦ (0 for spouse only ◦ 1-9 for dependent children

		◦ A for 10 or greater dependent children), or ◦ X if not applicable.
H (working holiday makers)	• R (employer is a registered working holiday maker employer) • U (employer is an unregistered working holiday maker employer) • F (if the working holiday maker has not provided a TFN declaration)	• No STSL or MLV permitted • Report XXXX
W (seasonal worker program)	• P (seasonal worker program)	• No STSL or MLV permitted • Report XXXX
F (foreign resident)	• F (foreign tax resident)	• STSL only, no MLV permitted • If STSL applies, report SXXX. • If no STSL applies, report XXXX
N (no TFN)	• F (foreign tax resident) • A (Australian tax resident)	• No STSL or MLV permitted • Report XXXX.
D (ATO-defined)	• V (ATO approved downwards variation) • B (death beneficiary) • Z (non-employee)	• No STSL or MLV permitted • Report XXXX.

V (voluntary agreement)	• C (Commissioner's instalment rate) • O (other withholding rate)	• No STSL or MLV permitted • Report XXXX.

You can't report all possible combinations from the table above because sometimes the characters represent options which are not available in all circumstances. For example, if you have a full Medicare levy exemption, you can't also have a Medicare levy reduction.

Example: tax treatment code

Hamid has given a TFN declaration to his employer. He has claimed the tax-free threshold and notified his employer that he has a study and training support loan. He has not asked his employer to vary the amount withheld from his pay for the Medicare levy.

When Hamid's employer reports the salary and wages that she pays to Hamid through STP, she includes a tax treatment code.

The tax treatment code she reports is RTSXXX, which represents:

- R = regular employee, as Hamid's employer knows he is not receiving any other income type.
- T = tax-free threshold, as Hamid has claimed the tax-free threshold in his TFN declaration.
- S = study and training support loan (STSL), as Hamid has notified his employer in his TFN declaration that he has a STSL.
- X = not applicable, as Hamid has not asked his employer to vary the amount withheld due to Medicare levy surcharge.
- X = not applicable, as Hamid has not asked his employer to vary the amount withheld due to a Medicare levy exemption.
- X = not applicable, as Hamid has not asked his employer to vary the amount withheld due to a Medicare levy reduction.

Annual tax offset amount

Your employee may have given you a Withholding declaration which claims an offset amount to reduce the amount you withhold from their pay. You will need to report the amount claimed in your STP Phase 2 reporting.

The annual tax offset amount only applies to regular employees who have claimed the tax-free threshold (meaning you can only report this for employees that you report a tax treatment code beginning in RT).

Find out about:

- Reporting the amounts you have paid

Reporting the amounts you have paid

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=4
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STP Phase 2 doesn't change the payments you need to report through STP, but it does change how those amounts need to be reported.

These changes will make it easier to identify amounts that have specific tax, super or social security treatments. It will also help us with pre-fill, which will make it easier for your employees when they lodge their individual income tax return.

Income types

Each amount you pay to an employee will now be assigned to an income type, and you can report amounts assigned to multiple income types throughout the year.

The reporting of income types helps us identify when:

- the employee's income may be taxed differently (such as for working holiday makers)
- you are using a concessional reporting arrangement (such as for closely held payees)
- there may be other factors influencing the amounts you are reporting (such as foreign tax obligations and applicable tax treaties).

Income types that you can assign payments to are:

- SAW (salary and wages) – this is the most common income type and was formerly known as individual non-business (INB)
- CHP (closely held payees) – applies when the payee is directly related to the employer, such as family members. If you are using the concessions available to closely held payees, you must report these payments under this income type. This type of income was formerly included in SAW.
- WHM (working holiday makers) – applies to temporary visitors to Australia who hold a Working holiday visa (subclass 417) or Work and holiday visa (subclass 462).
- FEI (foreign employment income) – applies to assessable income paid to payees (who are Australian tax residents) that is subject to tax in another

country for work performed in that country, if the qualification period is met. There are rules for reporting Foreign Employment Income.
- IAA (inbound assignees to Australia) – some multinational payers exchange, or transfer, payees between affiliated entities in different tax jurisdictions. If you are using the concessions available to inbound assignees to Australia, you must report these payments under this income type. This type of income was formerly included in SAW.
- SWP (seasonal worker programme) – applies to regional programmes for government-approved employers, administered by the Department of Employment, Skills, Small and Family Business. This type of income was formerly included in SAW. This does not include workers under the Pacific Labour Scheme which are recorded as SAW.
- JPD (joint petroleum development area) – before 1 July 2020 only.
- VOL (voluntary agreement) – applies to contractors paid under a Voluntary agreement.
- LAB (labour hire) – applies to payments by a business that arranges for persons to perform work or services, or performances, directly for clients of the entity. Income for contractors only – does not include employees. Employees of labour hire firms should be reported as the relevant income type, such as SAW.
- OSP (other specified payments) – this is a limited income type that only applies to specified payments by regulation 27 of the *Taxation Administration Regulations 2017*.

Different payroll solutions will handle changes to income types differently. If you need to change an income type during the year, you should follow your digital service provider's instructions.

Example: income type reporting

Backpacker Farms Pty Ltd employs Jane, who is from Europe and has come to Australia on a working holiday maker visa. They include the amounts they pay to Jane in their STP reporting under the income type of WHM (Working Holiday Maker).

Jane's working holiday maker visa is about to expire, and she applies for a different type of visa that will allow her to remain in Australia. She is granted a new visa which comes into effect on 1 February.

The payroll solution used by Backpacker Farms Pty Ltd enables the same payroll ID to have multiple income types. When they pay Jane after 1 February, they include a YTD amount against the WHM income type that is the amount they paid Jane before 1 February, and another YTD amount against the SAW income type that is the amount they paid her after 1 February.

At the end of the financial year, Jane logs in to ATO online services to complete her tax return. She is able to easily identify the amount she needs to report as working holiday maker income, which is taxed differently, because her income statement shows the amount she earned as a working holiday maker before 1 February and also the amount she earned as regular salary and wages after 1 February.

Note: if your payroll solution requires you to use separate payroll IDs for different income types then your employee will see separate income statements in ATO online services.

Country code

You must report a country code when you make payments to employees with the following income types:

- foreign employment income (FEI)
- inbound assignees to Australia (IAA)
- working holiday maker (WHM).

If you make a payment to an Australian resident working overseas, you must provide information about the host country.

If you make a payment to a working holiday maker or inbound assignee, you must provide information about their home country.

Disaggregation of gross

In STP Phase 1, the gross amount you reported contained different types of amounts depending on the particular income type. This approach has changed in STP Phase 2 and all payment types are now reported consistently for each income type.

Instead of reporting a single gross amount, you will now separately report:

- gross
- paid leave
- allowances
- overtime
- bonuses and commissions
- directors' fees
- lump sum W
- salary sacrifice.

There are rules about which separately reported amounts can be included against each income type.

If your employee has an effective salary sacrifice arrangement, you previously would have reported post-sacrifice amounts to us. This changes as part of STP Phase 2. You now need to report pre-sacrifice amounts, as well as reporting salary sacrifice separately.

Your digital service provider will advise you on how to implement this change in your solution.

Gross

All remuneration you pay to employees that is reportable through STP, and is not separately itemised, should be reported as Gross.

Only pre-sacrifice amounts that are classified as ordinary time earnings (OTE) should be included as gross.

If you are making a back payment or arrears payment, it may be included as gross.

The following table outlines examples of what should and shouldn't be included as gross reporting.

Should be included as gross	Shouldn't be included as gross

• Ordinary hours worked
• Casual loading
• Shift penalties (including public holiday penalties)
• Payments to employees on Workers' compensation who are at work performing duties
• Piece rates for work done during ordinary hours
• Daily rates for employees compensated using a flat daily rate
• Flexi time
  ◦ all ordinary hours paid to employees under a flexi time arrangement are part of gross
  ◦ flexi time arrangements are considered different to RDOs and TOIL
 	
• Breach of rest break payments. When an employee does not get an appropriate rest break between shifts, some awards require employees to be paid at overtime rates until the employee is released from duty – even though the employee is being paid at overtime rates, they are working ordinary hours and payment is reported as gross
• Time for travel or training paid within the span of ordinary hours
• Charge rates for work performed, outcomes achieved, or targets met by contractors
	• Rostered Days Off (time taken) paid at ordinary rates. This payment type must be reported as Paid Leave Type–O (Other Paid Leave)
	• Time Off in Lieu absence taken and paid at ordinary rates. This payment must be reported as Paid Leave Type–O (Other Paid Leave)
	• The following types of payments that are now reported separately:
	  ◦ paid leave
	  ◦ allowances
	  ◦ overtime
	  ◦ bonuses and commissions
	  ◦ directors' fees
	  ◦ lump sum W
	  ◦ salary sacrifice

Paid Leave

You will now need to separately report the following leave payments made to your employees in your STP Phase 2 report:

- other paid leave (paid leave type O)
- paid parental leave (paid leave type P)
- workers' compensation (paid leave type W)
- ancillary and defence leave (paid leave type A)
- cash out of leave in service (paid leave type C)
- unused leave on termination (paid leave type U)

You don't need to report unpaid leave through STP as there is no payment to report.

Other paid leave (paid leave type O)

All forms of paid absences should be reported as Other paid leave (paid leave type – O) unless they are required to be itemised using another leave type.

Only pre-sacrifice amounts that are classified as OTE should be included as other paid leave.

If you are making a back payment or arrears payment, it may be included in other paid leave.

The following table outlines examples of what should and shouldn't be included in other paid leave reporting.

Should be included as other paid leave	Shouldn't be included as other paid leave
• Annual leave and leave loading • Long service leave • Personal/carer's leave • RDOs (time taken and paid at ordinary rates) • TOIL (time taken and paid at ordinary time) • Compassionate and bereavement leave • Study leave • Family and	• Leave loading that is clearly linked to a notional loss of opportunity to work overtime – this payment must be reported as overtime • Flexi time taken – this is not a paid absence during ordinary work hours and is reported as gross • Paid parental leave (paid leave type P) • Workers' compensation (paid leave type W) • Ancillary and defence leave (paid leave type A) • Cash out of leave in service (paid leave type C) • Unused leave on termination (paid leave type U)

domestic violence leave • Special paid leave • Gardening leave	

Paid parental leave (paid leave type P)

All types of paid parental leave must now be reported separately.

Only pre-sacrifice amounts that are not classified as OTE according to the *Superannuation Guarantee Act 1992* (SGAA) should be included as Paid parental leave. Some industrial instruments may require superannuation to be paid on these amounts.

If you are making a back payment or arrears payment, it may be included in Paid parental leave.

The following table outlines some examples of what should and shouldn't be included in Paid parental leave reporting.

Should be included as paid parental leave	Shouldn't be included as paid parental leave
• Government paid parental leave (GPPL) • Employer paid parental leave	• Do not report bonuses that are paid as an inducement for an employee to return to work after a parental leave absence – this payment must be reported as bonuses and commissions • Keep in touch days when the employee attends work – this must be reported as gross

Workers' compensation (paid leave type W)

Some employers pay workers' compensation to their employees, and in other circumstances the insurer makes the payment directly to the employee. Where you have made workers' compensation payments, these must now be reported separately.

Only pre-sacrifice amounts that are not classified as OTE according to the SGAA should be included as workers' compensation. Some industrial instruments may require superannuation to be paid on these amounts.

If you are making a back payment or arrears payment, it may be included in Workers' compensation.

The following table outlines some examples of what should and shouldn't be included in Workers' compensation reporting.

Should be included as workers' compensation	Shouldn't be included as workers' compensation

• Payments for any approved (or anticipated approval of) workers' compensation absence paid by the employer to the employee
• Top up payments made by the employer
• Workers' compensation payments made after termination
  ◦ workers' compensation payments may be required to continue to be paid, even after the employee is terminated, in accordance with insurer requirements
  ◦ although no longer technically an employee absence, these payments should be reported as workers' compensation (paid leave type–W)
	Payments to employees on workers' compensation who are at work performing duties – this payment must be reported as gross

Ancillary and defence leave (paid leave type A)

There are a range of leave types that are paid while employees participate in volunteer or community activities. If you make ancillary and defence leave payments, they must now be reported separately in your STP Phase 2 report.

Only pre-sacrifice amounts that are not classified as OTE according to the SGAA should be included as ancillary and defence leave. Some industrial instruments may require superannuation to be paid on these amounts.

If you are making a back payment or arrears payment, it may be included in Ancillary and defence leave.

The following table outlines some examples of what should and shouldn't be included in Ancillary and defence leave reporting.

Should be included as ancillary and defence leave	Shouldn't be included as ancillary and defence leave
• Community service leave, including	Defence leave taken by the

voluntary emergency management activities for bodies such as a State Emergency Service, Country Fire Authority and the RSPCA • Jury duty leave, including attendance for jury selection and jury duty • Defence reserve leave paid to volunteers of the Australian Defence Forces to undertake defence services • All paid absences – including 'make-up pay' for ancillary and defence leave are to be reported as Ancillary and defence leave	employee using annual leave, long service leave (LSL) or RDOs – this should be reported as other paid leave.

Cash out of leave in service (paid leave type C)

When you pay out leave entitlements in lieu of your employee taking the absence from work, you must now report this separately.

The cash out of leave can only occur when it is allowed by Fair Work or other legislative sources.

Only pre-sacrifice amounts that are classified as OTE should be included as cash out of leave in service.

If you are making a back payment or arrears payment, it may be included in cash out of leave in service.

The following table outlines some examples of what should and shouldn't be included in cash out of leave in service reporting.

Should be included as cash out of leave in service	Shouldn't be included as cash out of leave in service
• Cashed out annual leave and leave loading • Cashed out long service leave • Cashed out personal leave • Cashed out rostered days off	• Cash out of TOIL – this is reported as overtime • Cash out of annual leave loading that is clearly linked to a loss of overtime – this is reported as overtime

Unused leave on termination (paid leave type U)

If you make payments to your employees for unused leave on termination, you must separately include these payments. For more information, see termination payments.

Overtime

You need to report overtime amounts paid to your employees.

Overtime is when an employee works extra time.

It can include work done:

- beyond their ordinary hours of work
- outside the agreed number of hours
- outside the spread of ordinary hours (the times of the day ordinary hours can be worked).

Only pre-sacrifice amounts that are not classified as OTE according to the SGAA should be included as overtime.

If you are making a back payment or arrears payment, it may be included in overtime.

The following table outlines some examples of what should and shouldn't be included in Overtime reporting.

Should be included as overtime	Shouldn't be included as overtime

• Overtime worked
• Leave loading that is demonstrably referable to a loss of overtime (both taken and cashed out)
• Cash out of accrued TOIL hours. If the absence is not taken, the employee may request that the accrued time be paid out as overtime – the cash out of TOIL in service is reported as overtime
• On call, stand-by or availability allowances to remain in readiness for a return to work, payable outside the employees normal working hours
• Call back payments. If an employee is called back into work for overtime
• Overtime bonuses that relate entirely to time worked outside of normal hours
• Identifiable overtime component of annualised salary – for those annualised salary or wages amounts that have distinctly identifiable components within the outer limits that are expressly
	• Shift penalties – these are reported in gross
	• Breach of rest break payments
	  ◦ when an employee does not get an appropriate rest break between shifts, some awards require employees to be paid at overtime rates until the employee is released from duty
	  ◦ even though the employee is being paid at overtime rates, they are working ordinary hours and payment is reported as gross

referable to overtime hours • Excess travelling time for travel to an alternative place of work outside the ordinary span of hours • Hourly driving rates or rates/km –the excess of the total ordinary hours per period, if no regard to the terms of the award, or the stipulated overtime rate for piece-rate awards that include hourly driving rates and rates per kilometre • Part time additional hours – this is payable in accordance with industrial instruments that stipulate those additional hours are paid at a penalty or overtime rate that do not accrue leave entitlements	

Bonuses and commissions

You may pay some employees bonus and commission payments to reward their performance, service or for meeting a specific goal. These are typically paid as a lump sum.

Only pre-sacrifice amounts that are classified as OTE should be included as bonuses and commissions.

If you are making a back payment or arrears payment, it may be included in bonuses and commissions.

The following table outlines some examples of what should and shouldn't be included in bonuses and commissions reporting.

Should be included as bonuses and commissions	Shouldn't be included as bonuses and commissions
• Christmas bonus • Retention bonus • Sign-on bonus for new employees • Performance bonus • Referral bonus • Bonus labelled as ex-gratia but in respect of ordinary hours work • Return to work bonus after parental leave • Commission payment	Bonuses and commissions that relate entirely to work performed outside normal hours – these are reported as overtime

Directors' fees

If you pay directors' fees you must separately include these in your STP Phase 2 report.

Directors' fees include payments to:

- the director of a company
- a person who performs the duties of a director of the company
- a member of the committee of management of the company, or as a person who performs the duties of such a member if the company is not incorporated.

Directors' fees may include payment to cover travelling costs, costs associated with attending meetings and other expenses incurred in the position of a company director.

Only pre-sacrifice amounts that are classified as OTE should be included as directors' fees.

If you are making a back payment or arrears payment, it may be included in Directors' fees.

The following table outlines some examples of what should and shouldn't be included in directors' fees reporting.

Should be included as directors' fees	Shouldn't be included as directors' fees
• Remuneration you pay to a working director • Remuneration you pay to a non-working director	• A bonus paid to a director – these should be reported as bonuses and commissions • Allowances paid to a director – these should be reported as the relevant allowance type

Lump sum W (return to work payment)

A return to work amount is paid to induce an employee to resume work. For example, to end industrial action or to return from working for another employer. This is a new category of lump sum payments which is being introduced as part of STP Phase 2. Previously, they were reported as gross and not separately identified.

Only pre-sacrifice amounts that are classified as OTE should be included as lump sum W.

If you are making a back payment or arrears payment, it may be included in lump sum W.

The following table outlines some examples of what should and should not be included in lump sum W reporting.

Should be included as lump sum W	Should not be included as lump sum W
• Bonus paid to an ex-employee to encourage them to return to the employer • Bonus payments made to end industrial action and have employees resume work • Bonus paid to an employee who has resigned and is encouraged to withdraw their resignation	• Sign on bonus for new employees – this is reported as Bonuses and commissions • Payments to employees returning to work after workers' compensation

Allowances

In Phase 1 reporting, some allowances are reported separately, and some are reported as part of gross.

You will now need to report all allowances separately in your STP Phase 2 report across most income types, not just expense allowances that may have been deductible on your employee's individual income tax return. This means that allowances previously reported as gross must now be separately itemised and reported.

Don't report:

- reimbursements
    - these are an amount that reimburses an expense which was (or will be) incurred by the employee in the course of their duties and can be verified by receipts
    - some reimbursements may be subject to FBT.
- fringe benefits
    - these are not amounts that you are paying to your employee.

The allowance types you will separately report in STP Phase 2 are:

- cents per km (allowance type CD)
- award transport payments (allowance type AD)
- laundry (allowance type LD)
- overtime meal allowance (allowance type MD)
- domestic or overseas travel (allowance type RD)
- tool allowances (allowance type TD)
- qualification and certification allowances (allowance type QN)
- task allowances (allowance type KN)

- other allowances (allowance type OD)

Cents per km allowance (allowance type CD)

This applies to deductible expense allowances paid to employees using their own car at a set rate for each kilometre travelled for business purposes that represents the vehicle running costs including registration, fuel, servicing, insurance and depreciation.

The following table outlines some examples of what should and shouldn't be included as Cents per km allowance reporting.

Should be included as cents per km allowance	Shouldn't be included as cents per km allowance
• Cents per km payments for a car up to the ATO rate and limit for business related travel • Cents per km payments for a car in excess of the ATO rate and limit for business related travel	• Cents per km payments for private travel such as travel between home and work – this should generally be reported as other allowances (allowance type OD) with the description ND (non-deductible) • Cents per km payments for vehicles other than a car such as a motorbike or van – this should be reported as other allowances (allowance type OD) with the description V1 (private vehicle) • Flat rate car allowance that is not referable to kilometres travelled – this should be reported as other allowances (allowance type OD) with the description V1 (private vehicle)

Award transport payments (allowance type AD)

Award transport payments are deductible expense allowances for the total rate specified in an industrial instrument to cover the cost of transport (excluding travel or cents per kilometre reported as other separately itemised allowances) for business purposes, as defined in section 900-220 of the *Income Tax Assessment Act 1997*.

The current award transport payment must be traceable to an award in force on 29 October 1986.

The following table outlines some examples of what should and shouldn't be included as Award transport payments.

Should be included as award transport payments	Shouldn't be included as award transport payments
Allowance payments for the cost of transport for	• Allowance payments for the cost of transport for business related travel not traceable to a

business related travel traceable to a historical award in force on 29 October 1986	historical award in force on 29 October 1986 – this should be reported as other allowances (allowance type OD) with the description T1 (transport/fares) • Allowance payments for the cost of transport for private purposes – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible) • Cents per kilometre allowances – this should be reported as cents per kilometre allowance (allowance type CD)

See also:

- Claiming a deduction for car expenses – award transport payments

Laundry allowance (allowance type LD)

This is a deductible expense allowance paid to employees for washing, drying and ironing uniforms required for business purposes.

You should only include laundry allowances for the cleaning of clothing that falls into one or more of the following categories:

- Compulsory uniform – unique and distinctive to identify the employer with a strictly enforced policy that makes it compulsory for the uniform to be worn at work.
- Non-compulsory uniform – only if the design of the uniform has been entered on the Register of Approved Occupational Clothing.
- Occupation-specific clothing – that isn't everyday in nature and allows the public to easily recognise the occupation.
- Protective clothing and footwear – to protect against the risk of illness or injury posed by the activities undertaken to earn the income.

The following table outlines some examples of what should and shouldn't be included as Laundry allowance.

Should be included as laundry allowance	Shouldn't be included as laundry allowance
• Laundry allowance for cleaning of approved uniforms up to the ATO approved limit • Laundry allowance for cleaning of approved uniforms in excess of the ATO approved	• Laundry allowances for the cost of laundering deductible conventional clothing – this should be reported as other allowances (allowance type OD) with the description G1 (general). • Laundry allowance for the cost of laundering uniforms for private purposes – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible)

limit	

Overtime meal allowance (allowance type MD)

This applies to deductible expense allowances defined in an industrial instrument that are in excess of the ATO reasonable amount, paid to compensate the employee for meals consumed during meal breaks connected with overtime worked.

The following table outlines some examples of what should and shouldn't be included as overtime meal allowance.

Should be included as overtime meal allowance	Shouldn't be included as overtime meal allowance
Overtime meal allowances that exceed the ATO reasonable amount	Overtime meal allowances paid up to the ATO reasonable amount – this payment continues to be exempt from PAYG withholding and from STP reporting

Domestic or overseas travel allowances and overseas accommodation (allowance type RD)

This applies to deductible expense allowances that are paid for domestic or overseas meals and incidentals and domestic accommodation, undertaken for business purposes, which is intended to compensate employees who are required to sleep away from home.

It is not a reimbursement of actual expenses, but a reasonable estimate to cover costs including meals, accommodation and incidental expenses.

You only need to report allowances that exceed the ATO reasonable amount.

Don't report allowances paid up to the ATO reasonable amount. This payment continues to be exempt from PAYG withholding and STP reporting.

The following table outlines some examples of what should and shouldn't be included as Domestic or overseas travel allowances and overseas accommodation.

Should be included as domestic or overseas travel allowances and overseas accommodation	Shouldn't be included as domestic or overseas travel allowances and overseas accommodation
• Allowance that exceeds the ATO reasonable amount for domestic or overseas meals and incidentals and domestic accommodation, undertaken for	• Allowance that does not exceed the ATO reasonable amount for domestic or overseas meals and incidentals and domestic accommodation, undertaken for business purposes, which is

business purposes, which is intended to compensate employees who are required to sleep away from home.	intended to compensate employees who are required to sleep away from home – this is not reported at all through STP • Allowance that is paid for overseas accommodation for business purposes where the employee is required to sleep away from home – this should be reported as other allowances (allowance type OD) with the description G1 (general) • Part-day travel allowances – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible) • Allowances paid for travel that is for private purposes – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible)

Tool allowance (allowance type TD)

This applies to deductible expense allowances to compensate an employee who is required to provide their own tools or equipment for business purposes. This allowance was formerly required to be reported under other allowances with a description of the allowance type.

The following table outlines some examples of what should and shouldn't be included as tool allowance.

Should be included as tool allowance	Shouldn't be included as tool allowance
• Tool allowances paid to trades staff who are required by their employer to supply and maintain their own tools of trade • Allowances paid to an employee required to supply equipment for business purposes	• Home office equipment – this should be reported as other allowances (allowance type OD) with the description H1 (home office) • Internet allowances – this should be reported as other allowances (allowance type OD) with the description H1 (home office) • Private purposes – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible)

Qualification and certification allowances (allowance type QN)

This applies to deductible expense allowances that are paid for obtaining or maintaining a qualification, which is evidenced by a certificate, licence or similar, and is required to perform the work or services. For example, this includes allowances to cover registration fees, insurance, licence fees, which are expected to be expended to maintain a requirement of the job.

It doesn't include allowances paid for performing additional duties just because those duties require a qualification or certificate. It also does not include a direct reimbursement of the cost.

The following table outlines some examples of what should and shouldn't be included as qualification and certification allowance.

Should be included as qualification and certification allowance	Shouldn't be included as qualification and certification allowance
• Allowances paid to contribute to the cost of obtaining and maintaining a working with children check • Ambulance drivers are entitled to a driving licence allowance to cover the cost of maintaining their non-standard drivers licence • Air pilots are entitled to a loss of licence allowance to help the pilot to hold adequate insurance against loss of licence • Under the General Retail Award, employees that are required to maintain a liquor licence are entitled to a liquor licence allowance	• First aid allowance – this allowance is for performing duties as a first aider and should be reported as task allowance (allowance type KN) • Allowances paid to recognise a higher level of skill, rather than an allowance to get or maintain a qualification itself – this should be reported as task allowance (allowance type KN)

Task allowances (allowance type KN)

This applies to a services allowance that is paid to compensate an employee for specific tasks or activities performed that involve additional responsibilities, inconvenience or circumstances above the base rate of pay.

These allowances were included in gross in STP Phase 1 reporting but are now required to be reported separately.

It doesn't include allowances paid for obtaining or maintaining a qualification even if the qualification is a pre-requisite for performing the task.

Awards and enterprise agreements contain many different types of task allowances.

The following table outlines some examples of what should and shouldn't be included as task allowance.

Should be included as task allowance	Shouldn't be included as task allowance
• Additional responsibilities • First aid allowance • Leading Hand allowance • Higher duties • Supervisor allowance • On call during ordinary hours allowance • Inconvenience or disability • Height allowance • Dirt allowance • Danger allowance • Wet weather allowance • Confined spaces allowance • Other circumstances • All-purpose allowance • Industry allowance • Site, district or locality allowance • Secondment • Recognition of skill level	• Shift allowance/penalty – this should be reported as gross • Travel time allowance during ordinary hours – this should be reported as gross • Travel time allowance outside of ordinary hours – this should be reported as overtime • On call allowance outside of ordinary hours allowance – this should be reported as overtime • Expense allowances

Other allowances (allowance type OD)

These are other allowances that are not otherwise separately itemised. These can either be deductible or non-deductible expenses.

Anything you report as another allowance needs to have a description for the category of expense. These categories will help us assist each of your employees to complete their individual income tax returns.

The descriptions you can use are:

- G1 (general)
- H1 (home office)
- ND (non-deductible)
- T1 (transport/fares)
- U1 (uniform)
- V1 (private vehicle).

The following table outlines some examples of what should and should not be included as another allowance.

<table>
<tr><th>Should be included as other allowances</th><th>Shouldn't be included as other allowances</th></tr>
<tr><td>G1 (general)
• Laundry allowances for the cost of laundering deductible conventional clothing
H1 (home office)
• Home office equipment allowances
• Internet allowances
ND (non-deductible)
• Cents per km payments for private travel such as travel between home and work
• Allowance payments for the cost of transport for private purposes
• Laundry allowance for the cost of laundering uniforms for private purposes
• Allowances paid for travel that is for private purposes
• Part-day travel allowances
• Allowances paid in relation to equipment used for private purposes
T1 (transport/fares)
• Allowance payments for the cost of transport for business related travel not traceable to a historical award in force on 29 October 1986
U1 (uniform)
• Allowances paid for the purchase of a</td><td>• Direct reimbursement of business expenses – this is not reported
• Living away from home allowance – this falls under the FBT legislation and is not reported here
• Tool allowances – this should be reported as tool allowances (allowance type TD)
• Cents per kilometre – this should be reported as cents per km allowance (allowance type CD)
• Qualification and certificate allowances – this is reported in qualification and certification allowances (allowance type QN)</td></tr>
</table>

uniform V1 (private vehicle) • Cents per km payments for vehicles other than a car such as a motorbike or van • Flat rate car allowance that is referable to the kilometres travelled	

These category descriptions don't apply where we tell you to use a specific description, for example in administering programs like JobKeeper Payment.

Back pays

Sometimes there may have been an oversight or delay and you need to make a back payment to an employee. In some cases, this may be a lump sum E payment.

If you are making a back payment to an employee and it is not lump sum E, then report it in STP as the relevant payment type (such as gross or overtime).

Lump sum E

Lump sum E is an amount of back payment of remuneration that accrued, or was payable, more than 12 months before the date of payment and is greater than or equal to the Lump sum E threshold amount ($1,200).

Your payroll solution may report Lump sum E:

- in each STP report or
- only when you finalise your reporting at the end of the financial year.

Both ways are acceptable.

You must report Lump sum E YTD amounts by specifying each prior financial year to which the amount relates.

When you report lump sum E payments, you will no longer need to issue employees with a lump sum E letter at the end of the financial year. This information will now be available on their income statement.

The following table outlines some examples of what should and shouldn't be included as lump sum E.

Should be included as lump sum E	Shouldn't be included as lump sum E
Back payments which accrued, or were payable, more than 12 months before the date of payment and are greater than or equal to the lump sum E $1,200 threshold	• Back payments that total below the lump sum E threshold • Back payments that

	accrued or were payable less than 12 months before the date of payment

Example: Lump sum E reporting

Due to an administration error, it is identified on 15 February 2022 that Ross has not been paid his higher duties allowance for the past 22 months totalling $3,300. Using the normal ATO backpay rules, the pay office has split the payment into the following categories:

- The past 12 months of backpay (15 February 2021 to 15 February 2022) totals $1,800. This is taxed and reported in the current financial year. As the backpay is for an allowance, it will be reported in the appropriate allowance field.
- The amount that is greater than 12 months old (14 February 2021 and earlier) totals $1,500 which means it must be reported as Lump sum E because it is greater than the lump sum E threshold of $1,200. The Lump sum E component must be allocated to the appropriate financial year. $600 relates to the 2020-21 financial year and $900 relates to the 2019-20 financial year.

Here is how this would be reported in STP Phase 2.

- KN tasks: $1,800
- Lump sum E 2021: $600
- Lump sum E 2020: $900

Ross' employer does not need to provide him with a letter as the lump sum E amounts have been allocated to the appropriate financial years in the STP report.

Exempt foreign employment income

Any amount you pay to an employee that is exempt foreign employment income must be reported as exempt foreign employment income.

You must report these amounts even if they are the only income paid to the employee for the financial year. This is a new reporting requirement for STP Phase 2, as it was not required to be reported under previous reporting phases such as STP Phase 1 or payment summaries.

If the employee's foreign service qualifies as exempt foreign income, it is not subject to withholding and must be reported in STP Phase 2 against the income type SAW as exempt foreign income.

Exempt foreign employment income is the exception to the reporting of pre-sacrificed amounts. You must only report post-sacrifice amounts as exempt foreign employment income, and you must not report any amount sacrificed from exempt foreign employment income as salary sacrifice in your STP report.

If the employee's foreign service does not qualify as exempt foreign income, it must be reported against the income type FEI.

Salary sacrifice

You must separately report salary sacrificed amounts.

When reporting salary sacrificed amounts, there are two new types to report:

- superannuation (salary sacrifice type S) – for superannuation to a complying fund or retirement savings account (RSA)
- other employee benefits (salary sacrifice type O) – for benefits other than super.

If your employee has an effective salary sacrifice arrangement, you have previously reported post-sacrifice amounts to us. This changes as part of STP Phase 2. You now to need to report the salary sacrifice amounts and separately report the pre-sacrificed income amounts in your STP report.

You must not report amounts sacrificed from exempt foreign employment income as salary sacrifice in your STP report.

Example - reporting pre-sacrificed income

Adam earns $60,000 per annum and would like to sacrifice $3,000 into superannuation.

In STP Phase 1 you reported the post-sacrificed income of $57,000.

In STP Phase 2 you are required to report the pre-sacrificed income as well as the amount of salary sacrifice. This is how you should report this in STP Phase 2:

- gross: $60,000
- salary sacrifice type S (superannuation): $3,000

This new method of reporting will show that Adam's full income is $60,000 with $3,000 being sacrificed to superannuation, leaving a taxable income of $57,000.

Example - reporting both types of salary sacrifice

Anita earns $100,000 and sacrifices $5,000 into superannuation and $20,000 to a novated lease.

In STP Phase 1 you reported the post-sacrificed income of $75,000.

In STP Phase 2 you are required to report the pre-sacrificed income as well as the amount of salary sacrifice. This is how you should report this in STP Phase 2:

- gross: $100,000
- salary sacrifice type S (superannuation): $5,000
- salary sacrifice type O (other employee benefits): $20,000

This new method of reporting will show that Anita's full income is $100,000 with $5,000 being sacrificed to superannuation and $20,000 being sacrificed to other employee benefits, leaving a taxable income of $75,000.

What is an effective salary sacrifice arrangement?

An effective salary sacrifice arrangement is one where the approved agreement between the employer and employee is in place before the payments to be sacrificed have been accrued, earned or are payable.

Salary sacrifice superannuation (salary sacrifice type S)

You should include salary sacrifice to a complying superannuation fund or RSA from an effective salary sacrifice arrangement.

The following table outlines what should and shouldn't be included in superannuation salary sacrifice (salary sacrifice type S).

Should be included in superannuation salary sacrifice	Shouldn't be included in superannuation salary sacrifice
Amounts sacrificed to a complying superannuation fund or RSA due to an effective salary sacrifice agreement.	• Compulsory SG – this should be reported as Super liability • Additional extra super paid at the employer's discretion – this should be reported as super liability and may also be included in RESC • Non-effective salary sacrifice arrangements – this should be reported as gross

Salary sacrifice other employee benefits (salary sacrifice type O)

You must include salary sacrifice of all benefits from an effective salary arrangement. This includes where the sacrifice relates to benefits that are exempt from FBT, such as Living Away from Home Allowance and laptops used primarily for business purposes.

The following table outlines what should and shouldn't be included in Other employee benefits salary sacrifice (Salary sacrifice type O):

Should be included in other employee benefits salary sacrifice	Shouldn't be included in other employee benefits salary sacrifice
• Benefits from an effective salary sacrifice agreement including: ◦ novated leases ◦ airline lounge memberships ◦ portable electronic devices.	• Non-effective salary sacrifice arrangements – this should be reported as gross. • Employee benefits given to an employee that have not been sacrificed such as entertainment fringe benefits

Tax that has been withheld or paid

The kinds of payments you need to report are also payments which are part of the PAYG withholding system. This means you are required to withhold amounts from these payments and pay the amount you have withheld to us. In some cases, you may also need to pay tax to a foreign government or tax authority. You need to include these amounts.

PAYG withholding

You must report the amounts you withhold from payments you make to employees. You must include separate YTD amounts you have withheld from each income type (and for income types that require a country code, for each combination of income type and country code).

If you are reporting amounts you have withheld from payments you are reporting against the FEI income type, you must only report the residual amount withheld after the deduction of foreign tax paid. If you do not know the amount of foreign tax on or before each payday, you must report the full amount of PAYG withholding. When you know the amount of foreign tax you can correct your STP reporting so that you are reporting the residual amount.

Foreign tax paid

If you have paid amounts to an employee that you are reporting against the FEI income type, there are rules for reporting Foreign Employment Income. One of these rules is that you must report the amount of foreign tax that you have paid or are required to pay to a foreign government or authority.

This amount must be included in your STP reporting during the same financial year as the payment is reported even if you do not actually pay the foreign tax until after the end of the Australian financial year.

The amount you report must be in Australian dollars. See, Converting foreign income to Australian dollars

If you do not know the amount of foreign tax on or before each payday, then you can report zero or estimate the amount of foreign tax. If you do this, you must still include the correct foreign tax amount in your STP report when you finalise your reporting at the end of the financial year.

Find out about:

- Other components of your STP reporting

Other components of your STP reporting

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=5
- Last modified: 19 Nov 2021
- QC 66099

There are components you need to report through STP that influence the amount you pay to an employee, but relate to the employee themselves rather than the kind of payment they are receiving.

For these components, you don't need to include an income type or country code in your STP report.

These components are:

- deductions
- child support
- superannuation.

Deductions

The reporting of deductions does not change under STP Phase 2.

There are two deduction types you can report:

- union and professional association fees (deduction type F)
- workplace giving (deduction type W).

Union and professional association fees (deduction type F)

You should only report union fees and professional association fees deducted from payroll as Deduction type F.

No other post-tax deductions can be reported as Deduction type F.

Workplace giving (deduction type W)

You should only report workplace giving as deduction type W if the amount is:

- an employee contribution made via a formal workplace giving program in accordance with ATO guidelines
- a post-tax contribution to a charity.

Do not include salary sacrifice contributions to a charity. This is reported as Salary Sacrifice Type O (other employee benefits).

Child support reporting

You may voluntarily choose to report your Child support deductions and Child support garnishees if your solution offers this functionality.

- A child support deduction is a deduction from the employee's pay made under a notice that is issued under section 45 of the *Child Support (Registration and Collection) Act 1988*. It requires an employer to deduct a fixed dollar amount each pay period and is subject to a protected earnings amount. You should report these amounts in your STP report as deduction type D.
- A child support garnishee is a deduction from the employee's pay made under a notice that is issued under section 72A of the *Child Support (Registration and Collection) Act 1988*. It requires an employer to deduct a percentage of the employee's income, a lump sum, or a fixed amount each pay. You should report these amounts in your STP report as deduction type G.

If you report child support deduction or garnishee amounts, you may not need to separately report those amounts to the Child Support Registrar. However, you must still pay the required amounts directly to them by the date specified in your notice. If the amount varies from what was requested the Child Support Registrar needs to know why and you should contact Services Australia ..

Starting to report child support amounts through STP

There are some things you need to do before you can report child support amounts through STP.

- When you lodge your first STP report that includes child support deductions, you still need to send the Child Support Registrar a child support deductions report form CS4964 using your preferred child support reporting channel. This is so the Child Support Registrar can work out your pay period Child support deduction amounts from your YTD amounts going forward.
- The information you include with your payment, such as your payment reference number, may also change when you start reporting Child support

deduction and support garnishee amounts. You should contact Services Australia to confirm your payment details with them.
- Special rules apply if you are making corrections to garnishee or deduction amounts.

If your payroll solution doesn't offer functionality to report child support amounts, or you choose not to, you will still need to report directly to the Child Support Registrar using your existing reporting channel.

If you need assistance with reporting child support deduction or garnishee amounts, contact Services Australia.

Reportable employer superannuation contributions and reportable fringe benefit amounts

You can report an employee's reportable fringe benefit amount (RFBA) or a reportable employer super contribution (RESC) through STP.

The reporting rules for RFBA and RESC have not changed with STP Phase 2.

See also:

- Reportable employer super contributions – for employers
- Reportable fringe benefits

How to report RESC and RFBA through STP

You only report RFBA amounts if the total taxable value of certain fringe benefits you provided to your employee exceeds $2,000 for the FBT year (1 April – 31 March).

If you choose to report this information, you may provide YTD RFBA and RESC either:

- through a pay event (if the information is available in payroll) throughout the financial year OR
- through an update event throughout the financial year.

This can be at any time up until the due date to make the declaration that you have finalised your reporting for that employee for the financial year.

Once you've reported an amount, you should continue to report the amount in all following pay events, even if the YTD amounts remain the same.

If you can't (or choose not to) provide RFBA or RESC through STP, you must provide this information on a payment summary to the employee and provide us with a payment summary annual report. The payment summary must not include amounts reported through STP.

Relationship between reporting RESC and RFBA, and salary sacrifice amounts

While RESC and RFBA are related to salary sacrifice superannuation (salary sacrifice type S) and salary sacrifice other benefits (salary sacrifice type O), they are not the same.

Often the amounts you report as salary sacrifice superannuation (salary sacrifice type S) are also considered RESC. However, there are other contributions you may make to superannuation for an employee that are RESC but not salary sacrificed.

RFBA may differ from the amounts you report as salary sacrifice other benefits (salary sacrifice type O) due to factors such as some:

- benefits an employee receives from salary sacrificing may not also be RFBA
- benefits an employee may not receive from salary sacrificing but they are nonetheless RFBA
- actions, such as employee contributions, may change the value of RFBA relative to the salary sacrifice.

When reporting RESC and RFBA through STP, you need to ensure you identify reportable employer super contributions and reportable fringe benefits amounts so that you can report correctly.

Example: RESC and salary sacrifice type S

Jackie earns $60,000 per annum. During the employment process she negotiated an extra 2% ($1,200) superannuation above the superannuation guarantee (SG) rate. Because Jackie negotiated with her employer to pay extra super this must be reported as RESC.

Jackie has also decided to salary sacrifice $10,000 into superannuation.

Here is how this would be reported in STP Phase 2.

- Gross: $60,000
- Salary sacrifice type S (superannuation): $10,000
- RESC: $11,200

The RESC value is higher than the salary sacrifice type S because it includes:

- the salary sacrifice amount of $10,000
- the extra $1,200 of employer super she negotiated.

Example: RFBA and salary sacrifice type O

Ross earns $80,000 per annum. Instead of carrying his heavy laptop, he has decided to salary sacrifice a tablet worth $2,000 which will be primarily used for work purposes.

Here is how this would be reported in STP Phase 2.

- Gross: $80,000
- Salary sacrifice type O (other employee benefits): $2,000
- RFBA: $0

The tablet is reported as Salary sacrifice type O because all salary sacrifice items are reported in STP Phase 2. However, because the tablet is being used primarily for work purposes it is not subject to FBT, so is not reported as RFBA.

Reporting superannuation

You must include information about your employees' superannuation entitlements.

You must continue to report and pay your employees' superannuation entitlements through your existing SuperStream solution (including the Small Business Superannuation Clearing House). This has not changed with STP Phase 2.

You must report either:

- your YTD employer superannuation liability for each employee in the STP report (superannuation type L)
- the YTD ordinary time earnings (OTE) for each employee in the STP report (superannuation type O).

If your payroll solution allows you can also report both.

There are some circumstances where it may not be clear what to report such as where your:

- YTD employer super liability or your employee's OTE is zero – report zero
- employees are entitled to receive super contributions above the minimum super guarantee (SG) liability – report this higher amount if you can't separately identify these in your payroll solution
- employee is a member of a defined benefit fund and you make super contributions for the employee – report this amount if it is available in your payroll system. This would usually correspond to the YTD amount shown on the employee's payslip. Otherwise, report zero as the super liability amount.

Find out about:

- When an employee transfers or leaves

When an employee transfers or leaves

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=6
- Last modified: 19 Nov 2021
- QC 66099

You must provide information in your STP Phase 2 report when employees leave. This will reduce the need to provide them with an employment separation certificate.

Termination payments

There are some kinds of payment you make to an employee when their employment with you ends.

Each of these amounts must now be reported against an income type and (for some income types) a country code.

There are also changes to the way you report a payment of unused leave on termination.

There are no other changes to any of the other amounts you may pay when an employee leave including:

- lump sums
- ETPs.

Unused leave on termination (paid leave type U)

Unused leave paid on termination that was previously reported in Gross in your STP Phase 1 report must now be reported as unused leave on termination (paid leave type U) in your STP Phase 2 report.

The following table outlines what should and shouldn't be included in unused leave on termination (paid leave type U).

Should be included in unused leave on termination (paid leave type U)	Shouldn't be included in unused leave on termination (paid leave type U)
• Annual Leave or leave loading accrued Post-17 August 1993 paid on a normal termination (for example voluntary resignation, employment terminated due to inefficiency, retirement) • Long service leave accrued Post-17 August 1993 paid on a normal termination (for example voluntary resignation, employment terminated due to inefficiency, retirement)	• Annual Leave or leave loading accrued Post-17 August 1993 paid on termination for genuine redundancy, invalidity or early retirement scheme reasons – you should report this as lump sum A • Unused annual leave or leave loading paid on termination that accrued before 17 August 1993 – you should report this as lump sum A • Long service leave paid on termination that accrued between 16 August 1978 and 17 August 1993 – you should report this as lump sum A

	• Long service leave paid on termination that accrued before 16 August 1978 – you should report this as lump sum B

Lump sums

When you report lump sums through STP, you must include an income type and country code. You must also include the type of lump sum and the YTD amount. The type of lump sum is represented by a code.

The lump sum type codes you can include in your report are:

- R or T (lump sum A)
- B (lump sum B)
- D (lump sum D).

There are also lump sums you can report which are not paid when an employee leaves:

- E (lump sum E)
- W (lump sum W (return to work payment)).

Lump sum A

Lump sum A is for certain unused leave that is paid out on termination.

When reporting lump sum A, you need to report the lump sum type code of R or T.

- Lump sum type code R – for all unused annual leave or annual leave loading, and the component of long service leave that accrued from 16 August 1978 that is paid out on termination only for genuine redundancy, invalidity or early retirement scheme reasons.
- Lump sum type code T – for unused annual leave or annual leave loading that accrued before 17 August 1993, and long service leave that accrued between 16 August 1978 and 17 August 1993 that is paid out on termination for reasons other than genuine redundancy, invalidity or an early retirement scheme.

Lump sum B

Lump sum B is for long service leave that accrued before 16 August 1978 that is paid out on termination, no matter the reason for termination.

When reporting lump sum B, you should report the whole amount even though the employee will only be taxed on 5% of it.

You cannot report lump sum B for employees whose date of birth is later than 16 August 1978.

Lump sum D

Lump sum D represents the tax-free amount of only a genuine redundancy payment or approved early retirement scheme payment, up to the tax-free limit, based on the employee's complete years of service, for an employee up to their age-pension age.

You need to report lump sum D amounts even if they are the only amount you pay your employee in the financial year. This is different to STP Phase 1.

Employment termination payments (ETPs)

When an employee leaves, you may pay them an ETP.

If you make an ETP you must report the:

- date you paid it
- type of ETP it is
- amount you paid, itemising the non-taxable (for life benefits only) and taxable components
- amount you have withheld from the ETP.

ETPs are different to the other amounts you include in your STP report because you do not report them as YTD amounts. Instead you report each amount by payment date and type.

You must now also include an income type and country code for each ETP you report.

ETP types you can report

ETP types help us to identify factors such as whether the ETP is a life benefit or death benefit, the reason it is being paid and the recipient. There are eight ETP types you can report.

1. Genuine redundancy or early retirement scheme payments (ETP type R) – a life benefit paid only for reasons of
   - genuine redundancy to employees under their pension age or earlier age of mandatory retirement
   - invalidity
   - an ATO approved early retirement scheme
   - compensation for personal injury, unfair dismissal, harassment or discrimination.

2. Other reasons (ETP type O) – a life benefit paid for reasons other than for ETP type R.
3. Split ETP type R (ETP type S) – multiple payment of life benefit ETP type R for the same termination of employment, where the later payment is paid in a later financial year than the original payment.
4. Split ETP type O (ETP type P) – multiple payment of life benefit ETP type O for the same termination of employment, where the later payment is paid in a later financial year than the original payment.
5. Dependant (ETP type D) – a death benefit payment directly to a dependant of the deceased employee.

6. Non-dependent (ETP type N) – a death benefit payment directly to a non-dependant of the deceased employee.
7. Split ETP type N (ETP type B) – a multiple payment for a death benefit ETP type N for the same deceased person, where the later payment is paid in a later financial year than the original payment.
8. Trustee of deceased estate (ETP type T) – a death benefit payment directly to a trustee of the deceased estate.

Paying an ETP to a death beneficiary

There are special rules for reporting ETPs you pay to death beneficiaries of a deceased employee.

These include:

- the identity information you report (such as TFN, name, address or date of birth) must belong to the death beneficiary, not the deceased employee. If you do not have the death beneficiary's TFN, use the relevant TFN exemption code
- reporting either the payroll ID of the deceased employee or a new one you have assigned to the death beneficiary in your payroll solution
- reporting a commencement date of 01/01/1800 for the death beneficiary
- reporting an employment basis code of D for the death beneficiary
- reporting a tax treatment code of DBXXXX for the death beneficiary.

If the death beneficiary is also an employee on your payroll, you should report their actual commencement date, employment basis and tax treatment code.

Outstanding salary or wages, paid leave taken, allowances, overtime, bonuses and commissions, or directors' fees that were payable upon death of the employee, but not paid to the employee before death are not ETPs. Do not report these through STP.

Some payroll solutions may allow you to report the non-taxable component for death beneficiaries. This is acceptable.

Paying ETPs in multiple instalments

If you pay the ETP in multiple instalments, you must report each payment separately.

If you pay multiple ETP types on the same day, they must still be identified separately if the ETP type code is different. You must not add the payments together and report the payments as a YTD figure unless they are paid on the same day and are the same type.

Cessation date

You must report your employees' cessation date when they leave.

If you make another payment to that employee after the cessation date (for example an ETP), you do not need to update the cessation date.

Cessation reason

There are many reasons why employees leave, and you will need to include the reason in your STP report.

Cessation reasons you can report are:

- Voluntary cessation (V) – an employee resignation, retirement, domestic or pressing necessity or abandonment of employment
- Ill health (I) – an employee resignation due to medical condition that prevents the continuation of employment, such as for illness, ill health, medical unfitness or total permanent disability
- Deceased (D) – the death of an employee
- Redundancy (R) – an employer-initiated termination of employment due to a genuine redundancy or approved early retirement scheme
- Dismissal (F) – an employer-initiated termination of employment due to dismissal, inability to perform the required work, misconduct or inefficiency
- Contract cessation (C) – the natural conclusion of a limited employment relationship due to contract/engagement duration or task completion, seasonal work completion, or to cease casuals that are no longer required
- Transfer (T) – the administrative arrangements performed to transfer employees across payroll systems, move them temporarily to another employer (machinery of government for public servants), transfer of business, move them to outsourcing arrangements or other such technical activities.

Transferring or rehiring an employee

Sometimes you may transfer an employee between different combinations of ABNs and branches within the same payroll solution, or from one payroll solution to another.

When you do this, it may impact on what you report as an employee’s commencement date, and whether you report cessation date and cessation reason.

Commencement date

When you transfer or rehire an employee, the commencement date you report after the transfer or rehire depends on the way you have processed it in your payroll solution. Your payroll solution will determine the date to use in most cases.

If you:

- are only moving the employee to a different combination of ABN and branch, the commencement date you should report is the start of the employment relationship. If this is unavailable, report the date you recognise for prior service
- transfer the employee in your payroll solution by terminating and rehiring them and
  - assign them a different payroll ID, report the rehire commencement date
  - terminate and rehire in the same pay period for the same combination of ABN and branch with the same payroll ID, you do not need to report the

rehire commencement date
    - terminate and rehire for a different (related) combination of ABN and branch (regardless of the pay period), your payroll solution will determine if you report the rehire commencement date or the earliest recognised date for service. Both are acceptable.

Cessation date and reason

When you transfer or rehire an employee, the way you report cessation date and reason before the transfer or rehire depends on the way you will process it in your payroll solution. Your payroll solution will determine the date to use in most cases.

If you:

- are only moving the employee to a different combination of ABN and branch, do not report any cessation date or reason. This is because there is no cessation to report.
- transfer the employee by terminating them from your current payroll solution and rehiring them in a new payroll solution, report the cessation date and reason code.
- terminate the employee and later rehire them in the same combination of ABN and branch then
    - report the cessation date and reason you terminate. If the employee is rehired using the same payroll ID and you have not yet reported a cessation date, the cessation date should not be reported
    - if the employee is rehired using the same payroll ID, you should stop reporting the cessation date and reason.

- terminate the employee and rehire them in the same pay period in a different combination of ABN and branch within the same group, the cessation date does not have to be reported.

Find out about:

- [The rules of reporting through STP](#)

The rules of reporting through STP

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=7
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There are some rules for reporting through STP. This section explains those rules.

Find out about:

- [Requirements for an STP report]
- [When your STP report is due]
- [Who must be included in your STP report]
- [Rules for reporting amounts]
- [Reporting based on your current business structure]

Requirements for an STP report

An STP report must meet some minimum requirements. Your payroll solution will ensure you meet them, as you will not be able to lodge your STP report otherwise.

The minimum requirements for an STP report are:

- your STP report must contain at least one employee record
- your STP report can only include one record per payee identity (combination of payroll ID and payee details such as TFN, name, date of birth)
  - If you establish two payroll records for an individual, you can report these payments within the same pay event by using unique Payroll IDs.
  - You must report separate YTD amounts for each unique Payroll ID for an employee.
- You must report period gross salary or wages (BAS label W1) and PAYG withholding (BAS label W2) for all employee payments included in that pay event. These amounts
  - are your 'employer-level amounts'
  - may be negative because of fixes you've made
  - would generally correspond to the amounts you posted to your general ledger for the pay run.
- If your payroll solution offers the functionality to report child support amounts and you choose to use it, you must also include your total period amounts for each child support type.

When your STP report is due

Your STP report is due on or before the pay day. The pay day is either the payment date stipulated in the electronic transaction to your financial institution or, if you did not specify a date for payment, the date you intend to make the payment into your employee's bank account.

You may lodge multiple STP reports on the same day. Your system will generate a time stamp to identify the latest record for each financial year and ensure the employee’s myGov display recognises the latest record.

There are concessional reporting arrangements which provide a later due date in some circumstances.

Out-of-cycle reporting

You may make payments to employees other than as part of their regular pay cycle, for example when you pay commissions, bonuses, payments in advance or back payments to your employees.

These payments may be reported by either:

- lodging a pay event on or before the pay day you made the payment
- including the out-of-cycle payment made to the employee in the next regular pay event you lodge if your payroll solution offers this functionality. If the next regular pay cycle is in the following financial year, you must report the payment by 30 June in the year the payment was made before you finalise.

This is distinct from an ad hoc payment that is generally either run as a calculation simulation or as an advance of the regular salary (which is deemed as a loan) and should be reported at the time the actual salary is calculated.

Example: out-of-cycle reporting

A software company pays its employees monthly. The employment agreement stipulates that employees should receive their pay on the 15th of every month.

On 30 March, Matthew, an employee of the company, earns a commission of $1,000. On 31 March, the company processes Matthew's commission through payroll.

The company has two options to report the payment made to Matthew, either:

- report this payment to Matthew through a separate pay event (that is, not the regular 15th of the month pay event)
- include the commission payment to Matthew when it lodges the next regular pay event (the pay event with the pay date 15 April).

Note: Some STP-enabled solutions may not offer both options.

Who you include in your STP report

Your STP report must include each employee you've made a payment to that is mandatory for you to report. See Mandatory reporting below.

Your STP report may also include information for other employees, such as:

- those you've made a payment to that is voluntary to report
- those who've been reported earlier during the financial year but did not receive a payment for this pay period.

Payments you must report

Under STP, some payments subject to withholding are in scope and some are out of scope. These have not changed under STP Phase 2 reporting.

Find out about:

- mandatory reporting
- voluntary reporting
- payments that can't be reported through STP
- contractors

Mandatory reporting

There are some withholding payments that are required to be reported under STP. They are generally paid through a payroll process by employers to their employees.

If you report these payments (and amounts withheld from them) throughout the year and complete a Finalising your STP data you will not need to provide the corresponding payment summaries to your employees or a PAYG withholding payment summary annual report to us.

Table 1: Mandatory reporting

Description	BAS labels (gross payment, amount withheld)	Payment summary type
A payment to an employee, such as salary or wages	W1, W2	INB (except INB-P) or FEI
A payment of remuneration to the director of a company	W1, W2	INB (except INB-P) or FEI
A payment to an office holder (for example, a member of the Defence Force)	W1, W2	INB (except INB-P) or FEI
A payment to a religious practitioner	W1, W2	INB (except INB-P) or FEI
A return to work payment to an individual	W1, W2	INB (except INB-P) or FEI
A payment for termination of employment	W1, W2	ETP (life benefit)
An unused leave payment	W1, W2	INB (except INB-P) or FEI
A payment of parental leave pay	W1, W2	INB (except INB-P)
A payment to an employee under the Seasonal Labour Mobility Program	W1, W2	INB (except INB-P)

INB: PAYG payment summary – individual non-business (NAT 0046)

INB-P: Individual non-business (pension)

FEI: PAYG payment summary – foreign employment (NAT 73297)

ETP: PAYG payment summary – employment termination payment (NAT 70868)

You must lodge a pay event even if the amount you were required to withhold from any of these payments was nil.

Voluntary reporting

You may choose to include voluntary reporting amount in your STP reports. These are not mandatory.

Reporting voluntary amounts through STP may help to streamline your reporting and compliance processes because it can replace other reporting requirements, such as payment summaries.

Table 2: Withholding payments that are voluntary to report

Description	Current BAS labels (gross payment, amount withheld)	Payment summary type
A payment that is covered by a voluntary agreement	W1, W2	Business and personal services income – 003
A payment under a labour hire arrangement or a payment specified by regulations	W1, W2	Business and personal services income – 001 or 002
A payment for termination of employment	W1, W2	ETP (death benefit)

PAYG payment summary – business and personal services income (NAT 72545)

ETP: PAYG payment summary – employment termination payment (NAT 70868)

You can also choose to include:

- RESC
- RFBA
- child support deduction amounts
- child support garnishee amounts.

If you choose to include RESC and RFBA in an STP report by 14 July in the next financial year and complete a finalisation declaration, you don't have to give payment summaries to your employees covering these amounts. You don't need to lodge a payment summary annual report covering these amounts.

If you choose to include child support deduction or child support garnishee amounts, you may no longer need to provide separate reporting directly to the Child Support Registrar, via your previously preferred reporting channel.

Payments that can't be reported through STP

Some payments can't be reported through STP.

These include:

- payments that are generally not paid through a payroll process
- payments made by payers to recipients that are generally not their employees, such as
  - Services Australia
  - investment bodies and managed investment funds
  - purchasers of certain taxable Australian property.

Payers must continue to provide payment summaries and lodge a payment summary annual report for these withholding payments.

In addition, a payer can't include any payment made through payroll solution that is not a withholding payment – for example, partnership distributions and payments to suppliers.

Description	Current BAS labels (gross payment, amount withheld)	Payment summary or annual report
A superannuation income stream or an annuity	W1, W2	PEN or INB-P
A superannuation lump sum	W1, W2	SLS
A social security or similar payment	W1, W2	INB
A compensation, sickness or accident payment	W1, W2	INB
Payment of income of closely held trust where tax file number (TFN) not quoted	Annual activity statement	Closely-held trust or Annual TFN withholding report
Recipient does not quote Australian Business Number (ABN)	W4	ABN or No ABN, AIIR
Dividend, interest and royalty payments	W3	n/a or non-residents, AIIR
Departing Australia superannuation payment	W3	DASP
Excess untaxed roll-over amount	W3	n/a
A payment to a foreign resident	W3	Free format or Foreign residents
Payments in respect of mining on Aboriginal land, and natural resources	Electronic payment	Free format

Distributions of withholding MIT income	W3	Free format or AIIR
Distributions by AMITs (including deemed payments)	W3	Free format (for example AMMA statement), AIIR
Alienated personal services payments	W1, W2	Business and personal services income – 004
Non-cash benefits, and accruing gains, for which amounts must be paid to the Commissioner, except subdivisions 14-C and 14-D	W3 / Electronic payment	Most applicable
Shares and rights under employee share schemes (ESS)	W1, W2, where TFN quoted W3 only, where TFN not quoted	ESS
Capital proceeds involving foreign residents and taxable Australian property	Electronic payment	n/a

PEN: Superannuation income stream
SLS: Superannuation lump sum
AIIR: Annual investment income report,
DASP: Departing Australia superannuation payment
AMMA statement: Annual attribution MIT member statement
ESS: Employee share scheme.

Contractors

Payments made to contractors are not mandatory to report under STP. However, if you currently report contractors through your payroll solution, you should continue to do so under STP.

If you report payments to contractors and you have a voluntary agreement to have withholding applied, you don't need to provide a payment summary to these contractors.

If the contractors are managed outside of payroll using accounts payable you don't have to report payments to them under STP.

Rules for reporting amounts

Your STP report includes YTD amounts of salary or wages, allowances or other payments (as relevant), deductions and PAYG withholding for each employee included in that pay event.

These YTD amounts may be less than a previous report (for example, recovery of a current year overpayment) or can be zero.

There are limited circumstances where YTD amounts for specific payment types are negative, typically where corrections cross financial years (such as refunds of salary sacrifice) or cross related payers. This can result in some of the YTD amounts you need to report through STP also being negative.

If this occurs, YTD amounts can be negative when they are reported for:

- gross
- paid leave
- allowances
- overtime
- bonuses and commissions
- directors' fees
- lump sum type W
- salary sacrifice.

If any of the YTD amounts you report are negative, the overall amount of income for each income type you report in your STP report must still be zero or positive. This means that for each income type the total of Gross, Paid leave, Allowances, Overtime, Bonuses and commissions, Directors’ fees and Lump sum W, less salary sacrifice, must be zero or positive. Your solution will ensure you meet this requirement.

Not all amounts can be reported for all income types. The following table shows the amounts that can be reported against each income type.

	SAW	CHP	IAA	WHM	SWP	FEI	VOL	LAB	OSP
PAYGW	Y	Y	Y	Y	Y	Y	Y	Y	Y
Foreign tax	N	N	N	N	N	Y	N	N	N
Exempt foreign Income	Y	N	N	N	N	N	N	N	N
Gross	Y	Y	Y	Y	Y	Y	Y	Y	Y
Paid leave payment	Y	Y	Y	Y	Y	Y	N	N	N
Allowances	Y	Y	Y	Y	Y	Y	N	N	N
Overtime	Y	Y	Y	Y	Y	Y	N	N	N
Bonuses and commissions	Y	Y	Y	Y	Y	Y	N	N	N
Directors'	Y	Y	Y	N	N	Y	N	N	N

fees									
Salary sacrifice	Y	Y	Y	Y	Y	Y	N	N	N
Lump sum payment	Y	Y	Y	Y	Y	Y	N	N	N
Employment termination payment	Y	Y	Y	Y	Y	Y	N	N	N

Rules for reporting Foreign Employment Income

The classification of payments made to employees working in foreign countries depends on a number of factors, such as the time spent in the foreign country and the applicable tax treaties.

These rules detail how you can report and adjust these payments through STP:

- Payments to an employee posted to a foreign country should be reported using the Foreign Employment Income (FEI) income type if amounts are withheld in that country.
- If no amounts are withheld for the foreign country, payments should be reported using the relevant other income type (such as Salary and Wages (SAW)).
- Employers should follow the Accounting for foreign tax instructions.

You must report payments made to employees posted overseas throughout the year, and foreign tax, and make adjustments as required. These adjustments can be reported in either a pay event or update event. The adjustments can be done throughout the year or at the end as part of the finalisation process.

You can use one or a combination of the following three methods to report.

1. Estimates - If you believe the employee will remain overseas for the qualifying period, treat that employee as earning foreign income from the beginning. If the employee’s status changes, adjust the employee's year-to-date figures accordingly. For example, if your employee is working overseas for a year and the payments are subject to withholding in that country, apply the withholding rate for that country from the beginning.
2. Actual - Treat the employee as earning foreign income from the time they qualify for withholding in the foreign country.
3. Reconciliation - Treat the employee as an employee working in Australia for the financial year and then reconcile the payments and withholding at the end of the financial year.

Reporting based on your current business structure

Your payroll solution will generate your STP report for your pay cycle by ABN, branch and business management software (BMS) ID. We use this combination of information, together with the Payroll IDs you report, to identify when we need to display a separate income statement to your employee.

Some businesses structure their payroll so that the same person may be paid by different combinations of ABN, branch and BMS ID. They may also have multiple Payroll IDs in the same payroll solution that relate to the same person (for example, where the person performs multiple jobs).

This section explains some of the circumstances where this occurs.

PAYG withholding branches

Some business entities register PAYG withholding branches to suit the structural, management and accounting arrangements of the organisation. When an entity registers a branch, it must report and pay PAYG withholding separately for each branch.

If you have registered multiple PAYG withholding branches, you must conduct your STP reporting separately for each branch.

Multiple payroll solutions

If you currently use multiple payroll solutions, you can report separately from each payroll solution. This will be identified by the payroll solution via a unique BMS ID, which forms part of the STP report.

Most products will allocate the BMS ID for you as part of making their products STP-enabled. If you have more than one payroll solution, you will need to ask your digital service provider about your BMS ID.

When the employee's payer changes

Your employee may have income attributed to different ABNs, branches, and BMS IDs during a financial year. If this is the case, each combination will result in a separate income statement displayed on the employee's myGov account.

You must finalise each income statement (that is the combination of ABN, branch and BMS ID and payroll ID). You can choose whether you finalise the income statement during the year or at the end of the year (by 14 July). However, you should consider whether:

- your previous ABN/branch will still be active. You cannot finalise your STP reporting if the ABN or branch has been cancelled
- you will still have authorisation to report on behalf of your previous ABN/branch
- you will still have access to the payroll solution you reported from.

If your business structure changes, the ABN and branch under which you have been generating your STP reporting may change. If this occurs, you must:

- finalise your STP reporting under the ABN and branch you have been using for your STP reporting. You can choose whether you do this before you start reporting for the new ABN and branch or later (up until 14 July). However, you

should consider whether
    - your previous ABN/branch will still be active. You cannot finalise your STP reporting if the ABN or branch has been cancelled
    - you will still have authorisation to report on behalf of your previous ABN/branch
    - you will still have access to the payroll solution you reported from.

- start your STP reporting under the new ABN and branch using zero YTD employee amounts.

Example: Partnership to company

Amy, Joanna and Remy run a small furniture manufacturing business as equal partners. They report monthly wage payments for 20 employees through their STP-enabled payroll software.

In the 2020–21 financial year, they decide they want to transfer their interests in the assets of the partnership to a company. This is to occur on 1 March 2021.

When making and reporting via STP their February 2021 monthly wage payments, they make a finalisation declaration to finalise their STP reporting under the partnership's ABN.

As part of the restructure, Amy, Joanna and Remy's employees become employed by the company from 1 March 2021. Therefore, the company reports its March 2021 wage payments under the company's ABN, starting from zero YTD employee amounts.

In their 2020–21 income tax returns, the employees will see two records - one listed against the partnership (for the period 1 July 2020 – 30 April 2021), the other against the company (for the period 1 March – 30 June 2021).

Example: Employee starts to work for a different branch

Priya is employed by a small mining company as a project manager in their main business. The company reports the fortnightly salary paid to Priya through STP throughout the year from its ABN and main reporting branch.

In the 2021-22 financial year the company enters into a joint venture. The joint venture will commence on 1 April 2022 and the company establishes a new branch for their ABN to keep their joint venture reporting separate from their main business.

Priya begins to work solely on the joint venture. Her salary starts to be paid by the joint venture branch from 1 April 2022. Therefore, the joint venture branch reports the salary paid to Priya through STP.

When she logs into myGov to complete her 2021-22 tax return Priya will see two income statements displayed, even though she has only worked for the same mining company during the year. This is because she was paid by more than one combination of ABN and branch.

- One income statement shows the salary paid to Priya when she was working for the main branch before 1 April 2022
- The other income statement shows the salary paid to Priya when she was working for the joint venture branch after 1 April 2022.

Multiple employee records

We use a combination of the employee identity information you supply (such as their TFN, name and date of birth) and the Payroll ID to match your STP report to the correct ATO taxpayer record so we can display the employee's information in their income statement.

Where an employee is recorded more than once under the same ABN, branch and BMS ID then each payroll record of the employee must be reported using a unique payee payroll ID. This is so we can identify for which taxpayer you are reporting separate payroll records and display the correct information. Each payroll ID must have separate YTD amounts reported.

For example, where an employee works within an organisation under two separate roles or awards and has been created as if they are two unrelated employees, the employee can be reported under multiple payee payroll IDs within a single pay event.

Some payroll solutions may use the same payroll ID for more than one person, such as where the second person is a death beneficiary of the person originally assigned that payroll ID. In this situation you must ensure that you report unique payee identity information so that we can match the STP report to the correct person’s ATO taxpayer record.

Remitting PAYG withholding

If you notify your PAYG withholding liability on an activity statement, you should continue to follow your existing processes. If you are a large withholder you must continue to pay the amounts you withhold to us electronically.

Note: If you are a large withholder, follow your existing process – [When to pay and report on activity statements](#).

Find out about:

- [Correcting information reported through STP](#)

Correcting information reported through STP

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=8
- Last modified: 19 Nov 2021
- QC 66099

You have some time to correct information reported in a pay event without being liable to a penalty for making a false or misleading statement. We call this correction a 'fix'.

This only relates to situations where the information you have already reported through STP is incorrect. It does not include situations where you should have lodged an STP report but failed to do so on time.

It is important that you make timely corrections because we may share the information you report through STP with Services Australia to assist your employee if they are a Services Australia customer. If you do not make a fix within the required period, you may also be liable to a penalty.

Correcting employee information

If the employee YTD information you last reported to us doesn't reflect the information in your payroll system, you should give the updated information to us either:

- within 14 days of the need for a correction being identified
- in the next regular pay event within the same financial year where the affected employee has continuity of employment.

If we send an error message to you relating to the employee data you have reported, the same 'fix' rules apply to correcting those errors as above.

Corrections that impact your PAYGW liability

Sometimes when you identify that you need to make a fix to your STP reporting, you may also identify that the PAYG withholding you reported to us for a previous tax period was too high or too low.

When you correct employee information reported through STP in accordance with these guidelines, there are two ways you can report the correction to your PAYG withholding liability. You can:

- revise your Activity Statement for the earlier tax period to show the correct amount (or for large withholders, follow the existing process for notifying us of changes to your PAYG withholding liability in an earlier tax period)
- carry forward the correction to your reported PAYG withholding for the current tax period, subject to some limits.

If the PAYG withholding liability reported in the previous tax period was too low (meaning you've not reported and paid enough), you can only carry forward the correction if the total of all corrections for the current tax period doesn't exceed the materiality threshold.

A materiality threshold is the upper limit on the amount of corrections to your PAYG withholding liability that you can carry forward to the current tax period. It varies based on how much you withhold each year.

The materiality thresholds are outlined below.

	Total withheld per annum	Materiality threshold
Small withholders	N/A	$2,500
Medium withholders	Less than $100,000	$3,500
Medium withholders	Between $101,000 and $500,000	$5,000
Medium withholders	Between $500,000 and $1m	$10,000
Large withholders	N/A	$50,000 or 0.5% of the amount withheld in the previous financial year

If the PAYG withholding liability reported in the previous period was too high (meaning you've reported and paid too much), there is no limit on the amount you can carry forward to offset your liability in the current tax period.

When you chose to include a correction to your reported PAYG withholding liability in the current tax period, you must record your choice in writing. This is so that you have business records which demonstrate that you made the choice.

Correcting child support information reported through STP

Special rules apply to correcting child support information that you have reported through STP.

- You must take action to correct child support amounts you have reported through STP immediately once you identify that a correction is required. You cannot wait until your next regular pay event for that employee.
- You must contact the Child Support Registrar for authorisation before you make any changes to your STP reporting that reduces the YTD amount you have already reported.
- When you receive authorisation, you must include the change in your first STP report after the authorisation is granted.
- If the correction you are making does not require authorisation, you must make the correction in your STP reporting immediately by lodging an update event.

Overpayment identified within the same financial year

If an overpayment is identified in the same financial year it was paid, the employee will only need to repay the net amount of the overpayment. The net amount is the amount received by the employee.

You will need to ensure we have the correct amounts recorded (the employee's YTD values don't include details of the overpayment). You can make these fixes in either:

- the next regular pay cycle report for the employee (by reducing the employee's YTD figures and your employer-level gross payment and withholding figures)
- an update event, within 14 days of the overpayment being identified.

Misclassification with no additional payment

A misclassification is when information has previously been reported under an incorrect item. For example, a payment was reported as gross instead of as an allowance, and no additional payment is made to the employee.

You must correct your STP reporting by correcting the classification and you can make this fix in the next pay event or by lodging an update event.

Reporting under an incorrect ABN or PAYG withholding branch

You must correct your STP reporting if you have reported employees under an incorrect ABN or PAYG withholding branch. To fix this, you should:

- adjust any incorrectly reported amounts from the incorrect ABN or PAYG branch by zeroing out your YTD amounts
- report your employee under the correct ABN or PAYG withholding branch from the point you discovered the error.

To zero out your YTD amounts you should send us:

- an update event for the incorrect ABN and branch combination that shows all YTD amounts for your employees as zero. This tells us that you are making changes and that we should stop displaying your employees' current income statement
- an STP report for your employees showing their YTD amounts against the correct combination of ABN and branch.

This will ensure we don't display duplicate income statements for your employee and that you haven't over-reported your PAYG withholding liability.

If you paid the employee and have reported through STP from one combination of ABN and branch but subsequently assign that expense to another combination of ABN and branch, then you don't need to correct your STP reporting. This is because your STP reporting should show who actually paid the employee and your original report is correct.

If the adjustment moves PAYG withholding amounts between ABNs or branches you may need to revise your reported PAYG withholding liability (either on your activity statements or, if you are a large withholder, using your existing process).

Full file replacement

Some solutions may offer functionality which gives you the ability to completely replace the latest pay event file you sent to us in error, or which contained significant corrupt data. This is called a full file replacement.

Don’t use a full file replacement for corrections.

A full file replacement:

- may only be used to replace the latest pay event
- must contain the submission identifier of the pay event to be replaced
- cannot be lodged if any employee information has subsequently been changed in a payroll or update event
- cannot replace an update event – a new update event should be lodged.

Only one full file replacement can be lodged per 24-hour period.

Find out about:

- Finalising your STP data

Finalising your STP data

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=9
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Finalising your STP data is how you let us know your STP reporting is complete for an employee for a financial year.

End-of-financial-year finalisation declaration

The way you finalise your STP data is by making a finalisation declaration. A finalisation declaration is a declaration in the approved form lodged by 14 July each year indicating you have fully reported for the financial year for each employee. You make a finalisation declaration by providing a finalisation indicator for an employee (and directors, contractors, etc.) as part of your STP reporting.

When you have provided the finalisation indicator for the employee, we will prefill the employee's income tax return and display the information as 'tax ready' in ATO online services, accessed through myGov.

You can make a finalisation declaration for an employee at any time during the financial year (for example, for employees who have ceased employment), or after the end of the financial year up to 14 July. It is important to make a finalisation declaration so that your employees can be confident they are using accurate and complete information for their income tax return.

You can apply for an extended due date to make your finalisation declaration.

Interaction with payment summaries

You are not required to provide payment summaries (including part-year payment summaries) to your employees for the payments you report and finalise through STP. We make this information available to your employees in ATO online services accessed through myGov. This information is called an income statement. It is the equivalent of a payment summary.

Once you make a finalisation declaration, after the end of the financial year we will notify your employees that their income statement is 'tax ready' through myGov and they can use it to complete their tax returns.

Finalised STP information will be pre-filled after the end of the financial year into myTax for individuals who prepare and lodge their own tax returns. It will also be made available to tax agents.

You will still need to provide your employees with a payment summary and send a payment summary annual report to us for any payments not reported and finalised through STP.

Finalisation declaration during the financial year

If you make a finalisation declaration during a financial year, you don't need to provide the employee with a part-year payment summary.

In some circumstances you may pay an employee after you have already made a finalisation declaration for them in the same financial year.

If it is a one-off payment, make another finalisation declaration when you report this payment.

If you expect to make another payment (for example, you rehire the employee), deselect or remove the finalisation indicator and wait until the end of the financial year to make another finalisation declaration.

Even if you finalise an employee record partway through the financial year, we will not pre-fill the information into your employee’s tax return until after the end of the financial year. The employee will need to follow the current process for lodging a part-year tax return. This commonly affects employees who are leaving Australia once their employment has terminated.

Amendments after finalisation

If you need to amend details after making a finalisation declaration, you should do this as soon as possible by lodging an update event. We will make updated information available to your employee through ATO online services. We also recommend that you notify your employee of any changes because they may need to correct their tax return if they used the previous information.

If you can't lodge an update event with the correct details straight away, you should lodge an update event with the existing details with the finalisation indicator removed. This will advise us that the current information is not final and shouldn't be used to pre-fill your employees' individual tax returns. If you cannot lodge an update event with the correct details by the finalisation due date, you need to apply for a finalisation declaration deferral.

You must correct errors within 14 days of detection or, if your pay cycle is longer than 14 days (for example, monthly), by the date you would be due to lodge your next regular pay event.

When you've lodged the update event with the correct details and the finalisation indicator, revise the PAYG withholding information (labels W1 and W2) on your activity statement for that period. You can amend finalised information reported through STP up to five years after the end of financial year.

Overpayment in a previous financial year

If you overpay a worker in a previous financial year and only discover the overpayment in a later financial year, you should lodge an update event to advise us the amounts the employee should have received in the relevant financial year. You must not adjust the amount of tax withheld.

You should provide an update event for each financial year in which an overpayment occurred.

If the overpayment relates to a payment you did not report through STP you should provide your employee with an amended payment summary and send an amended payment summary annual report to us.

Find out about:

- Changing your payroll solution or employees' Payroll IDs during a financial year
- Overpayment relates to previous financial year

Changing your payroll solution or employees' Payroll IDs during a financial year

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=10
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Your payroll solution will generate your STP report for your pay cycle by ABN, branch and BMS ID. We use this combination of information, together with the payroll IDs you report, to identify when we need to display a separate income statement to a taxpayer. We will display a separate income statement for each combination.

If you transfer the employee YTD amounts you have reported to a different combination of these things (for example, because you have changed to a different payroll solution), you need to tell us.

If you don’t tell us, your employees will see duplicate income statements. It also means you're reporting more than your true PAYG withholding liability.

Your options for telling us about changes will depend on your circumstances.

Changing your payroll solution

Your STP-enabled payroll solution has a BMS ID that acts like a serial number to tell us which payroll solution sent the STP report. This is important because some payroll arrangements pay employees out of more than one payroll solution at the same time.

Some payroll solutions will assign the BMS ID for you and others may allow you to nominate your own BMS ID. Your digital service provider can advise you about your BMS ID.

You need to tell us if you change payroll solution and transfer YTD amounts if your payroll solution:

- assigns the BMS ID for you
- allows you to nominate a BMS ID and you choose to nominate a BMS ID that is different to your previous payroll solution.

If your payroll solution allows you to nominate your own BMS ID and you choose to use the same BMS ID as your previous payroll solution, you do not need to tell us. This is because there has been no change to the combination of ABN, branch and BMS ID in your STP reporting.

Changing your employees’ payroll IDs

Each employee included in your STP report must have a payroll ID for you to report their YTD amounts to us. If you change their payroll ID and transfer their YTD amounts from their old payroll ID, you need to tell us that you have transferred these amounts.

This may also occur when you are changing payroll solutions.

If you don't transfer employee YTD amounts, you don't need to tell us.

Changing payroll solutions or payroll IDs without transferring YTD amounts

There may be circumstances where you change payroll solution but do not transfer your YTD amounts to the new solution.

If you do not transfer employee YTD amounts, you do not need to tell us about any changes.

We will display a new income statement for the new YTD amounts you report for the new combination of ABN, branch, BMS ID and payroll ID that you report through STP.

This means that your employee will have multiple income statements. You must finalise your STP reporting for each combination of ABN, branch, BMS ID and payroll ID for your employees, so that we can let your employees know when the information displayed in each of their income statements is tax ready.

You can finalise your STP reporting at any time during a financial year until 14 July. However, you should consider whether:

- your previous ABN/branch will still be active – you cannot finalise your STP reporting if the ABN or branch has been cancelled
- you will still have authorisation to report on behalf of your previous ABN/branch
- you will still have access to your previous payroll solution.

If you won't be able to finalise all your STP reporting at the end of the year or you don't know whether you will be able to, you should finalise your STP reporting when you change your payroll solution or employees' payroll IDs.

See also:

- Finalising your STP data

Options for telling us about changes

This section describes the methods you can use when you need to tell us about a change to your payroll solution or payroll IDs. If you are not able to use any of these methods, phone us on 13 28 66.

Zeroing out

You should use the zeroing out method if:

- your previous software provides this functionality
- you still have access to your previous software
- your software provider doesn't offer the alternative option
- you are correcting an incorrect combination of ABN and branch in your STP reporting.

Follow these steps when using the zeroing out method:

1. Before you transfer the YTD amounts to your new payroll solution or your employees' new payroll IDs, send us an update event that shows all YTD amounts for your employees as zero. This tells us that you are making changes and that we should stop displaying your employees' current income

statement.
2. Transfer your employee YTD amounts to your new payroll solution or employee payroll IDs and send us an STP report for your employees showing their transferred YTD amounts.

Replacement of BMS ID or payroll IDs

You should use the replacement method if:

- your software provides this functionality
- you know your previous BMS ID or your employees' previous payroll IDs
- you no longer have access to your previous software.

When using the replacement method, you should transfer your employee YTD amounts to your new payroll solution or to their new payroll IDs and send us an update event which includes your previous BMS ID or your employees' previous payroll IDs. This will tell us to replace your employees' old income statement with a new income statement.

You can only tell us your previous BMS ID or your employees' previous payroll ID in an update event. You cannot include them in a pay event.

Find out about:

- [What employees need to know](#)

What employees need to know

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=11
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Once you start reporting through STP, your employees' YTD tax and super information will be available in ATO online services, accessed through myGov. If your employees use a tax agent, their tax agent will also have access to this information.

This has not changed under STP Phase 2.

What has changed is that:

- your employees' income statements will include some of the extra detail you have reported through STP Phase 2
- we will now share the information you have reported with Services Australia who will use this information to help their customers when reporting their employment income.

The YTD data employees see may not always align with the data in your payroll solution – for example, when your reported information that needs to be corrected in your next pay event.

It is not mandatory for employees to have a myGov account. However, if they want to access their information online throughout the year, they will need one.

It's easy to create a myGov account, and there is online help available. Once it's set up, employees can link their myGov account to a range of government services, including the ATO.

See also:

- ATO and the myGov Inbox

Interaction of STP with payment summaries

You will not be required to provide your employees with payment summaries for the information you report and finalise through STP. Your employees will see information reported through STP in myGov. This information is called an income statement.

Tax agents will also have access to this information through online services for agents.

Employees who do not create a myGov account will need to phone us for a copy of the information reported through STP.

Payments and amounts withheld that were not reported through STP must be included on a payment summary and you must send a payment summary annual report to us.

myTax pre-fill

The information you report to us through STP will be pre-filled into myTax at the end of the financial year for your employees who prepare and lodge their own tax return.

We'll notify your employees at the end of the financial year when the STP information they need to complete their tax return is ready.

Until employees receive this notification from the ATO, the STP information they see in myGov may not align with the data in your payroll solution.

Quick reference guide

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=12
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- QC 66099

This quick reference guide shows how to report some common payment types through STP Phase 2:

- Payment types A – G
- Payment types H – Z

Payment types A – G

Payment type	STP Phase 2
Allowance – accommodation – domestic, amount does not exceed ATO reasonable amount	Not reported
Allowance – accommodation – domestic, amount exceeds ATO reasonable amount	Domestic or overseas travel allowances and overseas accommodation (allowance type RD)
Allowance – accommodation – overseas, for business purposes	Other allowances (allowance type OD) with the description G1 (General)
Allowance – accommodation – overseas, for private purposes	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – all-purpose	Task allowances (allowance type KN)
Allowance – car – flat rate	Other allowances (allowance type OD) with the description V1 (Private vehicle)
Allowance – cents per km - for a car in excess of the ATO rate for business related travel.	Cents per km allowance (allowance type CD)
Allowance – cents per km – for a car up to the ATO rate for business related travel	Cents per km allowance (allowance type CD)
Allowance – cents per km – for private travel such as travel between home and work.	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – cents per km – for vehicles other than a car such as a motorbike or van.	Other allowances (allowance type OD) with the description V1 (Private vehicle)

Allowance – confined spaces	Task allowances (allowance type KN)
Allowance – danger	Task allowances (allowance type KN)
Allowance – dirt	Task allowances (allowance type KN)
Allowance – district	Task allowances (allowance type KN)
Allowance – driving licence	Qualification and certification allowances (allowance type QN)
Allowance – equipment – where equipment is supplied by employee for business purposes	Tool allowances (Allowance type TD)
Allowance – first aid	Task allowances (allowance type KN)
Allowance – freezer	Task allowances (allowance type KN)
Allowance – height	Task allowances (allowance type KN)
Allowance – higher duties	Task allowances (allowance type KN)
Allowance – home office equipment	Other allowances (allowance type OD) with the description H1 (Home office)
Allowance – industry	Task allowances (allowance type KN)
Allowance – Internet	Other allowances (allowance type OD) with the description H1 (Home office)
Allowance – laundry – for cleaning of approved uniforms in excess of the ATO approved limit.	Laundry allowance (allowance type LD)
Allowance – Laundry – for cleaning of approved uniforms up to the ATO approved limit	Laundry allowance (allowance type LD)

Allowance – laundry – for the cost of laundering deductible conventional clothing	Other allowances (allowance type OD) with the description G1 (General)
Allowance – laundry – for the cost of laundering uniforms for private purposes	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – leading hand	Task allowances (allowance type KN)
Allowance – liquor licence	Qualification and certification allowances (allowance type QN)
Allowance – living away from home (FBT)	Not reported – but may form part of RFBA
Allowance – locality	Task allowances (allowance type KN)
Allowance – loss of licence	Qualification and certification allowances (allowance type QN)
Allowance – meals and incidentals – domestic, amount does not exceed ATO reasonable amount.	Not reported
Allowance – meals and incidentals – domestic, amount exceeds ATO reasonable amount	Domestic or overseas travel allowances and overseas accommodation (allowance type RD)
Allowance – meals and incidentals – overseas, amount exceeds ATO reasonable amount	Domestic or overseas travel allowances and overseas accommodation (allowance type RD)
Allowance – on call – ordinary hours	Task allowances (allowance type KN)
Allowance – on call – outside ordinary hours	Overtime
Allowance – overtime meals – amount does not exceed the ATO reasonable amount	Not reported
Allowance – overtime meals – amount exceeds the ATO reasonable amount	Overtime meal allowance

Allowance – recognition of skill level	Task allowances (allowance type KN)
Allowance – secondment	Task allowances (allowance type KN)
Allowance – site	Task allowances (allowance type KN)
Allowance – supervisor	Task allowances (allowance type KN)
Allowance – tools of trade	Tool allowances (allowance type TD)
Allowance – transport – for private purposes	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – transport – payments for the cost of transport for business related travel traceable to a historical award in force on 29 October 1986	Award transport payments (allowance type AD)
Allowance – transport – payments for the cost of transport for business related travel not traceable to a historical award in force on 29 October 1986	Other allowances (allowance type OD) with the description T1 (fares)
Allowance – travel – for private purposes	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – travel – part day	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – travel time – ordinary hours	Gross
Allowance – travel time – outside ordinary hours	Overtime
Allowance – wet weather	Task allowances (allowance type KN)
Allowance – working with children check	Qualification and certification allowances (allowance type QN)
Back pay – total is below Lump sum E	The payment type that matches

threshold	the payment. For example, back pay of ordinary pay = gross, back pay of higher duties allowance = task allowance (allowance type KN).
Back pay – accrued less than 12 months before date of payment	The payment type that matches the payment. For example, back pay of ordinary pay = gross, back pay of higher duties allowance = task allowance (allowance type KN).
Back pay – accrued more than 12 months before date of payment	Lump sum E
Bonus – Christmas	Bonus and commission
Bonus – ex-gratia, in respect of ordinary hours of work	Bonus and commission
Bonus – paid to employee that has resigned to encourage withdrawal of resignation	Return to work payment (Lump sum W)
Bonus – paid to end industrial action	Return to work payment (Lump sum W)
Bonus – paid to ex-employee to return	Return to work payment (Lump sum W)
Bonus – performance	Bonus and commission
Bonus – referral	Bonus and commission
Bonus – relating entirely to time worked outside ordinary hours	Overtime
Bonus – retention	Bonus and commission
Bonus – sign-on	Bonus and commission
Breach of rest break payment	Gross
Call back payment	Overtime
Commission	Bonus and commission
Directors' fees – working or non-working director	Directors' fees

Flexi time – hours worked and taken	Gross

Payment types H – Z

Payment type	STP Phase 2
Identifiable overtime component of annualised salary	Overtime
Leave – annual – cashed out in service	Cash out of leave in service (paid leave type C)
Leave – annual – taken	Other paid leave (paid leave type O)
Leave – bereavement	Other paid leave (paid leave type O)
Leave – carer's	Other paid leave (paid leave type O)
Leave – community service	Ancillary and defence leave (paid leave type A)
Leave – compassionate	Other paid leave (paid leave type O)
Leave – defence	Ancillary and defence leave (paid leave type A)
Leave – domestic violence	Other paid leave (paid leave type O)
Leave – family	Other paid leave (paid leave type O)

Leave – firefighting service	Ancillary and defence leave (paid leave type A)
Leave – gardening	Other paid leave (paid leave type O)
Leave – jury duty	Ancillary and defence leave (paid leave type A)
Leave – long service – cashed out in service	Cash out of leave in service (paid leave type C)
Leave – long service – taken	Other paid leave (paid leave type O)
Leave – parental – employer paid	Paid parental leave (paid leave type P)
Leave – parental – government paid (GPPL)	Paid parental leave (paid leave type P)
Leave – personal – cashed out in service	Cash out of leave in service (paid leave type C)
Leave – personal – taken	Other paid leave (paid leave type O)
Leave – RSPCA	Ancillary and defence leave (paid leave type A)
Leave – sick	Other paid leave (paid leave type O)
Leave – State Emergency Service (SES)	Ancillary and

	defence leave (paid leave type A)
Leave – study	Other paid leave (paid leave type O)
Leave – paid on termination – annual leave or leave loading accrued after 17 August 1993 paid on a normal termination	Unused leave on termination (paid leave type U)
Leave – paid on termination – long service leave accrued after 17 August 1993 paid on a normal termination	Unused leave on termination (paid leave type U)
Leave – paid on termination – annual leave or leave loading accrued after 17 August 1993, termination for genuine redundancy, invalidity or early retirement scheme reasons	Lump sum A, type code R
Leave – paid on termination – unused annual leave or leave loading paid on termination that accrued before 17 August 1993	Lump sum A, type code T
Leave – paid on termination – long service leave that accrued between 16 August 1978 and 17 August 1993.	Lump sum A, type code T
Leave – paid on termination – long service leave that accrued before 16 August 1978	Lump sum B
Loadings – annual leave loading (demonstrably referable to a loss of overtime)	Overtime
Loadings – annual leave loading (standard)	Leave type O
Loadings – casual loading	Gross
Ordinary hours	Gross
Overtime	Overtime
Penalties – public holiday	Gross
Penalties – shift	Gross
Rostered day off (RDO) – hours cashed out in service	Leave type C
Rostered day off (RDO) – hours taken	Leave type O

Time off in lieu (TOIL) – hours taken	Other paid leave (leave type O)
Time off in lieu (TOIL) – hours cashed out in service	Overtime
Travel time – Excess, for travel outside ordinary hours	Overtime
Workers' compensation – no work is performed	Leave type W
Workers' compensation – paid after termination	Leave type W
Workers' compensation – top-up, no work is performed	Leave type W
Workers' compensation – top-up, work is performed	Gross
Workers' compensation – work is performed	Gross

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 follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.