



e-News

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Quick Reference Guide for STP 2 Tax Treatment Codes

STP PHASE 2

Hello there! Happy Valentine's Day! Last week I provided you with a link to the [ATO's quick reference guide for STP 2 codes for common payment types](#). Following on from this, this week I am providing you with the link to [the tax treatment codes list](#). Add this link to your favourites so you can access it at any time.

When you set up STP 2 in your payroll, you will see that each employee will be assigned his/her own tax treatment code. This code tells the ATO about the factors that influence the amount you withhold from your employees' wages. An example of how these codes may be used in the setup of STP 2 is provided below.

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.

This table shows the components of the tax treatment code.

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.

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).

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