



e-News

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STP Phase 2 Education Series Part 3: Planning Ahead to Transition to STP 2

STP PHASE 2

Over the next few weeks, I will provide an educational series on STP Phase 2 via this newsletter.

Part 1 of this series looked at one of the key changes to STP - the [disaggregation of gross pay items](#) in your payroll. Part 2 explained [the benefits of STP 2 for both employers and employees](#).

Part 3 in the series will give a brief overview of what is involved and how planning ahead for the transition to STP 2 is the key to success.

What is STP Phase 2 all about?

Basically, STP Phase 2 is the same as STP Phase 1 except that more payroll data now needs to be reported. STP 2 requires drilling down into the details about your payees, their payments, PAYG withheld and superannuation. These extra details

will be shared with the ATO and Services Australia, providing them with greater visibility about your payees and you, as an employer. We will now look at how payroll will be disseminated for the purposes of STP 2.

What extra data needs to be reported?

The types of new data to be reported by STP 2 can be broken down into 3 areas:

1. Who are your payees?
2. What types of payments do they receive?
3. PAYG withholding - how is this calculated?

The below table provides a summary of the extra data now required in each of these areas. There are links to the relevant ATO resource page for each item listed.

STP Phase 2 Reporting		
About your Payees	About their Payments	About PAYG WH
<u>Commencement Date</u>	<u>Income Stream Type</u>	<u>Tax Scale Category</u>
<u>Cessation Date</u>	<u>Payment Category</u>	<u>Tax Treatment Code</u>
<u>Cessation Reason</u>	<u>Payment Classification</u>	<u>Annual Tax Offset Amount</u>
<u>TFN or ABN (or both)</u>	<u>Deductions</u>	<u>Medicare Levy</u>
<u>Employment Basis</u>	<u>Child Support</u>	
<u>Payroll ID</u>	<u>Allowances</u>	
<u>Country Codes</u>	<u>Termination Payments</u>	
<u>Income Stream</u>	<u>Superannuation</u>	

Planning Ahead

As you can see, there is a lot to review and read! It can be overwhelming and confusing, to say the least! The main thing to remember is that your payroll provider will do most of the heavy lifting in terms of creating the infrastructure needed to facilitate STP 2. Your job is to understand the terminology and how the new reporting requirements apply to your payroll setup and your employees/payees. This may take some time, and thankfully, time is on your side,

given the ATO has provided a blanket deferral until 1st March 2022. Also, several payroll providers have attained a much longer deferral which covers their customers - check with your provider if this affects you.

The best thing you can do is to start reviewing your payroll setup as it sits now. Check employee details both personal and payroll-related. I have created a spreadsheet you can use to review your current employees/payees [which you can download and use as needed](#). This spreadsheet will collate most of the information you will need in order to transition to STP 2. Start the process by completing the spreadsheet and then, when you are ready to transition, you will have most of the required information at your fingertips.

Next, sit down with your employees/payees and explain what will happen once STP 2 begins. Tell them about how their information will be shared with the ATO and Services Australia. Explain that their payslips and income statements will look different and why. You may need to ask payees for more personal information during the setup of STP 2 - try to get ahead of the game and find out what sorts of data you don't have and work with your payees to obtain it.

Keep an eye on your payroll provider's pathway to STP 2. Your provider will advise you when you can transition and how it is to be done within the software itself. This may not happen for some months, but you can still prepare as per my above tips!

Lastly, think about when you would like to transition to STP 2. Yes, there are time constraints as per the ATO but they do say you can move over at any time during the year (provided you are covered by a deferral). However, you may like to put a plan in place and decide on a cutover date. That way, you can work towards the move to STP 2 in a timely manner and in a fashion that works for you and your business.

Lastly, to help you with your STP 2 plan and research, here is a [link to the ATO guidelines](#). Download it and pop it away for use when you return from the festive season! Don't panic now - there's plenty of time and there will be a lot of help available to you when the time comes to tackle STP Phase 2!

Latest Articles



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Over the last few weeks, I have completely turned my beliefs about work, upside down and inside out.



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From 1st November 2021, when a new employee starts working for you, you must pay their super into their "Stapled Super Fund" if he/she does not provide you with a choice of fund.



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