



## e-News

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Which Income Type do you Choose for  
your Closely Held Payees?

# STP PHASE 2

As part of the set-up for STP Phase 2, employees must be labelled correctly as per a category of taxpayer (e.g. Regular, Actor, Senior or Pensioner & Horticulturist or Shearer) etc) and an additional layer known as an income type from the list below:

- SAW (salary and wages)
- CHP (closely held payees)
- WHM (working holiday makers)
- FEI (foreign employment income)
- IAA (inbound assignees to Australia)
- SWP (seasonal worker programs)
- JPD (joint petroleum development area)

- VOL (voluntary agreement)
- LAB (labour hire)
- OSP (other specified payments)

Most of the above income types are self-explanatory, with the exception of "closely held payees" (CHP). The CHP income type is tripping people up because they assume a payee who is a CHP should automatically be given the CHP income type. While this appears to be a logical choice, a CHP may have either an income type of SAW or CHP, depending on the entity's situation. So how do you know when to choose one over the other? Below is my explanation of this issue.

Firstly, what is a CHP? The ATO says it's [a person directly related to the entity from which it receives payments such as the following:](#)

- family members of a family business;
- directors or shareholders of a company; and
- beneficiaries of a trust.

[Payments made to CHPs](#) which are subject to withholding tax and superannuation guarantee must be reported via STP Phase 2.

### When to choose the CHP Income Type

If the following applies to the entity that is paying CHPs, then the [CHP income type must be selected](#) during setup for STP 2:

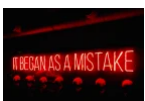
1. There are 19 or fewer employees
2. One of the 3 x reporting concessions is being used
  - Option 1 - Report payments on or before the date of payment
  - Option 2 - Report actual payments quarterly
  - Option 3 - Report a reasonable estimate quarterly

### Choosing either CHP or SAW Income Type

If the above reporting concessions are not being used by the entity, you may choose income type CHP or SAW for your closely held payees.

I hope this has clarified the confusion around when to choose CHP as an income type for a payee who is a CHP.

## Latest Articles



### Common STP Phase 2 Mistakes

Here is a list of errors employers are making when processing payroll via STP Phase 2. If you are an employer, try to avoid them!



### Can I Claim the GST on That?

This is a list of common business purchases and whether or not each one includes GST or not. Bookmark it now to make your bookkeeping and BAS prep easier!

# NIL TPAR

## NIL Taxable Payments Annual Report

If you normally lodge a Taxable Payments Annual Report (TPAR) but have decided that this year, you don't have anything to report, you can lodge a "Non-lodgement Advice" form (NIL TPAR) with the ATO. You can do this online via ATO Online Services.

GST annual return	∨
Taxable payments annual report	∨
Due dates for lodging and paying	∨

## The Bookkeeping Behind the TPAR

You can't just lodge the TPAR, there is some bookkeeping to be done first. Find out what and how here in this blog.

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