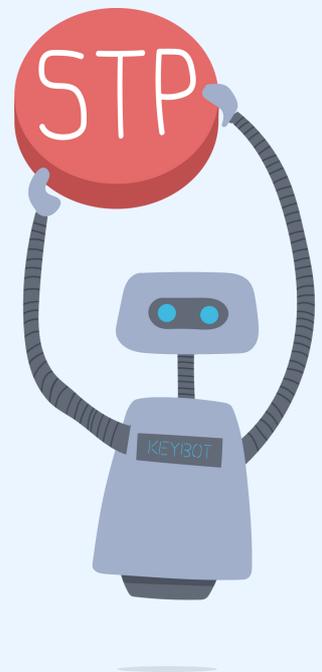


# Single Touch Payroll **PHASE 2**

## How to prepare and why you need reliable payroll software

### Contents

What is Single Touch Payroll.....	2
Changes in STP Phase 2.....	3
Impact of STP Phase 2.....	4
Deferrals.....	4
The need for a reliable payroll software.....	5
Guarantee compliance with KeyPay.....	6



## What is Single Touch Payroll

Single Touch Payroll is a regulation that impacts the way that you report your employee's tax and super information to the Australian Taxation Office (ATO). STP started on 1 July 2018 for businesses with more than 20 employees, and on 1 July 2019 for those with 19 or fewer employees. Today, STP reporting is mandatory for almost every Australian business - unless you have an exemption.

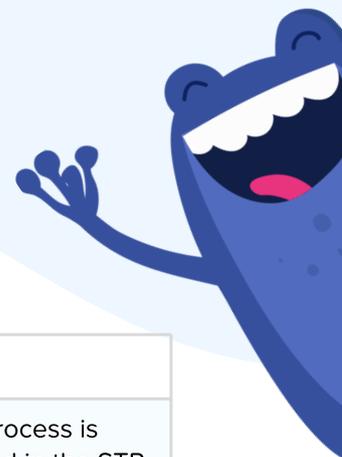
## Changes in STP Phase 2

STP Phase 2 is mandatory to start reporting on 1 January 2022. The expansion of STP reduces the burden for employers who need to report information about their employees to multiple government agencies (such as Centrelink, Child Support Agency, Department of Social Services, and more). It streamlines obligations to these agencies by removing the need for manual reporting.

There are some things in STP Phase 2 that are staying the same:

1. The way you submit your STP report - these are still due on or before payday (unless the ATO has granted you a reporting concession)
2. The types of payments that are involved in STP reporting
3. Taxation and superannuation commitments
4. End of year finalisation requirements





We've summarised some of the main changes in STP Phase 2 for you:

Feature	Key changes
<b>Tax file number declaration</b>	Reporting tax file number declarations as a separate process is now redundant, as employee tax information is included in the STP report.
<a href="#"><u>Tax treatment codes</u></a>	Tax treatment codes are now included in STP reports to indicate the PAYG tax scales and other components applied to the employee to determine withholding amount.
<a href="#"><u>Termination reason</u></a>	A reason for termination is now mandatory when an employee finishes their employment.
<a href="#"><u>Child support garnishee / deduction amount</u></a>	Employers can now elect to report child support garnishee / deduction amounts directly to the ATO via STP.
<a href="#"><u>Income type and country codes</u></a>	Employers will now report income types and country codes to identify payments with specific tax consequences. This makes it easier for employees to complete their income tax return.
<a href="#"><u>Disaggregation of gross</u></a>	Components of gross earnings are now itemised separately due to the different income assessments required by government agencies.
<b>Salary sacrifice</b>	Salary sacrificed amounts are now included in your STP report, and contributions can no longer be used to reduce ordinary time earnings or count towards minimum superannuation obligations.
<b>Lump sum E letters</b>	Employers no longer need to provide lump sum E letters to employees each financial year as this is now included in the pay event prior to finalisation of the payee's income statement.
<b>Transitioning employees from another payroll system</b>	Businesses transitioning from one payroll system to another can now enter their previous Business Management Software IDs and Payroll IDs in their STP reports. The ATO links the information so that there is only one income statement reported for each employee. This replaces the need for creating \$0 events and ensures that employee YTD earnings are not overstated.
<b>Negative YTD reporting</b>	Negative YTD amounts can now be submitted in the STP report.

For a comprehensive guide of all changes in STP Phase 2, visit the [ATO](#).

# Impact of STP Phase 2 on employers and employees

Enjoy time-savings and streamlined efficiencies with STP Phase 2, whether you're a payroll/operations manager, accountant, bookkeeper, outsourced payroll provider, business owner, or employee.

For employers	For employees
<ul style="list-style-type: none"><li>• <b>No more manual processes</b> such as lodging TFN declarations or providing Lump Sum E letters to employees</li><li>• <b>Reduced manual reporting</b> of events such as child support payments and termination reasons, as many of these are now done via STP reporting</li><li>• <b>Reduced admin time</b> as information reported to the ATO will now be shared with Services Australia for confirming employment and payroll information about your employees</li><li>• <b>Streamlined reporting</b> through the ability to report closely held payees or inbound assignees via income types</li><li>• <b>Simplified processes</b> such as changing software or your employee's payroll ID, as this can now be reported via STP to eliminate income statements being duplicated</li></ul>	<ul style="list-style-type: none"><li>• <b>Centralised access</b> to information through MyGov</li><li>• <b>Increased visibility</b> over how they're being paid and the types of income received</li><li>• <b>Decreased risk</b> of owing tax, as the ATO will now be able to tell employees if they've provided incorrect information (such as not disclosing a Study and Training Support Loan or other loans)</li><li>• <b>Less paperwork</b> to keep track of as information will now be digitally recorded and streamlined reporting will mean less documents to be supplied</li><li>• <b>Time saved</b> by STP data being used to pre-fill employee details when filling out claims and reports</li></ul>



## Deferrals

Some payroll and software providers need more time to ensure that they're ready for Phase 2 reporting. They'll advise if the ATO has approved a deferral for you to start reporting later than 1 January 2022. If you do not use a software or provider and believe that there are exceptional circumstances that prevent you from being ready, you can [apply for a deferral](#) directly with the ATO.

We strongly recommend ensuring your existing provider has prepared for Phase 2, or start looking into a new cloud solution to seamlessly handle this reporting. This will give you peace of mind over compliance, and will free up time for you to focus on what matters most - your business.

## The need for a reliable payroll software

Although Phase 2 reduces the burden of compliance for employers, there is now a greater need to be using reliable and compliant payroll software.

With STP Phase 2, you need a payroll software that is:



### ✓ Comprehensive

An easy to use, all-in-one payroll software is a must; the ability to upload and store employee documents (such as TFNs) within the system streamlines your processes and saves time. A cloud software solution is beneficial to securely store data that is easily accessible.

### ✓ Transparent

It's important for your software to be transparent in its calculations. Ideally, you'll want software that provides a detailed breakdown of employee wages, taxes, superannuation, leave and other deductions. This provides both employers and employees with full visibility over the payroll process to save time and ensure peace of mind.

### ✓ Informative

If your software leaves you scratching your head when you go looking for information, it's time to make the switch. FAQs, support articles, informative videos and a support hub are all signs of good software. Access to local, email-based support is also ideal to save you time.

### ✓ Proactive

Strong payroll software is proactive with ever-changing Australian legislation, and are top of changes ahead of time. Proactivity within payroll processes is also a good sign; pre-lodgement validations and pay run warnings are useful, particularly for remaining compliant.

“ Compliance is key. Having the confidence in the engine we’re running and knowing it won’t let us down makes our job better on all accounts ”



Melanie Gaensler, Operations Manager at [activpayroll](#)

## Guarantee compliance with KeyPay

As a leading **ATO-certified STP reporting software** in Australia, KeyPay is committed to its preparation for Single Touch Payroll Phase 2 to guarantee compliance for businesses of all sizes. We’re a true cloud payroll and workforce management solution that's easy to use and automates compliance with Fair Work and the ATO.

With compliance built at its core and over **200,000 businesses** on the platform, KeyPay has the proven ability to meet the ever-evolving needs of Australian legislation. We’re across the changes for STP Phase 2, to give you peace of mind and to take the hassle out of reporting for you.



### All-in-one

Consolidate payroll, rostering, timesheets, tax and employee data in a single platform.



### Automation

Simplify processes with automated payments, termination and leave calculations, and more.



### Pay conditions engine

Configure rules for staff regarding entitlements, contracted hours, rates for overtime and deductions.



### Reports

Run reports to obtain data on superannuation, pay runs, PAYE and more.



### Employee self service

Allow staff to submit timesheets, maintain personal details and apply for leave to save you time.

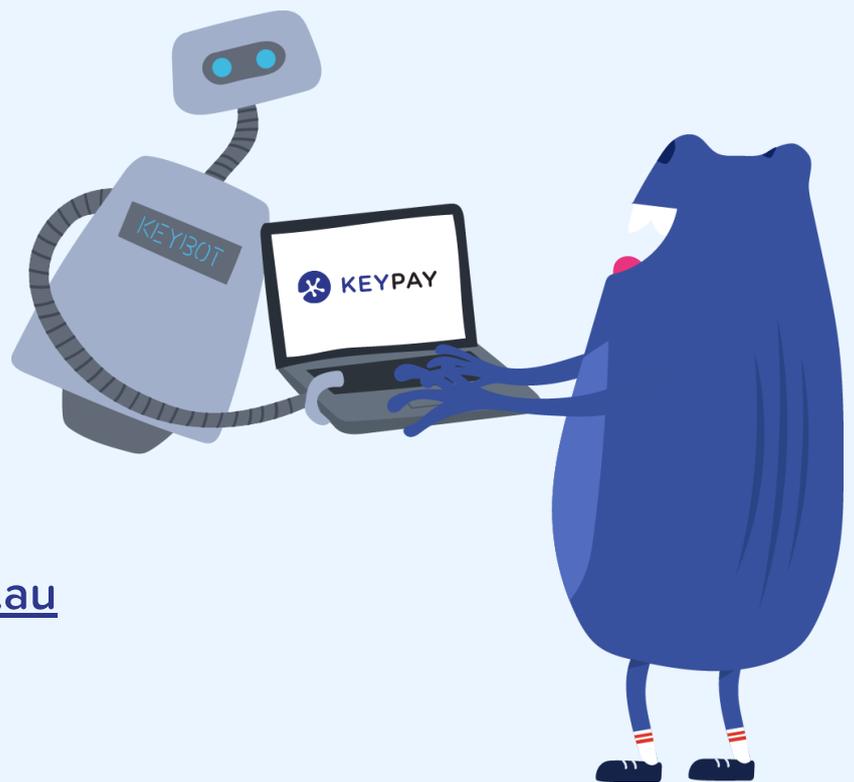


### Integrations

Integrate seamlessly with industry-leading platforms such as Xero, NetSuite and more.



## Change the way you work and pay with KeyPay



Get in touch

[sales@yourpayroll.com.au](mailto:sales@yourpayroll.com.au)

Find out more

[keypay.com.au](https://keypay.com.au)