

STP Phase 2 in Access Definitiv

About this document

This guide provides a detailed look at STP Phase 2 in Access Definitiv. This should assist you with new and expanded concepts introduced into your obligatory reporting to the Australian Taxation Office.

Getting assistance

The [Definitiv STP2 Resources Page](#) has been updated with additional resources.

If you would like to book a consulting package that includes **STP2 services**, please submit an Optimisation Services request in the [Access Customer Success Portal](#).



ATO Resources

- [Common STP Phase 2 reporting questions and mistakes](#)

The ATO has recently updated this page to assist you with categorising your pay items, the importance of the accuracy of this and the impacts to your employees if mistakes are made in your configuration.

- [News, events, and resources](#)

More detailed resources from the ATO are available here, including detailed webinars on the important topics of Phase 2 reporting.

- [ATOtv | STP2 videos](#)

The ATO has uploaded 10 videos on STP Phase 2 to assist employers in ensuring they meet their reporting obligations. We recommend making the time to watch these.

Table of Contents

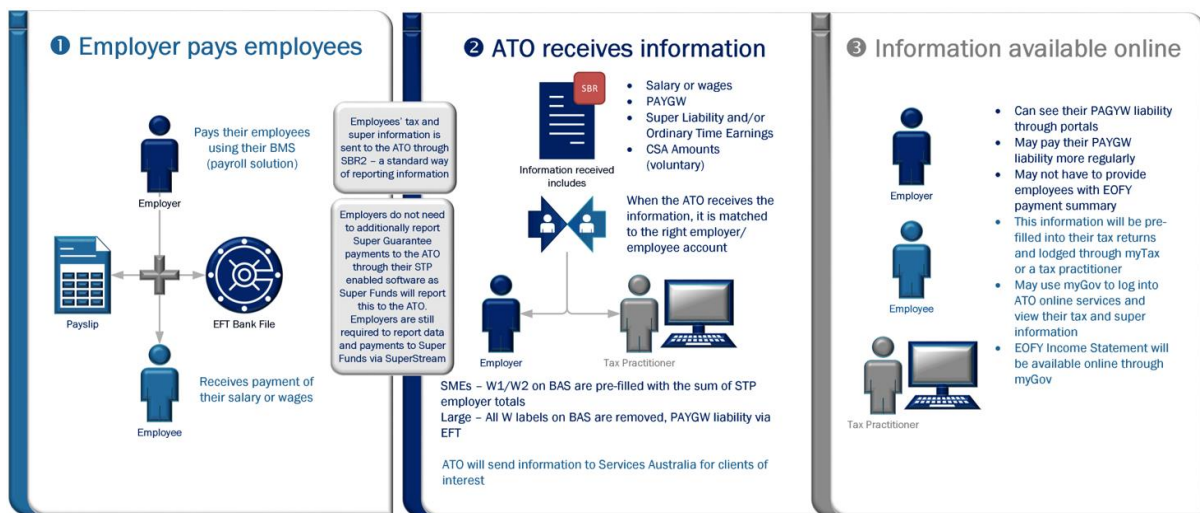
| | |
|--|-----------|
| Single Touch Payroll | 3 |
| STP Phase 2 | 4 |
| Changes To Pay Run Processing | 6 |
| Single Touch Payroll tab | 6 |
| STP Validation | 6 |
| STP Validation Warnings | 7 |
| STP Errors | 8 |
| Changing employee numbers | 9 |
| Amending prior financial years | 11 |
| Income Types | 13 |
| Automatically detected income types | 13 |
| Income types requiring specific pay items to be configured | 15 |
| Income types permissible per tax declaration category | 17 |
| What do I need to do? | 18 |
| Notes | 18 |
| Disaggregation of Gross | 19 |
| The importance of accurate STP reporting | 19 |
| Reviewing your pay items | 20 |
| Payment types | 22 |
| Assigning payment types in Definitiv | 27 |
| Other allowances | 28 |
| All-purpose allowances | 28 |
| Pre-tax deductions | 28 |
| Q&A | 29 |
| Tax Treatments | 31 |
| Tax Declarations | 31 |
| Country Codes | 33 |
| TFN Exemptions | 35 |
| ABN Declarations | 36 |
| Non-Employees | 36 |
| Voluntary Agreements | 37 |
| Employment Basis | 38 |
| Employment Status | 40 |
| Setup | 40 |
| Cessation Types | 42 |
| Termination Reasons | 43 |
| Setup | 43 |
| Employer Superannuation Contributions | 45 |
| Super Liability | 45 |
| RESC | 46 |
| Not Reported | 46 |
| Employee Superannuation Contributions | 47 |
| Salary Sacrifice | 47 |
| Salary Sacrifice – Superannuation (Voluntary) | 48 |
| Salary Sacrifice – Superannuation (Non-Voluntary) | 48 |
| Salary Sacrifice – Other Employee Benefits | 48 |
| Not Reported | 48 |
| Setting Up STP2 – Checklist | 49 |

Single Touch Payroll

Single Touch Payroll (STP) is an Australian Government initiative to reduce employers' reporting burdens to government agencies.

With STP, you report employees' payroll information to us each time you pay them through STP-enabled software. Payroll information includes:

- Salaries and wages.
- Pay as you go (PAYG) withholding.
- Superannuation.



STP (Phase 1) started on 1 July 2018 for employers with 20 or more employees and 1 July 2019 for employers with 19 or fewer employees and is a mandatory obligation.

In the 2019–20 Budget, it was announced that we would expand the data collected through STP.

STP Phase 2

This expansion of STP (also known as STP Phase 2 or STP2) reduces the reporting burden for employers who need to report information about their employees to multiple government agencies. It also helps Services Australia's customers – who may be your employees – get the right payment at the right time.

Benefits for employers:

- You'll no longer have to send the ATO tax file number (TFN) declarations.
- You can choose to voluntarily report child support deductions and garnishees through STP. This reduces the need to send separate remittance advices to the Child Support Registrar.
- If you're using a concessional reporting option, such as for closely held payees or for inbound assignees, you'll be able to inform the ATO.
- If you make a Lump sum E payment, you won't need to provide Lump sum E letters to your employees.
- If you change software or your employee's payroll ID, you can inform the ATO. This will help fix issues with duplicate income statements for employees in ATO online services through myGov.

The ATO will also share payroll information you report in near real-time with Services Australia. They'll use it to streamline requests:

- For you to provide or confirm employment and payroll information about your employees.
- From your employees to provide employment and payroll information such as pay slips for prior periods.
- You may no longer need to provide separation certificates when your employees leave.

Benefits for employees:

Some changes under Phase 2 help the ATO streamline interactions for employees, such as:

- Making it easier for employees at tax time with improved data pre-filling.
- Advising employees if they've provided you with incorrect information that may lead to them getting a tax bill. For example, where an employee hasn't notified you that they have a study and training support loan.

- Pre-filling details they already know – saving their customers time filling out claims and reports.
- Reducing how often they'll need to contact customers – STP will give them some information that they currently need to confirm by phone or online.
- Streamlining claims – their customers won't need to supply as many documents.
- Enhancing Family Tax Benefit processes – by sending SMS and email messages to their customers when
 - STP data shows their family income estimate may be too low.
 - they have a new job.
 - their employment has changed.
- Helping them pay their customers the right amount.
- Using STP information to improve the customer experience if a customer has debt to pay.

To achieve these benefits, new concepts were created by the ATO which this document will cover. Existing concepts, such as payment types or reporting categories have also been expanded. This guide will cover these, but it is not a fully comprehensive guide on all of STP Phase 2. We encourage you to explore ATO resources for more information.

Changes To Pay Run Processing

When you reach your STP2 go live date, you may notice some enhancements when in the pay run screen. STP validation has been updated and there is now a requirement to notify the ATO when employee numbers have been changed.

Single Touch Payroll tab

The ATO tab in the pay run screen will now be displayed as 'Single Touch Payroll'. This is where the outcome of Definitiv's STP validation will be displayed and where you can choose 'Validate Again'. Validation errors are displayed here, along with the history of your lodgement and its current status.

STP Validation

Definitiv's STP validation will run once a pay run has been calculated. The outcome of the validation is displayed by an icon in the Single Touch Payroll tab.

The benefit of STP validation running once a pay run has finished calculating is you are presented with any validation issues as soon as they could be detected. This should mean you have more time available to address data issues before you are at the stage of publishing and lodging a pay run.

A green tick indicates that there have been no issues detected in the validation process.

The screenshot shows the 'Pay Run Details' interface. At the top, there are tabs for 'Summary', 'Detail', 'TFN Declarations' (with a '1' notification), and 'Single Touch Payroll' (which has a green checkmark icon). Below the tabs, there is a status section showing 'Status: Draft', 'Run Number: 328', 'Pay Calendar: Fortnightly', and 'Primary Period: 17 April 2023 - 30 April 2023'. A row of action buttons includes 'Calculate Selected', 'Bulk Add Pay Items', 'Remove Selected', 'Import...', 'Excel Download', 'Payslips Download', 'Verify' (with a green checkmark), and 'Delete'. Below this is a 'Filter Employees' input field and a 'Show Terminated' checkbox. The main area is a table with columns for Employee Number, First Name, Surname, Assignments, Gross Pay, Tax Withheld, Super, Net Pay, Errors, Edits, and Actions. A red arrow points to the green checkmark icon in the 'Single Touch Payroll' tab.

You do not need to re-calculate a pay run to run the STP validation again. Clicking 'Validate Again' will allow you to perform the validation on its own without re-calculating.

This screenshot shows the 'Pay Run Details' interface with a green notification box at the bottom. The notification text reads: 'Pay run has passed validation' followed by 'When the pay run is lodged, our sending service provider will perform additional validations before forwarding your lodgement to the ATO.' Below the text is a button labeled 'Validate Again'. A red arrow points to the 'Validate Again' button.

STP Validation Warnings

STP Validation warnings are populated in the Messages tab. These are like pay run warnings, they do not stop a pay run from being verified, paid, published, and lodged. They exist only to advise you that if you wish to progress to publish and lodging the pay run, the ATO will reject that employee’s lodgement. This may mean that you won’t meet your reporting obligations, so it is best to address STP Validation warnings as soon as possible before you are at the publishing and lodging stage of your pay run.

An orange exclamation mark in the Single Touch Payroll tab indicates a one or more validation warnings exist.

The screenshot shows the 'Pay Run Details' interface. At the top, there are tabs for Summary, Detail, TFN Declarations (with a blue '1' icon), Messages (with an orange '1' icon), and Single Touch Payroll (with an orange exclamation mark icon). A red arrow points to the Single Touch Payroll tab. Below the tabs, there is a status section showing 'Status: Draft', 'Run Number: 328', 'Pay Calendar: Fortnightly', and 'Primary Period: 17 April 2023 - 30 April 2023'. A message box states 'Please note there are 1 pay run messages.' Below this are several action buttons: Calculate Selected, Bulk Add Pay Items, Remove Selected, Import..., Excel Download, Payslips Download, Verify, and Delete. There is also a 'Filter Employees' input field and a 'Show Terminated' checkbox. The main part of the screenshot is a table with columns for Employee Number, First Name, Surname, Assignments, Project, Gross Pay, Tax Withheld, Super, Net Pay, Errors, Edits, and Actions. The table contains six rows of employee data.

| Employee Number | First Name | Surname | Assignments | Project | Gross Pay | Tax Withheld | Super | Net Pay | Errors | Edits | Actions |
|-----------------|------------|-----------|---------------|---------|-----------|--------------|----------|-----------|--------|-------|-------------------------|
| 000114 | Rogers | Arden | Rostered Time | | \$1509.34 | \$182.00 | \$158.48 | \$1327.34 | | | View Recalculate Remove |
| 000143 | Laney | Band | Rostered Time | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | View Recalculate Remove |
| 000131 | Sarah | Bassford | Rostered Time | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | View Recalculate Remove |
| 000151 | Curtis | Colthurst | Rostered Time | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | View Recalculate Remove |
| 000001 | Harriot | Daid | Rostered Time | | \$5769.23 | \$1678.00 | \$605.77 | \$4091.23 | | | View Recalculate Remove |
| 000133 | Emma | Dash | Rostered Time | | \$585.06 | \$0.00 | \$61.43 | \$585.06 | | | View Recalculate Remove |

In the Single Touch Payroll tab, the ‘View Warnings’ button will take you directly to the Messages tab, filtered on only STP Validation warnings.

The screenshot shows the 'Pay Run Details' interface with the 'Single Touch Payroll' tab selected. A yellow message box is displayed with the text: 'Note: There is 1 validation warning. You may still publish and lodge, but the ATO will not accept the reportable employees with validation warnings.' Below the message are two buttons: 'View Warnings' and 'Validate Again'. A red arrow points to the 'View Warnings' button.

You may then address the STP Validation warning and click the ‘Validate Again’ button to ensure the issue has been resolved. Alternatively, the next time you calculate an employee, the validation will run again, and you should see the icon in the Single Touch Payroll tab change to green.

STP Errors

STP errors are displayed in the Single Touch Payroll tab. These can be raised at 3 different stages of the lodgement process.

1. After STP Validation has completed. These errors must be resolved before you are able to publish and lodge the pay run.
2. When a lodgement is submitted and rejected prior to being sent to the ATO.
3. When the ATO receives a lodgement and sends back a list of errors.

Error messages beginning with **DEF** are only raised before the pay run is lodged. These errors must be resolved for you to publish and lodge a pay run.

Pay Run Details

Summary Detail Employee Changes **1** TFN Declarations **1** Messages **1** Single Touch Payroll **1**

Pay run contains 1 STP error
Please see error messages below for details.
You cannot publish and lodge until these are resolved.
[Validate Again](#)

Error Messages

| Code | Employee Number | Print Name | Error Message |
|---------|-----------------|-------------|---------------------------------------|
| DEF:200 | 000152 | Roger Apple | A tax or ABN declaration is required. |

Error messages beginning with **ERR** are from our Sending Service Provider (SSP), who submit your STP lodgements to the ATO on our behalf. Your lodgements will not be sent to the ATO if they do not meet the requirements of the SSP. If they reject a lodgement due to data issues in your pay run, you will need to address these and click the 'Lodge Again' button to resubmit.

Pay Run Details

Summary Detail Employee Changes **1** TFN Declarations **1** Messages **1** Single Touch Payroll **4**

Lodgement rejected
The lodgement was rejected prior to being sent to the ATO. See error messages below for details.
When these issues have been resolved, you can lodge again.
[Lodge Again](#)

| Lodgement Status | Sent Date | Received Date |
|--------------------|-----------------------|-----------------------|
| Lodgement rejected | 27 April 2023 8:20 PM | 27 April 2023 8:20 PM |

Error Messages

| Code | Employee Number | Print Name | Error Message |
|--------|-----------------|-------------|--|
| ERR527 | 000131 | Sarah Jones | Payee Address Line 1 must be provided |
| ERR523 | 000131 | Sarah Jones | Payee State/Territory must be provided |
| ERR525 | 000131 | Sarah Jones | Payee Postcode must be provided |
| ERR532 | 000131 | Sarah Jones | Payee Suburb/Town must be provided |

Error messages beginning with **ATO** are from the Australian Taxation Office. These will occur only after they have received a lodgement and have processed it. If they reject an entire lodgement, you will need to address the error messages and 'Lodge Again'. If they have partially accepted your lodgement (like below), you won't be able to 'Lodge Again' and instead will need to resolve the issues prior to your next pay run or end of year lodgement.

Pay Run Details

Summary | Detail | Employee Changes **1** | TFN Declarations **1** | Messages **1** | **Single Touch Payroll 1**

Lodgement partially successful
There are some errors, but these have not blocked the lodgement of this pay run.

There are errors to be resolved before next lodgement
To ensure you meet your reporting obligations, you should resolve these issues before your next lodgement.

| Lodgement Status | Sent Date | Received Date |
|--------------------------------|-----------------------|-----------------------|
| Lodgement partially successful | 27 April 2023 8:31 PM | 27 April 2023 8:40 PM |

Show previous

Error Messages

| Code | Employee Number | Print Name | Error Message |
|---------------|-----------------|----------------------------------|---|
| ATO.GEN.XML03 | 000151 | Curtis Colthurst | A field contains invalid data (such as letters in numeric or date field). : The value specified for an item does not match the item type (value = "-20000.00", item type = Decimal, uniqueID = http://www.sbr.gov.au/ato/payevntemp:EmployerContributionsYearToDateA) Hint: The MinInclusive constraint failed. |

A list of error messages and tips on how to resolve them will soon be made available in the [Access Knowledge Base](#).

Changing employee numbers

In Definitiv, employee numbers can be changed in the 'Employee Details' tab when viewing an employee.

Definitiv | Employees | Pending Requests | Reporting | Admin | Support

Tayla Bean

Employee Details

- Bank Accounts
- Tax Information
- Superannuation
- Pay Policy
- Leave Policies
- Additions and Deductions
- Locations

Primary Details

Employee Number: 100093 **Update**

Title: Ms

First Name: Tayla

Middle Name:

Surname: Bean

In STP2, the ATO now uses employee numbers as one of the key identifiers they use to identify an individual. This means that if an employee number changes after the person has been reported in STP2, the ATO must be advised of this change via what is known as an 'update event'. If the update event is not sent and the ATO is not aware of this employee number change, a duplicate income statement will be generated on the employee's myGov account.

To prevent the latter from occurring, when Definitiv detects employee numbers have changed, you will be required to send an update event including all pending employee number changes before you can publish and lodge a pay run. This is shown by a notification in the pay run screen. This will appear as soon as the pay run is opened, so you can lodge the update event with the ATO early on in your pay run process.

Pay Run Details

Summary | Detail

Status: Draft
Run Number: 64
Pay Calendar: Fortnightly
Primary Period: 9 April 2023 - 22 April 2023

Please note there are 5 Employee Number event(s) requiring submission. [Click here to process](#)

Filter Employees Show Terminated

| | Employee Num... | First Name | Surname | Assignments | Project | Gross Pay | Tax Withheld | Super | Net Pay | Errors | Edits |
|--------------------------|-----------------|------------|-----------|------------------|---------|-----------|--------------|-------|---------|--------|-------|
| <input type="checkbox"/> | 900093 | Tayla | Bean | | | | | | | | |
| <input type="checkbox"/> | 900009 | Shane | Vorley | Customer Support | | | | | | | |
| <input type="checkbox"/> | 900007 | Shae | Michelle | Engineering | | | | | | | |
| <input type="checkbox"/> | 900006 | Brandon | Honeywell | Executive | | | | | | | |
| <input type="checkbox"/> | 900005 | Harriot | Daid | Executive | | | | | | | |

After clicking 'click here to process', you will be taken to the STP Update Event screen. Simply click the 'Lodge Update Event' button to notify the ATO of the changed employee numbers.

STP Update Events

Outstanding 5 | Lodgements

Employee Number Changes

| Previous | Current | Employee | Date Changed |
|----------|---------|------------------------------------|--------------------|
| 100093 | 900093 | Bean, Tayla | 1 May 2023 2:29 PM |
| 100005 | 900005 | Daid, Harriot | 1 May 2023 2:40 PM |
| 100007 | 900007 | Michelle, Shae | 1 May 2023 2:40 PM |
| 100006 | 900006 | Honeywell, Brandon | 1 May 2023 2:40 PM |
| 100009 | 900009 | Vorley, Shane | 1 May 2023 2:40 PM |

You will then be able to continue with your pay run and publish and lodge to the ATO.

NOTE: Due to this update event requirement, it is not possible to change an employee number if an employee is currently in an active pay run. You would need to remove the employee from any active pay runs.

Amending prior financial years

If you require to make changes an individual's income statement after it has been finalised in your end of year processing, you must create a pay run for the 30th of June of the year which needs adjusting. For example, if you require to change an employee's income statement for the 2021-2022 financial year, you will create a pay run with the payment date of 30/06/2022.

A notification will be displayed when creating the pay run to advise you the type of STP event is defaulted to an update event. This is as you will be updating year-to-date figures only and no payments are being made.

Payment Date selected is within a previous financial year. Defaulting to an Update Event for Single Touch Payroll Payment Date.

New Pay Run

Manual Pay Run

Opening Balances

Pay Calendar
Fortnightly

Commence Date
30/06/2022

Cease Date
30/06/2022

Payment Date
30/06/2022

Superannuation Payment Date
01/05/2023

Start Pay Run Cancel

You can view the type of event that will be submitted on the 'Publish and Lodge' step of your pay run by looking in the Details tab.

It is possible to make changes to the type of event by clicking the 'Override' button. This will only be possible when the current date is near the end of a financial year. For example, if on the 3rd of July if it is detected that a payment made in the previous financial year has not been submitted to the ATO, it will be possible to select the payment date of June 30 and lodge this via an 'STP Pay Event'.

In all other scenarios, changes to year-to-date figures can only be made via an 'STP Update Event'.

Pay Run Details

Summary | **Detail**

Pay Event [Override](#)

STP Pay Event STP Update Event

Payment Date
30/06/2022

⚠ Payment Date selected is within a previous financial year. Defaulting to an Update Event for Single Touch Payroll Payment Date.

Superannuation Payment Date
01/05/2023

Notes:

[Save](#)

Income Types

In STP Phase 2, each amount you pay to an employee will now be assigned to an income type. You can report multiple income types throughout the year.

The reporting of income types helps the ATO 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).

Automatically detected income types

Definitiv makes reporting income types easy. The below three income types are automatically reported based on the employee's tax declaration.

| Income Type | Definition | Tax Declaration Category |
|---------------------------------|---|---|
| Salary and Wages (SAW) | Most STP reporting will use this income type. It covers the most common kinds of payments to an employee like regular salary and wages. | <ul style="list-style-type: none"> • Regular (AU Resident) • Actors • Foreign Resident • Horticulturists & Shearers • No TFN • Seniors & Pensioners |
| Working Holiday Makers (WHM) | For payments to a person that is a temporary visitor to Australia holding a subclass 417 (working holiday) or subclass 462 (work and holiday) visa. | <ul style="list-style-type: none"> • Working Holiday Makers |
| Seasonal Worker Programme (SWP) | For participants in the Seasonal Worker Program or in the Pacific Australia Labour Mobility scheme who have told you on a TFN declaration that they are a non-resident. | <ul style="list-style-type: none"> • Seasonal Worker Programme |

When a pay item has the **Use Tax Declaration Stated Income Type** income type assigned, Definitiv will report those payments according to the employee's tax declaration category (as above). All employees under these 3 tax categories will have their income type reported automatically.

This means that you do not need to create separate pay items to report these income types.

For example, the tax declaration shown below has the *Regular (Australian Resident)* category assigned.

According to the table above, any pay item which has the income type of *Use Tax Declaration Stated Income Type*, Definitiv will report that employee's income type as Salary and Wages.

Tax Information
Definitions
Not Lodged

Tax File Number (TFN)

OR

Tax File Number - Exemption

Effective Date

Category

Options

Are you being paid under a Foreign Employment or Inbound Assignee to Australia Income Stream Type?

 Yes No

Do you have a Higher Education Loan Program (HELP), VET Student Loan (VSL), Financial Supplement (FS), Student Start-up Loan (SSL) or Trade Support Loan (TSL) debt?

 Yes No

Signature present?

 Yes No

Date signed

Save
Cancel
Delete

The pay item shown below has *Use Tax Declaration Stated Income Type* selected as the income type.

Edit Pay Item 'Ordinary Time'

Code

Pay Item Category

Description

Unit of Measure

GL Debit Code

STP Phase 1 Category

Single Touch Payroll

Income Type

Payments will be reported as **Salary and Wages**, except for Working Holiday Makers and Seasonal Worker Programme employees, where payments are reported in the WHM and SWP income types

Payment Type

Reportable payments **which do not fall into any other category** defined by the ATO

All other income types require individual pay items to be setup and assigned a specific income type.

Income types requiring specific pay items to be configured

The remaining income types defined by the ATO do not directly correlate to tax declaration categories. As such, you will need to configure specific pay items in Definitiv to report in the income type required.

Employee Income Types:

| Income Type | Definition |
|--------------------------------------|--|
| Closely Held Payees (CHP) | <p>If you have 19 or fewer employees and are using the concession available for reporting closely held payees through STP in relation to the individual, then you must use this income type to tell us that you're using the concession.</p> <p>For example:</p> <ul style="list-style-type: none"> • Family members of a family business • Directors or shareholders of a company • Beneficiaries of a trust |
| Foreign Employment (FEI) | For Australian tax residents who have earned income while working overseas where the qualifying period for foreign employment income is met. |
| Inbound Assignees to Australia (IAA) | Used for participants in the Seasonal Worker Program and participants in the Pacific Australia Labour Mobility (PALM) scheme who have told you on a TFN declaration that they are a non-resident. |
| Other Specified Payments (OSP) | <p>a) payments for tutorial services that are provided to improve the education of Indigenous people and are financially supported (directly or indirectly) by the Commonwealth;</p> <p>b) payments for translation and interpretation services provided for the Translating and Interpreting Service</p> <p>c) payments under a contract to an individual engaged as a performing artist to perform in an activity in which the individual:</p> <p>(i) endorses or promotes goods or services; or</p> |

(ii) appears or participates in an advertisement;
(unless the individual is engaged primarily because he or she is a sports person.)

d) payments of green army allowance (within the meaning of the Social Security Act 1991).

Only gross payments and PAYG is reportable in this income type.

Contractor Income Types:

| Income Type | Definition |
|----------------------------------|--|
| <p>Labour Hire (LAB)</p> | <p>This option is to be only used by labour hire firms when paying contractors they have placed at a client organisation.</p> <p>Labour hire firms:</p> <ul style="list-style-type: none"> • arrange for workers to perform work or services directly for clients. • clients pay the firm for this service. • the firm pays the worker for the performed work or services provided to the client. • the worker is not an employee of the client. • the firm may or may not employ the worker. <p>PAYG withholding rates apply and a tax file number is required. Only gross payments and PAYG is reportable in this income type.</p> <p><i>Employees of labour hire firms should be reported in their relevant income type (i.e., Salary and Wages)</i></p> |
| <p>Voluntary Agreement (VOL)</p> | <p>This income type is for individual contractors, with their own ABN, who have a voluntary agreement in place for PAYG withholding.</p> <p>Only gross payments and PAYG is reportable in this income type.</p> |

The below pay item shows the *Foreign Employment* income type selected. This means payments made to employees via this pay item will be reported under *FEI*.

Create Pay Item

Code
P69

Description
FEI - Bonus

GL Debit Code

Pay Item Category
Payment

Unit of Measure
Payment

Single Touch Payroll

Income Type
Foreign Employment

For income paid to Australian tax residents that is subject to tax in another country, for work performed in that country, if the qualification period is met

Payment Type
Bonuses and Commissions

Bonuses and commissions are typically paid as lump-sum payments rather than at each regular pay period. If a bonus or commission is paid in respect of overtime, this should be classified as "Overtime"

Income types permissible per tax declaration category

It is important to check the income type you wish to report is permissible for the employee's tax category. For example, it is not possible to report Foreign Employment income for Working Holiday Makers.

| Tax Declaration Category | SAW | WHM | SWP | CHP | FEI | IAA | OSP | LAB | VOL |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Regular (Australian Resident) & No TFN | Y | | | Y | Y | Y | Y | Y | |
| Working Holiday Makers | | Y | | | | | | | |
| Seasonal Worker Programme | | | Y | | | | | | |
| Actors | Y | | | Y | Y | Y | Y | Y | |
| Horticulturists and Shearers | Y | | | Y | Y | | | Y | |
| Seniors and Pensioners | Y | | | Y | Y | | Y | Y | |
| Foreign Resident | Y | | | Y | | Y | Y | Y | |
| Voluntary Agreement (Contractor with own ABN requesting PAYG to be withheld) | | | | | | | | | Y |

What do I need to do?

Review all income types against your workforce and payments made to them. For example, you may have employees who have been paid Directors' Fees this financial year who should now be reported under the Closely Held Payees income type in STP Phase 2.

If you confirm you only pay employees under Salary and Wages, Working Holiday Makers, Seasonal or Worker Programme income types, you do not need to make any changes and may skip the 'Income Type' checklist.

If you do make payments under other income types, **complete the Income Type checklist** at the end of this document. Pay items will need to be setup and assigned to the income types required. These pay items may only be used when reporting within that income type assigned. You may also need to update Award Policy clauses to auto-assign these newly configured pay items.

Notes

- When processing pay runs, any PAYG amounts automatically calculated on pay items under the following income types will need to be manually removed and replaced with a PAYG pay item specific to that income type:
 - Closely Held Payee
 - Inbound Assignee to Australia
 - Foreign Employment
 - Labour-Hire or
 - Other Specified Payments
- Employees can have reportable income throughout the year in more than one income type. Changes between Salary and Wages, Working Holiday Makers and Seasonal Worker Programme will require a new tax declaration. Changes between any other Income Type will simply require different pay items to be used.

Disaggregation of Gross

In STP Phase 1, the gross amount you reported contained different types of amounts depending on the income type. This approach has changed in STP Phase 2, 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

If your employee has an effective salary sacrifice arrangement, you previously would have reported post-sacrifice amounts. This has changed in STP Phase 2. You now must report pre-sacrifice amounts, and report salary sacrifice separately.

For more information on this topic, please see the [Reporting the amounts you have paid](#) page on the ATO website. The ATO goes into fine detail of the definitions of each payment type, when and how they are to be reported.

The importance of accurate STP reporting

Accurate STP reporting has always been important to ensure:

- Your employees have the right information displayed in their income statement.
- The ATO can pre-fill your employees' individual income tax returns with the right information.
- Other government agencies have the right information when interacting with you or your employees.

Your employees' income could be treated incorrectly for tax, super or social security purposes if your STP reporting is incomplete or inaccurate.

Reviewing your pay items

The best way to review all your pay items is via the Pay Items report (Reporting > Company Reporting > Pay Items).

First, review all items which are not currently set to a reportable category.

1. Filter on the *STP Payment Type* for only 'Not Reported' pay items.

Pay Items

Search

Drag column headings here to group

| Pay Item Code | Description | Unit Of Measure | Type | Category | STP Income Type | STP Payment Type | |
|---------------|--------------------------------|-----------------|-----------|--------------------|--|------------------|-----|
| D04 | Loan Repayment | Payment | Liability | Deduction | Not Applicable | Not Reported | |
| L05 | Leave Without Pay | Hours | Expense | Leave | Use Tax Declaration Stated Income Type | Not Reported | |
| L08 | Stand Down Unpaid | Hours | Expense | Leave | Use Tax Declaration Stated Income Type | Not Reported | |
| P30 | JobKeeper Top Up | Payment | Expense | Payment | Use Tax Declaration Stated Income Type | Not Reported | |
| P33 | Overpayment Loan | Payment | Expense | Payment | Use Tax Declaration Stated Income Type | Not Reported | |
| S03 | Super (Voluntary Contribution) | Payment | Liability | Super Employee Cor | Not Applicable | Not Reported | |
| S04 | Super (Employer Additional) | Payment | On Cost | Super Employer Con | Not Applicable | Not Reported | |
| T26 | D - Normal Pay | Hours | Expense | Termination | Use Tax Declaration Stated Income Type | Not Reported | |
| T27 | D - AL on Termination | Hours | Expense | Termination | Use Tax Declaration Stated Income Type | Not Reported | |
| T28 | D - LL on Termination | Hours | Expense | Termination | Use Tax Declaration Stated Income Type | Not Reported | |
| T29 | D - LSL - Pre 16 Aug 78 | Hours | Expense | Termination | Use Tax Declaration Stated Income Type | Not Reported | N/A |

2. Scroll to the end of the report and filter 'No' on the *System Pay Item* field.

Dynamic

Actions

Create New Variant

Fields

Export

Run Report

| Include In Salary & Wages | Include In Total Package | Show On Pays... | Payslip Display Name | System Pay Item |
|---------------------------|--------------------------|-----------------|----------------------|-----------------|
| N/A | N/A | Yes | N/A | No |
| No | | Yes | N/A | No |
| No | | Yes | N/A | No |

The report will now be displaying all manually created pay items in your organisation which are not being reported to the ATO.

Pay items marked *Not Reported* mean that:

- The ATO will not display this information on your employee's income statement.
- These amounts will not be shared with Services Australia.

You will need to ensure that these pay items categorised as Not Reported are correct.

Once you have reviewed all items shown as *Not Reported*, refresh the page and review all items in your organisation to ensure are categorised correctly according to the ATO categories outlined in the next several pages.

If you are unsure about how something is to be reported in STP Phase 2, please explore the ATO resources provided as they have addressed many questions from employers already.

Payment types

Below is the list of payment types in STP Phase 2. All existing pay items in Definitiv are required to be assigned to one of these categories.

If you are unsure what category a pay item would belong to, please use the ATO resources provided earlier in this document or contact the ATO directly. We are unable to provide advice specific to your business requirements.

| Payment Type | Definition | Pay Item Category |
|-------------------------|--|---------------------------------|
| Bonuses and Commissions | <p>Bonuses and commissions are typically paid as lump-sum payments rather than at each regular pay period.</p> <p>Bonuses are usually paid to an employee in recognition of performance or services and may not be related to a particular period of work performed. Commissions are usually paid to an employee in recognition of performance or services and may be calculated as a portion of the proceeds or volume of sales.</p> <p>If a bonus or commission is paid in respect of overtime, this should be classified as "Overtime".</p> | Payment |
| Directors' Fees | Payments to the director of a company, or to a person who performs the duties of a director of the company. | Payment |
| Exempt Foreign Income | Earnings paid to an Australian resident for tax purposes, who works in another country for 91 days or more for a continuous period, the income is subject to tax in that country, and it meets the criteria to be exempt from tax. | Leave Payment Termination |
| Gross Payments | Reportable payments which do not fall into any other category defined by the ATO. | Payment |
| Overtime | Payments made to an employee for extra time worked. It can include work done beyond their ordinary hours of work, outside the agreed number of hours or outside the spread of ordinary hours. | Payment |

| Category | Payment Type | Definition | Pay Item Category |
|-------------------|--------------------------|--|-------------------|
| Allowances | Award Transport | Deductible expense allowance 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. Must be traceable to an award in force on 29 October 1986. | Payment |
| | Cents per Kilometre | Deductible expense allowance that defines a set rate for each kilometre travelled for business purposes. | Payment |
| | Laundry | Deductible expense allowances for washing, drying and/or ironing uniforms required for business purposes. | Payment |
| | Other | Deductible or non-deductible expense allowances which do not fall into the ATO defined categories. | Payment |
| | Overtime Meal | Deductible expense allowances defined in an industrial instrument that are in excess of the ATO reasonable amount which is paid to compensate the payee for meals consumed during meal breaks connected with overtime worked. | Payment |
| | Qualification | Deductible expense allowance that is paid for maintaining a qualification that is evidenced by a certificate, licence or similar that is expected to be expended to maintain a requirement of the job. | Payment |
| | Task | Service allowances paid to a payee to compensate for specific tasks or activities performed that involve additional responsibilities, inconvenience, or efforts above the base rate of pay (i.e. First Aid Allowance) | Payment |
| | Tool | Deductible expense allowances to compensate a payee who is required to provide their own tools or equipment to perform work or services for the payer. | Payment |
| | Travel and Accommodation | Deductible expense allowances that are in excess of the ATO reasonable allowances amount (for domestic or overseas travel), undertaken for business purposes, which are intended to compensate employees who are required to sleep away from home. | Payment |

| Category | Payment Type | Definition | Pay Item Category |
|-------------------|-----------------------------|---|-------------------|
| Paid Leave | Ancillary and Defence | Paid leave for absences such as for Australian Defence Force, Emergency Leave, eligible Community Service and Jury Service. | Leave Payment |
| | Cash Out | Leave entitlements that have been paid out in lieu of the payee taking the absence from work (i.e., ADO, RDO, Annual Leave, LSL). | Payment |
| | Other Paid | All other paid absences (regardless of full, half, or reduced pay) must be reported as this payment type. It includes, but is not limited to annual leave, leave loading, long service leave, personal leave, RDOs. | Leave Payment |
| | Paid Parental | Paid Parental Leave from employers (PPL) and Government Paid Parental Leave (GPPL) must be reported in this category. | Leave Payment |
| | Unused Leave on Termination | Any leave balances paid out on termination that are otherwise not deemed an ETP or lump sum payment. | Leave Termination |
| | Workers Compensation | Any workers' compensation payments received by an injured employee for the hours not worked, or not attending work as required, or if the employment has been terminated. | Leave Payment |
| Lump Sum | Lump Sum E | Represents the amount for back payment of remuneration that accrued, or was payable, more than 12 months before the date of payment and is greater than the lump sum E threshold amount. | Payment |
| | Lump Sum W | A return-to-work amount is paid to induce a person to resume work, for example, to end industrial action or to leave another employer. It does not matter how the payments are described or paid, or by whom they are paid. | Payment |

| Category | Payment Type | Definition | Pay Item Category |
|----------------------|------------------|--|-------------------|
| Lump Sum | Lump Sum A | Type R: all unused annual leave or annual leave loading, and that component of long service leave that accrued from 16/08/1978, that is paid out on termination only for genuine redundancy, invalidity or early retirement scheme reasons. Type is derived from a Termination Type of Redundancy or Approved Early Retirement. Type T: Unused annual leave or annual leave loading that accrued before 17/08/1993, and long service leave accrued between 16/08/1978 and 17/08/1993, that is paid out on termination for normal termination. Type is derived from a Termination Type other than Redundancy or Approved Early Retirement. | Termination |
| | Lump Sum B | Long service leave that accrued prior to 16/08/1978 that is paid out on termination, no matter the cessation reason. Only 5% of this reported amount is subject to withholding. | Termination |
| | Lump Sum D | Tax-free amount of only a genuine redundancy payment or early retirement scheme payment, up to the limit, based on the payee's years of service. | Termination |
| Termination Payments | ETP Taxable | Payments made in consequence of the termination of a person's employment that is received no later than 12 months after the termination (other than certain specified payments). <ul style="list-style-type: none"> • Redundancy (Life Benefit) • Other (Life Benefit) • Dependant (Death Benefit) • Non-Dependant (Death Benefit) • Trustee of the Deceased Estate (Death Benefit) | Termination |
| | ETP Tax Free | Invalidity payments or payments for employment that took place before 1 July 1983. | Termination |
| | ETP Tax Withheld | PAYGW payable on ETPs. | Taxation |

| Category | Payment Type | Definition | Pay Item Category |
|------------------|-------------------------|--|---------------------------------|
| Deduction | Fees | Any amounts paid as union fees, subscriptions to trade, business or professional associations, bargaining agent's fees to a union for negotiations in relation to a new enterprise agreement/award on behalf of your employees. | Deduction (Post-Tax) |
| | Workplace Giving | Any workplace giving program donation amounts paid to charities or organisations that are entitled to receive tax deductible donations. | Deduction (Post-Tax) |
| | Child Support Deduction | A deduction made under a notice as per section 45 of the Child Support (Registration and Collection) Act 1988. | Deduction (Post-Tax) |
| | Child Support Garnishee | A deduction made under a notice as per section 72A of the Child Support (Registration and Collection) Act 1988. | Deduction (Post-Tax) |
| Foreign Tax Paid | | Amount of Foreign Tax paid or payable to a foreign government. | Deduction (Post-Tax) |
| PAYG | | PAYGW payable on taxable except for tax on ETPs. | Taxation |
| Not Reported | | <p>Generally, all amounts paid to employees should be reported to the ATO. You should only choose to not report items which are covered by exceptions, such as a travel or overtime meal allowances that are below the ATO's reasonable amounts.</p> <p>If you choose to not report income incorrectly, this means you won't have met your reporting obligations and it can impact your employees' tax, super or social security outcomes.</p> | Leave Payment Termination |

Assigning payment types in Definitiv

Pay items are assigned payment types via the *Payment Type* field in the Single Touch Payroll section. You will only see the appropriate options applicable to that pay item category in the list.

For example, in the dropdown for Payment pay items, only categories applicable to payments is displayed.

The screenshot shows the 'Edit Pay Item' interface for 'First Aid Allowance'. The 'Payment Type' dropdown is open, displaying a list of categories applicable to 'Payment' items. The categories listed are: Task, - Select -, Gross Payments, Overtime, Allowances (Award Transport, Cents per Kilometre, Laundry, Other, Overtime Meal, Qualification), Task (highlighted), Tool, Travel and Accommodation, Leave (Ancillary and Defence, Cash Out, Other Paid, Paid Parental, Workers Compensation), and Bonuses and Commissions.

For Leave pay items, only categories applicable to leave are displayed etc.

The screenshot shows the 'Edit Pay Item' interface for 'Annual Leave'. The 'Payment Type' dropdown is open, displaying a list of categories applicable to 'Leave' items. The categories listed are: Other Paid (highlighted), - Select -, Leave (Ancillary and Defence, Other Paid), Paid Parental, Unused Leave on Termination, Workers Compensation, and Exempt Foreign Income.

Other allowances

In STP Phase 2, there are 8 specific allowance categories and a category called *Other Allowances*. A common mistake customers can make is using *Other* to report things which do not belong in that category.

You must report allowances in their appropriate category because each category is treated differently for tax, super and social security purposes. Only report an amount as *Other* if it's an allowance that does not belong in one of the 8 specific allowance categories.

[This table](#) on the ATO website shows some examples of amounts reported by employers as *Other Allowances* which should be reported differently.

All-purpose allowances

Many awards include allowances that are added to an employee's hourly rate and are paid 'for all purposes'.

In STP Phase 2, you must separately report all-purpose allowances against the relevant allowance type. It's important that these allowances can be identified because they're treated differently in different situations, and not being able to identify them may disadvantage your employee.

There are more details about reporting all-purpose allowances in the ATO's [STP Phase 2 Employer Reporting Guidelines](#).

Salary sacrifice through a third-party provider

Some employers outsource the management of their salary sacrifice arrangements to a third-party provider rather than managing those arrangements themselves. This might mean your provider has not given you all the information you need in time for your STP reporting. You know that your employee has sacrificed an amount, but you might not know whether it is salary sacrifice to super, salary sacrifice to other employee benefits, or a combination of both.

The ATO has a concessional approach to help you report in this situation:

- You can report the whole amount sacrificed as salary sacrifice type O (Other benefits).
- Make a correction to your reporting when you know how much salary was sacrificed towards super.

Pre-tax deductions

As pre-tax deductions must be reported in the Salary Sacrifice – Other Employee Benefits payment type, pay items can no longer be setup as not reportable to the ATO. This ensures compliance with providing the ATO with complete disaggregated gross data for employees.

Q&A

| Question | Answer |
|---|--|
| <p>Do we have to separate Saturday penalty for STP2?</p> | <p>If the Saturday Penalty rate is a loading, then it is included in the Gross. If the Saturday Penalty rate is overtime, then it is included in Overtime.</p> <p>The wording in your award will guide you on this.</p> |
| <p>Are you recommending breaking allowances out of annualised rates (for example EBA might say \$50/hr including 17.5% leave loading, 30% shift loading, and 4% for tool allowance).</p> <p>Would you reduce normal rate and report allowances separately? Normal rate then won't align on pay advice to EBA.</p> | <p>Yes.</p> <p>The examples the ATO have provided all indicate the pay components need to be allocated separately as part of the disaggregation of gross.</p> |
| <p>Our casual rate is included the casual loading. Do we have to show it separately for STP2 reporting</p> | <p>In some awards, it states that loading is 25% of minimum rate – without stating specifically what it is for. In this instance, you may report it as gross.</p> <p>Other awards might say the loading is payable instead of other entitlements such as overtime. In that case, you may categorise it as overtime.</p> <p>The wording in your award will guide you on this.</p> |
| <p>Should additional hours be reported separately to normal hours?</p> | <p>It depends on what the additional hours are for. If they are just extra hours and part of the ordinary span of hours, then they are part of Gross. If they are additional hours that are in excess of ordinary time, then they should be reported as overtime.</p> |
| <p>We have a lot of staff on annualised salaries. Their salaries include shift allowances, overtime meals and overtime. Do I need to split these components?</p> | <p>Yes.</p> <p>The information we have received from the ATO is the identifiable overtime component of annualised salary = overtime.</p> |
| <p>Do we need to report on hours paid on penalty rates?</p> | <p>If the penalty rates are part of ordinary hours, then they are included in the gross. If the penalty hours are part of overtime, then they are reported as overtime.</p> |

| Question | Answer |
|--|--|
| <p>Do we have to separate Saturday penalty for STP2?</p> | <p>If the Saturday Penalty rate is a loading, then it is included in the Gross. If the Saturday Penalty rate is overtime, then it is included in Overtime.</p> <p>The wording in your award will guide you on this.</p> |
| <p>We are a school, and we pay the teachers their pay as one item, but it is actually made up of the pay for their grade plus leadership points if they are a manager.</p> <p>Should we be splitting the pay and the leadership pay. If so, does the leadership pay still appear as gross pay?</p> | <p>Pay components that under STP2 are not categorised as gross, must be separated out.</p> |
| <p>A group of our employees receive an aggregate hourly rate which incorporates shift penalties. This is written into their EBA.</p> <p>Do we need to break this down for STP2? Public holidays and overtimes are paid separately</p> | <p>Read your EBA to be sure of the incorporated items and then the ATO information to check what needs to be reported separately.</p> |
| <p>If someone has worked overtime on a Public Holiday will that be overtime or gross? Thanks</p> | <p>This ATO Community page addresses this question.</p> |
| <p>Do you have to report casual with a base and 25% top up show separately or can this all be included as base?</p> | <p>You will need to check the wording of your award. If the award says the 25% is paid to compensate for overtime or leave, then it needs to be shown separately. If the award does not stipulate what the 25% is for, it can be shown as one value.</p> |
| <p>We pay our staff for on call (24 hours a day) which being 8 hours during their normal worktime and 16 hours after normal hours. Does that mean we need to split the payment to 1/3 as a task allowance and 2/3 as overtime?</p> | <p>Yes, as part of the disaggregation of gross, you will need to separate out the normal work time from the task allowance and the overtime and pay each component separately.</p> |

Tax Treatments

The ATO has 10 different types of tax treatments which apply to individuals reported in STP2. Employee tax treatments are reported via tax declaration, ABN declaration and tax variation records.



Tax Declarations

The employee tax declaration screen in Definitiv was updated in June 2022 to cater for reporting STP2 tax treatments.

Tax Information [Definitions](#)

Tax File Number (TFN) OR Tax File Number - Exemption

Effective Date Category Options

Will you be reporting income in the Foreign Em Yes No income type?

Signature present? Yes No

Regular (Australian Resident)

Actors

Horticulturists and Shearers

Seniors and Pensioners

Working Holiday Makers

Seasonal Worker Programme

Foreign Resident

This is the list of all tax categories available in the employee tax declaration screen.

| Tax Category | Definition |
|-------------------------------|--|
| Regular (Australian Resident) | All employees not otherwise covered by another tax table, including directors, office holders, religious practitioners, labour-hire workers, and Pacific Labour Scheme workers. |
| Actors | Australian residents for tax purposes and are actors, variety artists and other entertainers who receive payments for their performances. It includes employees performing promotional activities. |
| Horticulturists and Shearers | <p>All employees working for a continuous period not exceeding six months in any horticultural process associated with the production, cultivation, or harvest of a horticultural crop or in the shearing industry such as shearers, crutchers, wool classers, cooks, shed hands and pressers.</p> <p>It excludes workers covered by another tax table, such as for WHM and SWP, but includes foreign residents.</p> |
| Seniors and Pensioners | Workers who are 66 years of age or older; or veterans receiving a service pension and/or war widows/widowers receiving an income support supplement from the Department of Veterans' Affairs and at least 60 years of age. |
| Working Holiday Makers | Foreign residents for tax purposes who are working in Australia under a Working holiday makers visa (subclass 417) or Work and holiday makers visa (subclass 462) or other bridging visa arrangement. |
| Seasonal Worker Programme | <p>Non-residents of Australia for tax purposes engaged under the Seasonal Worker Programme or Pacific Australia Labour Mobility scheme.</p> <p>Some workers engaged under the SWP may be exempt from having tax withheld from their payments if they are from PNG or Kiribati and in Australia for 90 days or less within the financial year. This is a flat tax rate on all payments to these workers.</p> |
| Foreign Resident | Employees who are not Australian residents for tax purposes. |
| No TFN | Employees who have not provided a TFN or 28 days has lapsed when using a TFN Pending exemption. |

Death Beneficiaries and Downwards Variations fall under the 'ATO Defined' tax treatment. These are reported by entering a tax variation record in the Tax Information screen.

A tax declaration record must first be present for a tax variation to be entered.

| ATO Defined Option | Definition |
|---------------------|---|
| Death Beneficiary | <p>When making a payment to a dependant, non-dependant or trustee of the deceased estate, use this tax variation if the death beneficiary is not an existing employee on the payroll.</p> <p>If the death beneficiary is an existing employee on the payroll, there is no need for a tax variation to be entered.</p> |
| Downwards Variation | <p>A payee may apply to the ATO to vary their rate of withholding from that which would otherwise apply to their income and payments. Any approved variations are included in ATO-issued letters to the payer.</p> |

Country Codes

Where income involves other tax jurisdictions, the income must be provided for the specific country for that tax jurisdiction. Australia has tax treaties with many countries to reduce or eliminate double taxation caused by overlapping tax jurisdictions. These treaties:

- Provide a level of security about the tax rules that will apply to particular international transactions.
- Prevent avoidance and evasion of taxes on various forms of income flows between treaty partners.

Since September 2018, the ATO exchanges financial account information with participating foreign tax authorities. As such, specific Income Types must report YTD income with a country code to assist Australia in meeting international commitments.

When reporting the below income types, a country code is required to be assigned in the employee’s relevant tax declaration record. For all other income types, a country code is not required.

- Foreign Employment – Australian residents for tax purposes are taxed on their worldwide income. If the payee worked overseas or provided services to an organisation located outside of Australia, payments must be defined both as Foreign Employment (if the qualification period is or will be satisfied) and Country Code where the work was performed, or the foreign entity is located (“host” country)
- Inbound Assignees to Australia – an inbound assignee who is seconded to work in Australia for an Australian entity but is employed by an offshore entity and is paid, in whole or part of their base salary and other remuneration, by an offshore entity. As the work performed in Australia may be subject to payroll taxes, superannuation guarantee and PAYGW, but not wholly paid by the Australian entity, the income must be reported by Country Code of the offshore entity (“home” country)
- Working Holiday Maker – those payees who have a specific class of Visa (417 and 462 only) to enable them to temporarily work in Australia must have their income reported by Country Code of their visa (“home” country). All Payment Types/labels within the Income Stream Collection must be reported for each combination of Income Type/Country Code.

Foreign Employment and Inbound Assignees to Australia can have a country code assigned by ticking the ‘yes’ checkbox underneath the question highlighted below.

Tax Information [Definitions](#)

Tax File Number (TFN) OR Tax File Number - Exemption

Effective Date Category Options

Will you be reporting income in the Foreign Employment or Inbound Assignee to Australia income type?

Yes No

Country ⓘ

Do you have a Higher Education Loan Program (HELP), VET Student Loan (VSL), Financial Supplement (FS), Student Start-up Loan (SSL) or Trade Support Loan (TSL) debt?

Yes No

Signature present?

Yes No

The 'country' field is required when completing a Working Holiday Makers tax declaration.

Tax Information
[Definitions](#)

Tax File Number (TFN)

OR

Tax File Number - Exemption

Effective Date

Category

Options

Home Country

Country is required with the selected Category

Signature present?

 Yes No

TFN Exemptions

TFN Exemption Codes exist for employees who are not obligated to provide a TFN or request an exemption from doing so.

| TFN Exemption Code | Definition |
|----------------------------|---|
| No TFN (000000000) | This is used for employees who have informed you they do not have a TFN (and have not made an application for one) or they are not required to provide a TFN (for example Seasonal Worker Programme employees). |
| TFN Pending (111111111) | An employee who has not provided a valid TFN or has provided a declaration which says they are waiting for a TFN. When using this exemption in Definitiv, if a TFN is not provided within 28 days from the employee's commencement, a new tax declaration record with the category 'No TFN' will be generated automatically. |
| Under 18 (333333333) | An employee under 18 years old and does not earn enough for tax to be deducted. If circumstances change and the employee subsequently earns a level of income that attracts tax, a TFN will be required to be provided at that time. |
| Pensioner (444444444) | A recipient of a social security or service pension or benefit (other than Newstart, sickness allowance, special benefits or partner allowance) |

ABN Declarations

An ABN is required for reporting in STP2 in two situations:

- When voluntarily reporting superannuation liabilities for individuals who normally are not in scope of STP reporting (Non-Employee).
- When withholding tax from payments made to contractors by Voluntary Agreement.

ABN declarations in Definitiv are hidden by default. To display them in the employee Tax Information tab, you must create an employment type linked to either the Non-Employee or Voluntary Agreement employment basis (see page 40).

Non-Employees

A non-employee is a payee who is not in scope of STP for payments but may be included in STP for voluntary reporting of superannuation liabilities only.

Generally, if you pay your contractors under a contract that is wholly or principally for labour, you must pay super contributions for them. This is even if the contractor quotes an Australian business number (ABN). These contractors are considered your employees for Super Guarantee purposes and are an example of a “Non-Employee”.

To record an ABN for a non-employee, click ‘Add ABN Declaration’ on the Tax Information tab when viewing an employee. The voluntary agreement question should be answered No.

ABN Declaration

| | |
|--|---|
| <p>ABN</p> <input style="width: 90%;" type="text" value="9999999999"/> | <p>Effective Date</p> <input style="width: 90%;" type="text" value="24/04/2023"/> |
|--|---|

Is there a voluntary agreement for PAYG withholding?

Yes No

For information on voluntary reporting of superannuation liabilities for Non-Employees, please view [this article](#) in the Definitiv Knowledge Base.

NOTES:

- Non-Employees fall under the ATO Defined tax treatment.
- When reporting non-employees, their primary role must have an employment status which is linked to the Non-Employee employment basis.

Voluntary Agreements

Usually, you do not have to withhold amounts for payments you make to contractors. However, you and a contract worker can enter into a voluntary agreement to withhold an amount of tax from each payment you make to them. It is a good way to help independent contractors meet their tax obligations.

To record ABNs for voluntary agreements, follow the same steps and answer yes to the voluntary agreement question.

ABN Declaration

ABN Effective Date

Is there a voluntary agreement for PAYG withholding?
 Yes No

Does the payee have a Commissioner's installment rate? Yes No

Withholding Rate %

For information on Voluntary Agreements for PAYG Withholding for contract workers, please view [this article](#) in the Definitiv Knowledge Base.

You can configure a commissioners' instalment rate in the record if required, otherwise payments made will be taxed at 20%.

NOTES:

- When reporting voluntary agreement payments and PAYG, the individual's primary role must have an employment status which is linked to the Voluntary Agreement employment basis.
- Only pay items which are assigned to the Voluntary Agreement income type must be used when making payments. This will normally mean a new pay item needs to be created.
- Gross Payments is the only payment type which is reportable in the Voluntary Agreement income type.
- Any automatically generated PAYG amounts will need to be manually removed from pay runs and replaced with a taxation pay item assigned to the Voluntary Agreement income type.

Employment Basis

This field serves two purposes in STP2.

- Fulfils question 6 “on what basis are you paid?” on the tax file number declaration form.
- Provides the ATO and other government agencies context to the changes in the financial amounts for each pay event. This reduces the need for them to contact you.

Employees must be reported using one of the following three employment basis types.

| Employment Basis | Definition |
|------------------|--|
| Full Time | <p>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.</p> <p>A full-time payee has an expectation of continuity of the employment or engagement on either an ongoing or fixed term basis</p> |
| 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.</p> <p>A part time payee has an expectation of continuity of the employment or engagement on either an ongoing or fixed term basis</p> |
| Casual | <p>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.</p> <p>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</p> |

Death Beneficiaries have their own employment basis.

| Employment Basis | Definition |
|-------------------|--|
| Death Beneficiary | The recipient of an ETP death beneficiary payment who is either a dependant, non-dependant or trustee of the estate of the deceased payee. |

Contractors (or individuals not in scope of STP2 reporting) must be reported using one of the following three employment basis types.

| Employment Basis | Definition |
|---------------------|---|
| Non-Employee | <p>A payee who is not in scope of STP for payments (i.e., contractor) but may be included in STP2 to voluntarily report superannuation liabilities only.</p> <p>The contractor must be an individual person with their own ABN.</p> |
| Voluntary Agreement | <p>A contractor with their own ABN, is an individual person and has requested a voluntary agreement for PAYG withholding.</p> <p>Usually, you do not have to withhold amounts for payments you make to contractors. However, you and a contract worker can enter into a voluntary agreement to withhold an amount of tax from each payment you make to them. It is a good way to help independent contractors meet their tax obligations.</p> |

Labour Hire firms have a specific employment basis to use in STP2. Businesses that do not hire contractors to perform services for their clients should not use this employment basis.

| Employment Basis | Definition |
|------------------|--|
| Labour Hire | <p>An independent contractor (not an employee) who has been engaged by a labour hire firm to work for their client.</p> <p>This employment basis is to <u>only</u> be used by Labour Hire firms.</p> |

Employment Status

Each employee role must have an employment status selected. This is how you would define the types of employment specific to your organisation. They can be named according to your own requirements.

For STP, Definitiv uses the employment status assigned to the employee's primary role to report the ATO defined employment basis. The link between employment statuses and employment basis are configured in the Employment Types screen.

The screenshot shows the 'Edit Role' interface. At the top, there are fields for 'Commencement Date' (14/04/2022) and 'Cease Date' (Ongoing). Below these are checkboxes for 'Accredited Apprentice' and 'Accredited Trainee'. The 'Employment Status' dropdown is highlighted with a red box and is open, showing a list of options including 'Part Time', 'Casual', 'Contractor', 'Contractor Super Reporting', 'Fixed Term - Full Time', 'Fixed Term - Part Time', and 'Full Time'. To the right, there is a 'Pay Policy When Working This Role' dropdown set to '- Use Default -'. At the bottom, the 'Role' is 'Warehouse Operative' and the 'Split' is '100 %'. Buttons for 'Save', 'Cancel', 'Add Split Cost', and 'Delete' are visible at the bottom of the form.

Setup

Admin > Configuration > Employment Type

The screenshot shows the 'Employment Types' configuration screen. The left sidebar has a navigation menu with 'Employment Types' highlighted. The main content area has a header 'Employment Types' and two buttons: '+ Assign New Type' and 'Edit'. Below this is a table with two columns: 'Employment Type' and 'Employment Basis'.

| Employment Type | Employment Basis |
|------------------------|------------------|
| Casual | Casual |
| Contractor | Not Specified |
| Fixed Term - Full Time | Full Time |
| Fixed Term - Part Time | Part Time |
| Full Time | Full Time |
| Part Time | Part Time |

When new employment types are created (known as employment status in the employee role screen), you are required to assign it to an employment basis. If the employment type created is to be used for individuals who will not be reported in STP, you would select the 'Not Specified' option in the list. Otherwise, you would select an employment basis.

Notes:

- All STP reportable employees must have a primary role with an employment status linked to an ATO defined employment basis.
- The 'Not Specified' option should only be used for employees who will not be reported in STP2.
- If you no longer have an employment/engagement relationship with the employee for the period being reported, report the employment basis from the last employment/engagement relationship.

Cessation Types

In STP2, employee termination details are now included in your reporting to the ATO. While there may be numerous reasons you have for employee terminations (likely for internal reporting and analytical reasons), grouping these reasons into distinguishing categories (called cessation types) will allow Services Australia to minimise the need for employees to provide them employment separation certificates.

Below are the ATO defined cessation types which are used in STP2 reporting.

| Cessation Type | Definition |
|---------------------|--|
| Contract Cessation | 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. |
| Deceased | The death of an employee. |
| Dismissal | An employer-initiated termination of employment due to dismissal, inability to perform the required work, misconduct, or inefficiency. |
| Ill Health | 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 |
| Redundancy | An employer-initiated termination of employment due to a genuine bona-fide redundancy or approved early retirement scheme |
| Transfer | 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. |
| Voluntary Cessation | An employee resignation, retirement, domestic or pressing necessity or abandonment of employment. |

Termination Reasons

When terminating an employee in Definitiv, you must first select a termination type. The termination type determines the type of payments and tax treatment that applies to the termination. A termination reason must then be selected. This is for your own purposes which can be used for internal reporting and analytical reasons as indicated in the previous page. You can create as many termination reasons as required.

Termination Date:

Termination Type:

Termination Reason:

Notes:

For STP, Definitiv uses the termination reason chosen in the employee’s termination record to report the cessation type. The link between termination reasons and cessation types configured in the Termination Reasons screen.

Setup

Admin > Configuration > Employment Type

| Termination Reason | Cessation Type |
|-------------------------------|---------------------|
| Death | Deceased |
| Dismissal | Dismissal |
| End of Contract | Contract Cessation |
| Entity Transfer | Transfer |
| Redundancy | Redundancy |
| Resignation | Voluntary Cessation |
| Retirement | Voluntary Cessation |
| Unsuccessful Probation Period | Dismissal |

Notes:

- All termination reasons must have a cessation type entered. In the above example, 'Unsuccessful Probation Period' is missing a cessation type. This can be addressed by clicking 'Edit' and assigning a cessation type in the drop down.
- Only the cessation type from the employee's latest termination record is transmitted.

Employer Superannuation Contributions

The reporting of superannuation in STP2 is largely unchanged from Phase 1. The categories (payment types) which apply to superannuation in Definitiv are listed below in the teal headings below.

Super Liability

Contributions payable by a payer for the benefit of a payee as mandated by superannuation guarantee legislation.

Only zero or positive amounts may be reported for the YTD amount. If there is a recovery of a prior year super liability amount, report zero for the current financial year and amend the prior financial year.

Additional Employer Contributions

If you enter into an agreement to contribute more super for an employee than you are required, you must determine if your employee has the capacity to influence the amount of contributions made.

In determining this capacity, the ATO looks at factors such as:

- Your relationship with the employee.
- Your employee's involvement in negotiating the terms of any industrial agreement governing the super contributions.
- Size of the contributions for your employee relative to the compulsory super contributions you are required to make.
- Super contribution arrangements in place for other employees.
- Any non-arm's length dealings.

The ATO does not consider an employee has the capacity to influence their super contributions just because they vote for a collective agreement or are part of a group negotiating a collective agreement with you.

An employee is considered to have the capacity to influence super contributions in situations where they can directly negotiate (or have an option to directly negotiate) an employer super contribution in excess of the compulsory contributions.

If the employee has capacity to influence the rate of contribution above the required SG amount, the contributions are reportable employer super contributions (RESC).

RESC

Additional, optional (not legislated or mandated by industrial, legislative or business policy instruments) payer super contributions made on behalf of the payee, which have been influenced by the payee, such as for:

- Employer contributions above the Maximum Superannuation Contribution Base (MSCB). If the payer provides the payee with a choice for the payer to contribute to super or receive the amount as salary or wages, the choice of super is reportable as RESC.
- Optional co-contributions. Super co-contributions such as matching contributions under individual contracts is classified as RESC because the payee was able to directly influence the terms of the agreement.
- Employee-negotiated increases in super contributions as part of their salary package (i.e., the employee has the capacity to influence the payment and it is not provided to all employees).

RESC also applies to voluntary employee salary sacrifice contributions. Refer to the 'Employee Superannuation Contributions' section for more information.

Not Reported

The following employer contributions are not reportable:

- contributions required by collectively negotiated industrial agreements.
- matching contributions under a collective agreement (matching contributions under an individual agreement are reportable).
- to a defined benefit fund (exceptions may apply).
- extra contributions that the employee could not influence, such as extra contributions for administrative simplicity or accepted employer policy.

Employee Superannuation Contributions

Salary Sacrifice

Salary sacrificing (is sometimes called salary packaging) is a formal arrangement between you (the employer) and your employee. Your employee agrees to forgo part of their salary or wages in return for benefits of a similar value, such as more super or a car.

Under an effective salary sacrifice arrangement:

- The employee pays less income tax as their taxable income is reduced.
- You, as the employer, may have to pay fringe benefits tax (FBT) on the fringe benefits you provide.
- Salary-sacrificed super contributions are classified as employer super contributions that are taxed in the super fund (instead of being employee super contributions from after-tax income).

To reduce an employee's assessable income through salary sacrificing, the arrangement must be considered 'effective'. Otherwise, the benefits are treated as assessable income received by the employee.

To have an effective salary sacrifice arrangement, you should:

- Enter the arrangement before your employee performs the work.
- Have an agreement between you and your employee (usually in writing).
- Make sure the employee can't access the sacrificed salary.

There are some payments that cannot be sacrificed:

- Lump Sum Payments (other than return to work lump sum payments).
- All ETPs – regardless of which type of ETP code.

Whilst payments may be sacrificed to a complying superannuation fund, other employee benefits may include:

- Fringe benefits – such as cars, property (goods, land, buildings, shares and bonds) and expense payments (loans, school fees, childcare costs and home phone costs)
- Exempt benefits – work-related items such as portable electronic devices and equipment

Salary Sacrifice – Superannuation (Voluntary)

An effective Salary Sacrifice arrangement entered voluntarily for pre-superannuation contributions, **with** employee influence, before the work is performed, where the sacrificed income is permanently foregone.

As this arrangement is **with** employee influence, the amount is also reported to the ATO as RESC.

Not all salary sacrifice amounts are voluntarily contributed, as some defined benefit funds require members to mandatorily salary sacrifice amounts to the fund. Therefore, it is important to ask employees for additional information if you are uncertain of their influence.

Salary Sacrifice – Superannuation (Non-Voluntary)

An effective Salary Sacrifice arrangement for superannuation contributions, **without** employee influence, before the work is performed, where the sacrificed income is permanently foregone. For example, contributions required by super fund rules.

As this arrangement is **without** employee influence, the amount is not reported to the ATO as RESC.

Salary Sacrifice – Other Employee Benefits

An effective Salary Sacrifice arrangement, entered into before the work is performed, for benefits other than for super, where the sacrificed income is permanently foregone (i.e., salary packaging, novated leases).

Not Reported

Contributions from after-tax income are considered the employee's personal super contributions and are not reportable employer super contributions (this is the case even if you deduct the amounts from your employee's take-home pay and forward the amount to their super fund on their behalf).

Setting Up STP2 – Checklist

Income Types

No action is needed if you only pay employees in SAW, WHM or SWP income types

If you require to report income in the CHP, FEI, IAA, OSP, LAB or VOL income types, complete these steps

- Determine which employees require income to be reported in the CHP, FEI, IAA, OSP, LAB or VOL income types.
- Create new pay items if required.
- Review all award policy clauses. You may need to change pay items or create new clauses to meet your new income type reporting requirements.

Payment Types

You must review all pay items to ensure they are categorised correctly

Reporting > Company Reporting > Pay Items

- All Payment, Leave and Termination pay items with the payment type *Not Reported* should not be reported to the ATO.
- All pay items assigned to the *Allowances – Overtime Meal* payment type are for payments in excess of the [ATO reasonable amount](#).
- All pay items assigned to the *Allowances – Travel and Accommodation* payment type are for payments in excess of the [ATO reasonable amount](#).
- All pay items assigned to *Gross Payments* do not belong in any other category (i.e., a bonus pay item would normally be reported under Bonuses and Commissions, not Gross).
- All other pay items have had their payment types reviewed and confirmed.

Tax Declarations

The home or host country of an employee is a requirement for WHM, IAA and FEI income types. These are held in the employee's tax declaration.

Reporting > Employee Reporting > Tax Declarations

- Any employee with earnings to be reported under Foreign Employment or Inbound Assignee to Australia have the host country entered in their tax declaration.

ABN Declarations

All Non-Employee and Voluntary Agreement payees require an ABN

Employee > Tax Information

If you voluntarily report superannuation liabilities to the ATO for non-employees (contractors), or you withhold tax from payments to certain contractors (voluntary agreements) you are required to include the ABN for those individuals.

- ❑ All contractors who have superannuation liabilities voluntarily reported to the ATO have been setup under the employment basis of Non-Employee.
- ❑ All contractors with a voluntary agreement in place have been setup under the employment basis of Voluntary Agreement.
- ❑ All Non-Employees and Voluntary Agreement individuals have their ABN recorded in an ABN declaration record.

Employment Basis

All Employment Types must be mapped to an ATO defined Employment Basis

Admin > Configuration > Employment Types

- ❑ All Employment Types have been reviewed and have the correct Employment Basis assigned.

For any employment type which is assigned to employees who are not reportable via STP (for example, volunteers or 'approval only' records) should be assigned to the 'Not Specified' employment basis.

Cessation Types

All Termination Reasons must be mapped to an ATO defined Cessation Type

Admin > Configuration > Termination Reasons

- ❑ All Termination Reasons have been reviewed and have the correct Cessation Types assigned.

Congratulations!

You have completed the checklist and are prepared for STP Phase 2 reporting.