Australian Government
Australian Taxation Office

Single Touch Payroll Phase 2 employer reporting guidelines

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/
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Single Touch Payroll Phase 2 employer reporting guidelines

These guidelines explain the requirements for Single Touch Payroll (STP) Phase 2 reporting using STP-enabled software.

Definition of terms
Explains the terms used in these guidelines.

Expansion of STP (Phase 2)
Explains how STP was expanded from 1 January 2022 to include additional information.

Transitioning from STP Phase 1 to STP Phase 2 reporting
Once your STP solution is upgraded to offer Phase 2 reporting you can transition at any time throughout a financial year.

How to report employment and tax information through STP Phase 2
What to do when you start reporting through STP Phase 2.

Reporting the amounts you have paid
Explanations of what payments you need to report and how to do it.

Other components of your STP reporting
There are components you need to report through STP that relate to employees themselves.

When an employee transfers or leaves
The information you must include in your STP Phase 2 report when employees leave.

[Rules of reporting through STP]
There are some rules for reporting through STP. This section explains those rules.

[Correcting information reported through STP]
Explains what you can correct through STP and how to correct it.

[Finalising your STP data]
Let us know your STP reporting is complete for an employee for a financial year by finalising your STP data.

[Changing your payroll solution or employees' Payroll IDs]
Explains how to changing your payroll solution or employees' Payroll IDs during a financial year.

[What employees need to know]
A summary for employees on how to acess their information.

[STP Phase 2 reporting – Quick reference guide]
This quick reference guide shows how to report some common payment types through Single Touch Payroll (STP) Phase 2.

Definition of terms

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Explains the terms used in these guidelines.

Single Touch Payroll (STP) is the way you report your employees' tax and super information to the ATO.

The following terms are used in these guidelines:

- Digital service provider (DSP) – those who develop or deliver digital services that help the community (and business) meet their tax and super obligations.
- Pay event – the file generated by an STP-enabled software or solution. This file must be lodged to us on, or before, the payment date when an employer makes a payment to an employee or payee that is subject to withholding.
- Update event – the service that allows an employer to transition to STP and correct or finalise STP data to us. This does not include employees that are paid payments subject to withholding (pay event).
- STP report or reporting – used for reporting either
  - a pay event (upon payments subject to withholding), or
  - an update event (upon transition, correction or finalisation).

- BMS ID – a business management software identifier that uniquely identifies the source of employee data sent to us as a specific instance of payroll software.
- Payee Payroll ID – a key identifier that represents each employee in the payroll that, in conjunction with payee details and the tax file number (TFN), enables us to uniquely identify the taxpayer.
- Income statement – the equivalent of an employer-issued payment summary. It contains the latest year to date (YTD) STP data reported by employers. It is available through ATO online services accessed through myGov. If an employee does not have a myGov account they can create a myGov account and link it to the ATO.
- Finalise – when an employer must make a declaration to us that they have provided all the information for each employee for a financial year. This is done by providing the finalisation indicator as a part of an employee's STP report.

Related pages are:

- What STP is
- Single Touch Payroll Phase 1 employer reporting guidelines.

Expansion of STP (Phase 2)

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Explains how STP was expanded from 1 January 2022 to include additional information.

On this page

- What the expansion is
- How STP works

What the expansion is

Single Touch Payroll (STP) is part of the government's commitment to streamlining employer reporting obligations. STP was legislated on 16 September 2016 as part of the Budget Savings (Omnibus) Act 2016.

Most employers are now reporting through STP. You will need to start reporting if you have not transitioned yet unless you have an exemption or a deferral.

In the 2019–20 Budget, the government announced that STP would be expanded to include additional information.

Including this additional information will:

- reduce the reporting burden for employers who need to report information about their employees to more than one government agency
- support the administration of the social security system.

The mandatory start date for STP Phase 2 reporting is 1 January 2022.

We are working with DSPs that are updating their solution to support Phase 2 reporting. Your DSP will let you know when your solution is ready.

Some DSPs, despite their best efforts, will need more time to get ready and transition their customers. They will advise you if we have approved a deferral for you to start reporting later than the mandatory start date.

If you can transition to STP Phase 2 reporting when your solution is ready then you do not need to ask us for more time, even after 1 January 2022.

If you need more time in addition to your DSP's deferral, you must apply. See STP expansion (Phase 2) delayed transitions.

How STP works

STP works by sending tax and super information from your STP-enabled payroll or accounting solution to us when you run your payroll.

This has not changed with Phase 2.

Your STP Phase 2 solution will send us a report with the information we need from you, such as:

- details of the remuneration you pay
  - the type of income for the employee (such as salary and wages, or working holiday maker income)
  - the components which make up the amounts (such as gross pay, paid leave, allowances or overtime)

- details of your pay as you go (PAYG) withholding
  - the amounts you have withheld from payments you make
  - information about how you calculated the amount, which you currently provide to us by sending a copy of the employee's TFN declaration

- super liability information.

This guide provides information on:

- mandatory reporting
- voluntary reporting
- payments that are out of scope and cannot be reported through STP.

These have not changed under Phase 2.

This guide explains rules about:

- how to report employment and taxation information through STP Phase 2
- reporting the amounts you have paid
- other components of your STP reporting
- when an employee transfers or leaves.

You can also make corrections to your employees' YTD amounts in your next pay event in the same financial year, or through an update event. See Correcting information reported through STP.

How you send STP information to us depends on the solution you use.

Find out about transitioning from STP Phase 1 to STP Phase 2 reporting.

Transitioning from STP Phase 1 to STP Phase 2 reporting

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Once your STP solution is upgraded to offer Phase 2 reporting you can transition at any time throughout a financial year.

On this page

- How to transition
- If full YTD data is not available

How to transition

The way you transition from STP Phase 1 to STP Phase 2 reporting will depend on your circumstances and the solution you use.

You should follow your DSP's instructions to upgrade your solution. Your DSP will tell you if you need to take any other steps, such as re-mapping pay codes.

If transitioning to STP Phase 2 reporting means you also need to change your payroll solution, see Changing your payroll solution or employees' Payroll IDs.

Find out about how to report employment and taxation information through STP Phase 2.

If full YTD data is not available

As you report YTD information through STP, it means you need to have relevant data available from the start of the financial year in order to report in the new STP Phase 2 format.

We understand that there are circumstances which mean it won't be possible for some employers to have all this data available if they are transitioning to STP Phase 2 in the middle of a financial year. In this situation we don't expect you to create that data by reprocessing your payroll or creating new STP reports for periods you have already correctly reported using STP Phase 1.

We have introduced 2 concessional methods to assist employers in this situation transition to STP Phase 2 reporting:

- Hybrid disaggregate method
- Replacing Payroll IDs method.

You should seek your DSP's advice and follow their instructions about:

- whether these methods are appropriate to use with your payroll solution
- how to implement these methods within your payroll solution.

You can only use these methods in the financial year that you transition from STP Phase 1 to STP Phase 2.

Hybrid disaggregate method

In STP Phase 1, you reported a single gross amount which was made up of several different payment types. In STP Phase 2, many of these need to be separately reported.

Using this method, you do not need to separate the gross amount already reported through STP Phase 1 into its STP Phase 2 disaggregated components. This means that, for the remainder of the financial year when you transition, your STP reporting is a hybrid between STP Phase 1 and STP Phase 2.

However, amounts relating to pay dates after you transition to STP Phase 2 must be correctly reported using STP Phase 2. This means that where amounts need to be separately reported, or reported in a different way detailed in these guidelines, you must do so.

If you choose to use this method, you must:

- ensure your STP Phase 1 reporting is complete and that you have made any corrections that are required
- assign your STP Phase 1 gross amount to the most appropriate income type (and if required for that income type, the most appropriate country code) in your STP Phase 2 reporting
- assign any allowances that are separately identified in STP Phase 1 to the most appropriate equivalent in STP Phase 2 (if you cannot fully disaggregate them)
- ensure that you have set up your payroll solution so that you are reporting correctly in STP Phase 2 moving forward.

Example: hybrid disaggregate method

John employs one staff member to work in his shop. The staff member earns ordinary salary and wages, and sometimes works overtime.

In STP Phase 1 reporting, John did not need to separately identify what was ordinary salary and wages and what was overtime. To meet his STP Phase 1 reporting requirements, John stored only the information that was needed for the STP Phase 1 report – gross pay.

For the period 1 July to 31 December 2021, John has paid his staff member $26,000, consisting of:

- $23,000 of ordinary salary and wages
- $3,000 of overtime.

John has correctly reported $26,000 as the gross YTD amount in his STP Phase 1 report.

John transitions to STP Phase 2 reporting on 1 January 2022. STP Phase 2 reporting requires separate reporting of ordinary salary and wages (gross) and overtime. John changes the way he captures his payroll information so that both are available for his STP Phase 2 reporting. However, he isn't able to retrospectively separate the $26,000 he has already reported through STP Phase 1 into its components.

John chooses to use the hybrid disaggregate method to transition to STP Phase 2 reporting.

For the period 1 January to 30 June 2022, John has paid his staff member $24,000, consisting of:

- $23,000 of ordinary salary and wages
- $1,000 of overtime.

John correctly reports these components in his STP Phase 2 report.

At the end of the year, John's employee has one income statement available for their tax return, which shows for the salary and wages (SAW) income type:

- Gross $49,000 (which is made up of $26,000 John reported through STP Phase 1 and $23,000 he reported through STP Phase 2).
- Overtime $1,000 (which is the overtime John reported through STP Phase 2).

Replacing Payroll IDs method

Your payroll solution will generate your STP report for your pay cycle by ABN, branch and BMS ID. We use this combination of information, together with the Payroll IDs you report, to identify when we need to display a separate income statement to your employees. We will display a separate income statement for each combination.

This means changing the Payroll IDs for your employees is a way to separately finalise your STP Phase 1 reporting and restart from zero using STP Phase 2 because a separate income statement will be displayed for each.

Before deciding to use this method, you should consider whether it is appropriate for your circumstances. Factors which may influence this include:

- how many employees you need to change the Payroll ID for, and the work needed for you to do this in your payroll solution
- whether it may cause you to exceed the limits of your payroll solution's subscription, plan or pricing tier
- whether the Payroll ID is used elsewhere in your business that may result in adverse consequences if it is changed.

If you choose to use this method to transition to STP Phase 2, you must:

- ensure your STP Phase 1 reporting is complete and that you have made any corrections that are required
- finalise your STP Phase 1 reporting for each employee
- follow your DSP's instructions for
  - upgrading your payroll solution to enable STP Phase 2 reporting
  - changing your employees' Payroll IDs within your solution.

Example: replacing Payroll IDs method

Tracey employs one staff member to work in her shop. They are recorded in her payroll system with the Payroll ID 1234. They earn ordinary salary and wages, and sometimes work overtime.

Tracey didn't need to separately identify what was ordinary salary and wages and what was overtime in her STP Phase 1 reporting. To meet her STP Phase 1 reporting requirements, she captured only the information that was needed – gross pay.

For the period 1 July to 31 December 2021, Tracey has paid her staff member $26,000, consisting of:

- $23,000 of ordinary salary and wages
- $3,000 of overtime.

Tracey has correctly reported $26,000 as the YTD amount in her STP Phase 1 report at the label Gross.

On 1 January 2022, Tracey makes sure her STP reporting is complete and finalises her STP Phase 1 reporting for her employee.

Later that same day, Tracey transitions to STP Phase 2 reporting by following her DSP's instructions for upgrading to a new version of her payroll solution. She changes her employee’s Payroll ID to 1235.

For the period 1 January to 30 June 2022, Tracey pays her staff member $24,000, consisting of:

- $23,000 of ordinary salary and wages
- $1,000 of overtime.

At the end of the year, Tracey's employee has 2 income statements available for their tax return:

- One income statement from STP Phase 1 for Payroll ID 1234 covering the period from 1 July to 31 December, showing
  - Gross $26,000.

- One income statement from STP Phase 2 for Payroll ID 1235 covering the period from 1 January to 30 June, showing
  - Gross $23,000
  - Overtime $1,000.

How to report employment and tax information through STP Phase 2

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What to do when you start reporting through STP Phase 2.

On this page

- Factors to consider
- Relationship between STP and the TFN declaration
- Identifying employees in your STP report
- Commencement date
- Employment basis
- Tax treatment

Factors to consider

There are many factors to help you work out the correct amount to withhold from your employees' pay. These may be based on information they provide in their TFN declaration or withholding declaration, or their employment information.

You already provide some of this employment information to us, such as your employees' commencement and cessation dates. Other information is provided to us and other government agencies through other forms such as TFN declarations and employment separation certificates.

You must now report this information in each STP report.

Relationship between STP and the TFN declaration

STP Phase 2 doesn't change the way your employees give you information about their tax circumstances. Your employees should still give you a completed TFN declaration.

When you start reporting through STP Phase 2, the employment and taxation information in your STP report will replace sending TFN declarations to us. This means you don't need to send us a copy of the TFN declaration your employee has given you. However, you can continue to send TFN declarations to us if it supports your other business processes, such as establishing an employment relationship before requesting stapled super fund details.

Before, TFN declaration information sent to us was never updated. Now with STP Phase 2, the employment and taxation information you report through STP is updated when your employees' circumstances change. Sometimes, the information may change even though the employee has not given you a new TFN declaration form.

You don't need new TFN declarations from your existing employees to start reporting using STP Phase 2.

Example: reporting employment and taxation information using STP

Barbara started working for Elise on 18 August 2011 and has been a full-time employee the whole time. When Barbara started, she provided a TFN declaration form where she said she was claiming the tax-free threshold and didn't have a higher education loan.

When reporting through STP Phase 2, the employment and taxation information Elise reported was:

- commencement date of 18 August 2011
- employment basis of F (full time)
- tax treatment of RTXXXX.

In March, Barbara started studying at university. Barbara and Elise have now agreed that from the next pay period, Barbara will change from full time to part time work. Barbara has also given Elise a withholding declaration form, telling Elise that she now has a higher education loan.

Elise updates her payroll with the information about Barbara's changed circumstances so she can continue to correctly withhold from her pay. The employment and taxation information in Elise's STP reporting changes to:

- commencement date of 18 August 2011
- employment basis of P (part time)
- tax treatment of RTSXXX.

Identifying employees in your STP report

You must provide either a TFN or Australian business number (ABN) for each payee included in your STP report. If you have not been provided with the employee's TFN you must use the TFN exemption codes.

When you report a payment and withholding for a contractor under the voluntary agreement (VOL) income type, you must provide the contractor's ABN. The contractor's TFN is not required.

If a payee is a contractor and employee with the same Payroll ID within the same financial year you must report both their ABN and TFN.

Commencement date

You must report the commencement date for all your employees.

Generally, the date you report will be the commencement date that you recognise to meet your industrial obligations.

Often, this will be the date your employment relationship with the employee started. However, different situations may lead to adjusted commencement dates, such as:

- service with multiple related entities in a group
- recognised prior service following transfer of a business
- breaks in service
- leave without pay.

Transferring or rehiring an employee may also impact on the commencement date you report.

If you don't know your employees' commencement date, you can report a default date of '01/01/1800'.

Employment basis

You must report information about your employees' employment basis each pay according to their work type. This information helps:

- provide context to the amounts you've reported
- reduce the need for us or agencies like Services Australia to contact you, when changes in your reporting can be explained in the employment basis.

The following table shows the employment basis types you can report through STP.

Employment basis types

Employment basis type	Description
Full time (F)	A person who is engaged for the full ordinary hours of work as agreed between the payer and the payee or set by an award (or both), registered agreement or other engagement arrangement. A full-time payee has an expectation of continuity of the employment or engagement on either an ongoing or fixed term basis.
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 or set by an award (or both), registered agreement or other engagement arrangement. A part-time payee has an expectation of continuity of the employment or engagement on either an ongoing or fixed term basis.
Casual (C)	A person who does not have a firm commitment in advance from a payer about how long they'll be employed or engaged, or for the days or hours they'll work. A casual payee also doesn't commit to all work a payer may offer. A casual payee has no expectation of continuity of the employment or engagement.
Labour hire (L)	A contractor who has been engaged by a payer to work for their client. Don't use this employment basis in relation to workers that are your employees.
Voluntary agreement (V)	A contractor with their own ABN who has entered into a voluntary agreement with a business to bring work payments into the PAYG withholding system. To do this, a contractor would normally complete a Voluntary agreement for PAYG withholding (NAT 2772) form.
Death beneficiary (D)	The recipient of an employment termination payment (ETP) death beneficiary payment who is either a dependant, non-dependant or trustee of the estate of the deceased payee.
Non-employee (N)	A contractor who is not in scope of STP for payments but may be included in STP for voluntary reporting of super liabilities only. If you report this employment basis, you must include the ABN of the contractor and you can't report any payments you have made to them.

When an employee's employment basis changes, such as from casual to part-time, you need to include the new employment basis in your STP reporting, even if they don't give you a new TFN declaration.

An employee may have one Payroll ID, but more than one employment basis. For example, if an employee has multiple active employment contracts or engagements with you. In this case, if your employee has:

- multiple work patterns, report the first from this list that applies
  - full time
  - part time
  - casual

- a labour hire employment basis and a work pattern, report labour hire
- a death beneficiary employment basis and a work pattern, report the work pattern.

Tax treatment

Your STP Phase 2 report will include a 6-character tax treatment code for each employee. The tax treatment code is an abbreviated way of telling us about factors that can influence the amount you withhold from payments to your employees

Reporting this information through your STP report means that when your employees give you a TFN declaration you no longer need to send a copy to us. It will also allow us to notify your employee if they have provided you with incorrect information which may lead to them getting a tax bill at the end of the year.

Your STP solution will automate the reporting of these codes and ensure that the tax treatment code you report is valid. Even though the creation of this code will be automated for you, it is still part of your STP report. It is important for you to understand what it means.

The following table shows the components of the tax treatment code.

Components of the tax treatment code

Category of tax (character 1)	Options per category (character 2)	Are study and training support loans (STSL) (character 3) and Medicare levy variations (MLV) (characters 4–6) permitted?
R (regular)	• T (tax-free threshold) • N (no tax-free threshold) • D (daily casuals)	STSL is only permitted for T (tax-free threshold) or N (no tax-free threshold). Report S at character 3. Otherwise report X at character 3. MLV is only permitted for T (tax-free threshold). Refer to tax tables for when different kinds of variation are permitted. • If Medicare levy surcharge variation is claimed, then at character 4 report the tier level (1, 2 or 3) or X if not applicable.

		• If Medicare levy exemption is claimed, then at character 5 report half (H), full (F) or X if not applicable. • If Medicare levy reduction is claimed, then at character 6 report ◦ number of dependents (0 for spouse only ◦ 1–9 for dependent children ◦ A for 10 or greater dependent children), or ◦ X if not applicable.
A (actors)	• T (tax-free threshold) • N (no tax-free threshold) • D (daily performances) • P (promotional activity)	
C (horticulturists and shearers)	• T (tax-free threshold) • F (foreign tax resident)	
S (seniors and pensioners)	• S (single) • M (married) • I (illness separated)	
H (working holiday makers)	• R (employer is a registered working holiday maker employer) • U (employer is an unregistered working holiday maker employer) • F (if the working holiday maker has not provided	

	a TFN declaration)	
W (seasonal worker programs)	• P (seasonal worker programs)	
F (foreign resident)	• F (foreign tax resident)	
N (no TFN)	• F (foreign tax resident) • A (Australian tax resident)	
D (ATO-defined)	• V (ATO approved downwards variation) • B (death beneficiary) • Z (non-employee)	
V (voluntary agreement)	• C (Commissioner's instalment rate) • O (other withholding rate)	

You can't report all possible combinations from the table above because sometimes the characters represent options which are not available in all circumstances. For example, if you have a full Medicare levy exemption, you can't also have a Medicare levy reduction.

Example: tax treatment code

Hamid has given a TFN declaration to his employer. He has claimed the tax-free threshold and notified his employer that he has a study and training support loan. He has not asked his employer to vary the amount withheld from his pay for the Medicare levy.

When Hamid's employer reports the salary and wages that she pays to Hamid through STP, she includes a tax treatment code.

The tax treatment code she reports is RTSXXX, which represents:

- R = regular employee, as Hamid's employer knows he is not receiving any other income type.
- T = tax-free threshold, as Hamid has claimed the tax-free threshold in his TFN declaration.
- S = study and training support loan (STSL), as Hamid has notified his employer in his TFN declaration that he has a STSL.
- X = not applicable, as Hamid has not asked his employer to vary the amount withheld due to Medicare levy surcharge.
- X = not applicable, as Hamid has not asked his employer to vary the amount withheld due to a Medicare levy exemption.
- X = not applicable, as Hamid has not asked his employer to vary the amount withheld due to a Medicare levy reduction.

Annual tax offset amount

Your employee may have given you a *Withholding declaration* form (NAT 3093) which claims an offset amount to reduce the amount you withhold from their pay. You will need to report the annual tax offset amount the employee has told you on their form. Don't apportion or pro-rate the amount across pay periods and don't report a YTD amount.

You can only report the annual tax offset amount for employees with a tax treatment code beginning in RT or S.

Reporting the amounts you have paid

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Explanations of what payments you need to report and how to do it.

STP Phase 2 doesn't change the payments you need to report through STP, but it does change how those amounts need to be reported.

These changes will make it easier to identify amounts that have specific tax, super or social security treatments. It will also help us with pre-fill, which will make it easier for your employees when they lodge their individual tax return.

You may need to report on:

- Income types
- Disaggregation of gross
- Allowances
- Back pays
- Exempt foreign employment income
- Salary sacrifice
- Tax that has been withheld or paid

Income types

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Each amount you pay to an employee will now be assigned to an income type, and you can report amounts assigned to multiple income types throughout the year.

The reporting of income types helps us 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).

The following table shows the different income types for STP Phase 2 and when to use them.

Income types for STP Phase 2 and when to use them

Income type	When to use this income type
SAW (salary and wages)	Most STP reporting will use this income type. It covers the most common kinds of payments to an employee like regular salary and wages. If the payments you are making to your employee don't belong in one of the other specific income types, use the SAW income type.
CHP (closely held payees)	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. If you are not using the concession available for reporting closely held payees, then you don't need to use the CHP income type and may use the SAW income type instead. This includes where you aren't eligible for the concession or have chosen not to use it.
WHM (working holiday makers)	This income type tells us about the income a person has earned while they were a working holiday maker. Use this income type when you're making payments to a person that is a working holiday maker. This means they're a temporary visitor to Australia holding a subclass 417 (working holiday) or subclass 462 (work and holiday) visa.
FEI (foreign employment income)	This income type tells us about the income an Australian tax resident has earned while working overseas where the qualifying period for foreign employment income is met. This information assists them to identify where tax has been paid on income in a foreign country and to complete their tax return. There are rules for reporting foreign employment income.
IAA (inbound assignees to Australia)	You must use this income type to tell us that you're using the concession available for reporting inbound assignees to Australia through STP in relation to the individual. If you're not using the concession available for reporting inbound assignees to Australia, you don't need to use the IAA income type and may use an appropriate other income type instead.
SWP (seasonal worker programs)	This income type tells us about the income a person has earned while they were participating in certain labour mobility programs. Use this income type to report payments to 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. Don't use this income type to report payments to participants in the Pacific Labour Scheme and participants in the PALM scheme who have told you on a TFN declaration that they are a resident. Use the SAW income type instead.
JPD (joint petroleum development area)	This income type is used for making amendments to your previous STP reporting about payments made to workers in the Joint Petroleum Development Area (JPDA). You can only use this income type to make amendments to your STP reporting for the 2019–20 or earlier financial years, because the tax arrangements relating to the JPDA changed in 2019.
VOL (voluntary agreement)	Use this income type to report payments that are subject to a voluntary agreement for PAYG withholding. This income type relates to contractors that have a voluntary agreement in place.

	Don't use this income type to report amounts paid to employees. Use the relevant income type such as SAW.
LAB (labour hire)	Use this income type to report payments by a labour hire firm that arranges for persons to perform work or services, or performances, directly for their clients. This income type relates to contractors only. It doesn't include amounts paid to employees of labour hire firms. Employees of labour hire firms should be reported as the relevant income type, such as SAW.
OSP (other specified payments)	Use this income type if the payments you are reporting are the specific payments specified by regulation 27 of the Taxation Administration Regulations 2017.

Different payroll solutions will handle changes to income types differently. If you need to change an income type during the year, you should follow your DSP's instructions.

Example: income type reporting

Backpacker Farms Pty Ltd employs Jane, who is from Europe and has come to Australia on a working holiday maker visa. They include the amounts they pay to Jane in their STP reporting under the income type of WHM (working holiday maker).

Jane's working holiday maker visa is about to expire, and she applies for a different type of visa that will allow her to remain in Australia. She is granted a new visa which comes into effect on 1 February.

The payroll solution used by Backpacker Farms Pty Ltd enables the same Payroll ID to have multiple income types. When they pay Jane after 1 February, they include:

- a YTD amount against the WHM income type that is the amount they paid Jane before 1 February, and
- another YTD amount against the SAW income type that is the amount they paid her after 1 February.

At the end of the financial year, Jane logs in to ATO online services to complete her tax return. She is able to easily identify the amount she needs to report as working holiday maker income, which is taxed differently. This is because her income statement shows the amount she earned as a working holiday maker before 1 February and also the amount she earned as regular salary and wages after 1 February.

Note: if your payroll solution requires you to use separate Payroll IDs for different income types then your employee will see separate income statements in ATO online services.

Country code

You must report a country code when you make payments to employees with the following income types:

- foreign employment income (FEI)
- inbound assignees to Australia (IAA)
- working holiday maker (WHM).

If you make a payment to an Australian resident working overseas using the FEI income type, you must provide information about the host country.

If you make a payment to a working holiday maker or inbound assignee, you must provide information about their home country. The home country that you report may not always be the country where the person usually lives.

- For the WHM income type, the home country you report is their country of nationality based on their working holiday maker visa.
- For the IAA income type, the home country you report is the country of the payroll from which they are paid

You must report a country code where it is required. You can't report 'Not Applicable'.

If you use a product that displays the country code as a 2-letter abbreviation, don't use the code 'na' to mean 'Not Applicable'. For STP reporting we use the ISO 3166-1 standard country codes, and the code 'na' refers to the country of Namibia.

Example: country code

Bjorn is Danish. He has been living and studying at university in Sweden and is now travelling to Australia on a working holiday maker visa using his Danish passport.

When he arrives, Bjorn's Australian employer checks to ensure that Bjorn has the right to work in Australia based on his Danish passport and working holiday maker visa.

When Bjorn's Australian employer uses the working holiday maker (WHM) income type to report amounts she has paid to Bjorn, she reports the country code 'dk' to represent Denmark.

Disaggregation of gross

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=8
- Last modified: 10 Feb 2023
- QC 66099

In STP Phase 2, all payment types are now reported consistently for each income type.

On this page

- How reporting has changed
- Gross
- Paid leave
- Overtime
- Bonuses and commissions
- Directors' fees
- Lump sum W (return to work payment)

How reporting has changed

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.

There are rules about which separately reported amounts can be included against each income type.

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

Your DSP will advise you on how to implement this change in your solution.

Gross

All remuneration you pay to employees that is reportable through STP, and is not separately itemised, should be reported as gross.

Only pre-sacrifice amounts that are classified as ordinary time earnings (OTE) should be included as gross.

If you are making a back payment or arrears payment, it may be included as gross.

The following table outlines examples of what should and shouldn't be included in Gross.

Gross reporting examples

Include as gross	Don't include as gross

• ordinary hours worked
• casual loading
• shift penalties (including public holiday penalties)
• payments to employees on Workers' compensation who are at work performing duties
• piece rates for work done during ordinary hours
• daily rates for employees compensated using a flat daily rate
• flexi time
  ◦ all ordinary hours paid to employees under a flexi time arrangement are part of gross
  ◦ flexi time arrangements are considered different to Rostered days off (RDOs) and Time off in lieu (TOIL)
• breach of rest break payments. When an employee does not get an appropriate rest break between shifts, some awards require employees to be paid at overtime rates until the employee is released from duty – even though the employee is being paid at overtime rates, they are working ordinary hours and payment is reported as gross
• time for travel or training paid within the span of ordinary hours
• charge rates for work performed, outcomes achieved, or targets met by contractors
	• rostered days off (time taken) paid at ordinary rates. This payment type must be reported as Paid leave type O (Other paid leave)
	• time off in lieu absence taken and paid at ordinary rates. This payment must be reported as Paid leave type O (Other paid leave)
	• the following types of payments that are now reported separately:
	  ◦ paid leave
	  ◦ allowances
	  ◦ overtime
	  ◦ bonuses and commissions
	  ◦ directors' fees
	  ◦ lump sum W
	  ◦ salary sacrifice

Paid leave

You will now need to separately report the following leave payments made to your employees in your STP Phase 2 report:

- other paid leave (paid leave type O)
- paid parental leave (paid leave type P)
- workers' compensation (paid leave type W)
- ancillary and defence leave (paid leave type A)
- cash out of leave in service (paid leave type C)
- unused leave on termination (paid leave type U).

There are special rules for reporting paid Family and Domestic Violence Leave (FDVL).

You don't need to report unpaid leave through STP as there is no payment to report.

Other paid leave (paid leave type O)

All forms of paid absences should be reported as Other paid leave (paid leave type O) unless they are required to be itemised using another leave type.

Only pre-sacrifice amounts that are classified as OTE should be included as other paid leave.

If you are making a back payment or arrears payment, it may be included in other paid leave.

The following table outlines examples of what should and shouldn't be included in Other paid leave.

Other paid leave reporting examples

Include	Don't include
• annual leave and leave loading • long service leave • personal or carer's leave • RDOs (time taken and paid at ordinary rates) • TOIL (time taken and paid at ordinary time) • compassionate and bereavement leave • study leave • special paid leave • gardening leave	• leave loading that is clearly linked to a notional loss of opportunity to work overtime – this payment must be reported as overtime • flexi time taken – this is not a paid absence during ordinary work hours and is reported as gross • Paid parental leave (paid leave type P) • Workers' compensation (paid leave type W) • Ancillary and defence leave (paid leave type A) • Cash out of leave in service (paid leave type C) • Unused leave on termination (paid leave type U)

Paid parental leave (paid leave type P)

All types of paid parental leave must now be reported separately.

Only pre-sacrifice amounts that are not classified as OTE according to the *Superannuation Guarantee Act 1992* (SGAA) should be included as paid parental leave. Some industrial instruments may require super to be paid on these amounts.

If you are making a back payment or arrears payment, it may be included as paid parental leave.

The following table outlines some examples of what should and shouldn't be included in Paid parental leave.

Paid parental leave reporting examples

Include	Don't include
• government paid parental leave (GPPL) • employer paid parental leave	• bonuses that are paid as an inducement for an employee to return to work after a parental leave absence – this payment must be reported as bonuses and commissions • keep in touch days when the employee attends work – this must be reported as gross

Workers’ compensation (paid leave type W)

Some employers pay workers' compensation to their employees, and in other circumstances the insurer makes the payment directly to the employee. Where you have made workers’ compensation payments, these must now be reported separately.

When reporting workers' compensation (paid leave type W), only include amounts you pay in relation to compensation schemes administered by:

- a federal, state or territory workers' compensation authority
- a federal, state or territory road and transport accident authority.

Don't include payments you make in relation to a commercially obtained insurance policy, such as private income protection or salary continuance policies – these are reported as other paid leave (paid leave type O).

Only pre-sacrifice amounts that are not classified as OTE according to the SGAA should be included as workers' compensation. Some industrial instruments may require super to be paid on these amounts.

If you are making a back payment or arrears payment, it may be included in Workers' compensation.

The following table outlines some examples of what should and shouldn't be included in Workers' compensation.

Workers' compensation reporting examples

Include	Don't include

• payments for any approved (or anticipated approval of) workers' compensation absence paid by the employer to the employee
• top-up payments made by the employer
• workers' compensation payments made after termination
  ◦ workers' compensation payments may be required to continue to be paid, even after the employee is terminated, in accordance with insurer requirements
  ◦ although no longer technically an employee absence, these payments should be reported as workers' compensation (paid leave type W)
 	
• payments to employees on workers' compensation who are at work performing duties – this payment must be reported as gross
• payments to employees under an income protection or salary continuance insurance policy - this is reported as other paid leave (paid leave type O)
	• payments to employees on workers' compensation who are at work performing duties – this payment must be reported as gross
	• payments to employees under an income protection or salary continuance insurance policy - this is reported as other paid leave (paid leave type O)

Ancillary and defence leave (paid leave type A)

There are a range of leave types that are paid while employees participate in volunteer or community activities. If you make ancillary and defence leave payments, they must now be reported separately in your STP Phase 2 report.

Only pre-sacrifice amounts that are not classified as OTE according to the SGAA should be included as ancillary and defence leave. Some industrial instruments may require super to be paid on these amounts.

If you are making a back payment or arrears payment, it may be included in Ancillary and defence leave.

The following table outlines some examples of what should and shouldn't be included in Ancillary and defence leave.

Ancillary and defence leave reporting examples

Include	Don't include
• community service leave, including voluntary emergency management activities for bodies such as a State Emergency Service, Country Fire Authority and the RSPCA • jury duty leave, including attendance for jury selection and jury duty • defence reserve leave paid to volunteers of the Australian Defence Forces to undertake defence services • all paid absences – including 'make-up pay' for ancillary and defence leave are to be reported as ancillary and defence leave	• defence leave taken by the employee using annual leave, long service leave (LSL) or rostered days off (RDOs) – this should be reported as other paid leave.

Cash out of leave in service (paid leave type C)

When you pay out leave entitlements in lieu of your employee taking the absence from work, you must now report this separately.

The cash out of leave can only occur when it is allowed by Fair Work rules or other legislative sources.

Only pre-sacrifice amounts that are classified as OTE should be included as cash out of leave in service.

If you are making a back payment or arrears payment, it may be included as cash out of leave in service.

The following table outlines some examples of what should and shouldn't be included in Cash out of leave in service.

Cash out of leave in service reporting examples

Include	Don't include
• cashed out annual leave and leave loading • cashed out long service leave • cashed out personal leave • cashed out rostered days off	• cash out of TOIL – this is reported as overtime • cash out of annual leave loading that is clearly linked to a loss of overtime – this is reported as overtime

Unused leave on termination (paid leave type U)

If you make payments to your employees for unused leave on termination, you must separately include these payments. For more information, see Termination payments.

Family and Domestic Violence Leave (FDVL)

If an employee has taken a period of paid Family and Domestic Violence Leave (FDVL), employers should record this on their pay slip in a way that makes the pay slip look as close as possible to how it would have looked if the employee had not taken the leave.

FDVL must be reported in STP to align with how you show these amounts on the employee's payslip as:

- part of gross as an employee's ordinary hours of work or;
- a payment made in relation to the performance of the employee's work, including (but not limited to) an allowance, bonus or a payment of overtime or;
- upon request by the employee, as an amount paid for taking a period of another type of leave (other than a period of paid family and domestic violence leave).

You must continue to treat any amounts that would ordinarily be considered OTE as OTE for super guarantee purposes, and report information about your employee's super entitlements.

Further information about FDVL can be found at the Fair Work Ombudsman.

Overtime

You need to report overtime amounts paid to your employees.

Overtime is when an employee works extra time.

It can include work done:

- beyond their ordinary hours of work
- outside the agreed number of hours
- outside the spread of ordinary hours (the times of the day ordinary hours can be worked).

Only pre-sacrifice amounts that are not classified as OTE according to the SGAA should be included as overtime.

If you are making a back payment or arrears payment, it may be included as overtime.

The following table outlines some examples of what should and shouldn't be included in Overtime.

Overtime reporting examples

Include	Don't include

• overtime worked
• leave loading that is demonstrably referable to a loss of overtime (both taken and cashed out)
• cash out of accrued TOIL hours. If the absence is not taken, the employee may request that the accrued time be paid out as overtime – the cash out of TOIL in service is reported as overtime
• on call, stand-by or availability allowances to remain in readiness for a return to work, payable outside the employees normal working hours
• call back payments. If an employee is called back into work for overtime
• overtime bonuses that relate entirely to time worked outside of normal hours
• identifiable overtime component of annualised salary – for those annualised salary or wages amounts that have distinctly identifiable components within the outer limits that are expressly referable to overtime hours
• excess travelling time for travel to an alternative place of work outside the ordinary span of hours
• hourly driving rates or rates per km –the excess of the total ordinary hours per
	• shift penalties – these are reported in gross
	• breach of rest break payments
	  ◦ when an employee does not get an appropriate rest break between shifts, some awards require employees to be paid at overtime rates until the employee is released from duty
	  ◦ even though the employee is being paid at overtime rates, they are working ordinary hours and payment is reported as gross

period, if no regard to the terms of the award, or the stipulated overtime rate for piece-rate awards that include hourly driving rates and rates per kilometre • part-time additional hours – this is payable in accordance with industrial instruments that stipulate those additional hours are paid at a penalty or overtime rate that do not accrue leave entitlements	

Bonuses and commissions

You may pay some employees bonus and commission payments to reward their performance, service or for meeting a specific goal. These are typically paid as a lump sum.

Only pre-sacrifice amounts that are classified as OTE should be included as bonuses and commissions.

If you are making a back payment or arrears payment, it may be included as bonuses and commissions.

The following table outlines some examples of what should and shouldn't be included in Bonuses and commissions.

Bonuses and commissions reporting examples

Include	Don't include
• Christmas bonus • retention bonus • sign-on bonus for new employees • performance bonus • referral bonus • bonus labelled as ex-gratia but in respect of ordinary hours work • return-to-work bonus after parental leave • commission payment	• bonuses and commissions that relate entirely to work performed outside normal hours – these are reported as overtime

Directors' fees

If you pay directors' fees you must separately include these in your STP Phase 2 report.

Directors’ fees include payments to:

- the director of a company
- a person who performs the duties of a director of the company
- a member of the committee of management of the company, or as a person who performs the duties of such a member if the company is not incorporated.

Directors’ fees may include payment to cover travelling costs, costs associated with attending meetings and other expenses incurred in the position of a company director.

Only pre-sacrifice amounts that are classified as OTE should be included as directors’ fees.

If you are making a back payment or arrears payment, it may be included as directors’ fees.

The following table outlines some examples of what should and shouldn't be included in Directors’ fees.

Directors' fees reporting examples

Include	Don't include
• remuneration you pay to a working director • remuneration you pay to a non-working director	• a bonus paid to a director – these should be reported as bonuses and commissions • allowances paid to a director – these should be reported as the relevant allowance type

Lump sum W (return to work payment)

A return to work amount is paid to induce an employee to resume work (for example, to end industrial action or to return from working for another employer). These payments have a different tax rate to other payments.

This is a new category of lump sum payments which is being introduced as part of STP Phase 2. Previously, they were reported as gross and not separately identified.

Only pre-sacrifice amounts that are classified as OTE should be included as lump sum W.

If you are making a back payment or arrears payment, it may be included as lump sum W.

The following table outlines some examples of what should and should not be included in Lump sum W.

Lump sum W reporting examples

Include	Don't include
• bonus paid to an ex-employee to encourage them to return to the employer • bonus payments made to end industrial action and have employees resume work • bonus paid to an employee who has resigned and is encouraged to withdraw their resignation	• sign-on bonus for new employees – this is reported as Bonuses and commissions • payments to employees returning to work after workers' compensation

Allowances

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=9
- Last modified: 10 Feb 2023
- QC 66099

The steps to follow to work out how to report allowances in STP Phase 2.

On this page

- Process
- Identify whether the amount is a reportable allowance
- Identify whether the allowance needs to be disaggregated
- Identify the purpose of the allowance
- Allowance types in STP Phase 2
- Cents per km allowance (allowance type CD)
- Award transport payments (allowance type AD)
- Laundry allowance (allowance type LD)
- Overtime meal allowance (allowance type MD)
- Travel allowances (allowance type RD)
- Tool allowance (allowance type TD)
- Qualification and certification allowances (allowance type QN)
- Task allowances (allowance type KN)
- Other allowances (allowance type OD)

Process

In Phase 1 reporting, some allowances are reported separately, and some are reported as part of Gross. This has changed for STP Phase 2.

There are 3 steps you should follow to work out how to report allowances in STP Phase 2:

1. Identify whether the amount is a reportable allowance
2. Identify whether the allowance needs to be disaggregated
3. Identify the purpose of the allowance.

Identify whether the amount is a reportable allowance

Generally, allowances are reportable through STP. There are some things which you may know as allowances which don't need to be reported through STP because:

- they are not allowances, or
- there are special rules about reporting them.

To work out whether you need to report allowances you've paid, consider these questions:

- Are you paying an amount to your employee?
  - STP is reporting about payments that you make. If you are not paying an amount, there's nothing to report through STP.
  - However, if you are providing a fringe benefit, you may need to consider your fringe benefits tax (FBT) obligations and you may need to include reportable fringe benefits in your STP reporting.

- Is the amount you're paying your employee, reimbursing an expense that can be verified by receipts?
  - There's a difference between allowances and reimbursements. Reimbursements typically compensate an employee exactly for an expense they have incurred on your behalf and the recipient generally needs to verify that they did incur that expense.
  - Reimbursements should not be reported through STP.

- Is the amount you're paying your employee a living away from home allowance fringe benefit?
  - Living away from home allowance fringe benefits are not reportable as allowances through STP.
  - Some industrial instruments may use the name 'living away from home allowance' to describe a payment that is actually a travel allowance, so it's important to understand which one you're paying.

- Is the amount you're paying your employee an overtime meal allowance or travel allowance which also exceeds the relevant ATO reasonable amount for the financial year?
  - There are special rules for reporting overtime meal allowances or travel allowances. You don't need to report overtime meal allowance and travel allowance if it's up to and including the ATO reasonable amount. If the

amount you pay exceeds the ATO reasonable amount, you must report the whole amount that you paid.

Example: identify whether the amount is reportable

Harry's business has a large piece of equipment which needs to be moved to a different location. This involves hiring a trailer and one of Harry's employees using their own car to tow that trailer.

The award which covers Harry's employees, provides for an allowance of 88 cents per kilometre to be paid when an employee is required to use their own car for work purposes.

On the day that the equipment is moved, Harry's employee drives their car 8 kilometres from the workplace to the trailer hire lot. They use their own money to pay the trailer hire fee and receive a receipt. They drive 8 kilometres back to the workplace. The equipment is loaded into the trailer and Harry's employee drives 10 kilometres to the equipment’s new location where it is unloaded. They drive 3 kilometres to the trailer hire lot to return the trailer and then drive another 8 kilometres back to the workplace.

Harry's employee provides him with their odometer readings showing that they travelled a total of 37 kilometres and the trailer hire receipt showing the cost of $126.37.

Harry pays his employee a total cents per kilometre allowance of $32.56 and the total trailer hire cost of $126.37.

The $32.56 cents per kilometre allowance is an allowance Harry needs to include in his STP reporting. It's not a reimbursement because it is an estimate of an expense, neither Harry or his employee measured whether or not the decline in value, registration, insurance, maintenance, repairs and fuel costs for each of those 37 kilometres was actually 88 cents and there are no receipts.

The $126.37 trailer hire fee is a reimbursement and Harry doesn't need to include it in his STP reporting. This is because it is precisely compensating a verified business expense.

Identify whether the allowance needs to be disaggregated

You must report allowances separately in STP, unless an exception applies. This ensures government agencies that receive your STP reporting can identify amounts which are treated differently for different purposes, such as PAYG withholding, super or income tested payments and benefits.

The 2 exceptions to disaggregating allowances are if:

- the allowance forms part of an amount you need to report as overtime
  - As overtime is treated differently for super guarantee purposes, you should include the amount as overtime in your STP report.

- you're paying the employee amounts which are cash out of leave in service (paid leave type C) or unused leave on termination (paid leave type U)
  - Cashing out of leave entitlements is treated differently in the tax, super and social security systems compared to allowances paid when work is performed or would have been performed.
  - Use the applicable leave type to report allowances that form part of cashed out leave entitlements.

All-purpose allowances

Many awards include allowances that are added to an employee's hourly rate and are paid for all purposes, such as when calculating payments for leave or overtime.

In STP Phase 2, you must separately report all-purpose allowances against the relevant allowance type unless one of the exceptions above applies.

Some employers may have historically set up their payroll using a single rate that includes the employees' hourly rate and all-purpose allowances. However, it is important that those allowances can be identified because they are treated differently in different situations and not being able to identify them may disadvantage your employee. For example, how the ATO treats allowances in a tax return is not the same as how Services Australia treats those allowances when assessing a benefit claim.

You should follow your DSP's instructions about setting up your payroll solution to continue to meet your Fair Work obligations and report all-purpose allowances correctly in STP.

Example: all-purpose allowances

Deanna employs James. James is employed under the Crocodile Award, and is entitled to be paid:

- a base rate of pay of $840.10 per week
- an industry allowance of $33.28 per week
- a tool allowance of $20.02 per week.

The award expresses that both the industry allowance and the tool allowance are to be paid 'for all purposes', including when calculating overtime.

It is an ordinary work week and James has been at work. On top of his ordinary hours, he worked 2 hours of overtime on one weekday, for which he is entitled to be paid at 150% of his all-purpose rate.

When Deanna reports the wages she paid James for his week of work through STP, she includes:

- gross: $840.10 – this is James' base pay for his ordinary work hours
- allowance type KN tasks: $33.28 – she has disaggregated the industry allowance relating to the time James was at work doing ordinary hours to the relevant allowance category
- allowance type TD tools: $20.02 – she has disaggregated the tool allowance relating to the time James was at work doing ordinary hours to the relevant allowance category
- overtime: $70.53 – she doesn't need to separate the components which are part of the calculated overtime payment.

Identify the purpose of the allowance

Understanding the purpose of an allowance is important because it influences how you withhold from it and how you calculate your employee’s super entitlements. It also influences how you report those allowances in STP, because STP allowance categories are based on:

- where there are PAYG withholding considerations (such as an ATO reasonable amount or limit)
- where there are special rules for an employee when completing their tax return (such as substantiation of deductions they claim corresponding to the allowance)
- whether super applies to the allowance (such as allowances relating to working conditions during the employee’s ordinary hours).

Sometimes, awards and industrial instruments may give some allowances names which don't clearly describe the purpose of an allowance. It's important to consider the substance of the allowance and not just what it's called.

When you are identifying how to report allowances in STP, you should consider these questions:

- Is the purpose of the allowance to compensate for an expense? If so, what is the expense and why will the employee incur it?
- Is the purpose of the allowance to compensate for the employee’s work conditions or for doing specific activities? If so, which ones?

Example: identifying the purpose of allowances

The Pond Standing Award provides for the payment of a wet work allowance.

The clause about wet work allowance in the award is surrounded by other clauses dealing with working conditions, such as confined spaces and heights.

Mason begins to think that the purpose of the wet work allowance is also related to working conditions.

Mason reads the clause about wet work allowance more closely. He finds out that 'A wet work allowance of $0.69 per hour must be paid to an employee working in any place where their clothing or boots become saturated by water, oil or another substance. This allowance is paid only for the part of the day or shift that the employee is required to work in wet clothing or boots'.

With all this information, Mason can see that the purpose of this allowance is to compensate employees for the difficult working condition of being in wet clothes.

Example: identifying the purpose of allowances

Thomas operates a business involved in the raising, slaughter and sale of livestock. The Enterprise Bargaining Agreement (EBA) which applies to his employees, provides for the payment of 'cow allowance' and he is trying to identify how to report this allowance in STP.

Thomas cannot only rely on the name of the cow allowance as that could refer to many things. He has employees that are required to:

- provide and maintain equipment to care for cows
- obtain specialised qualifications in the management of cows
- transport cows
- perform duties relating to slaughter of cows
- work in conditions soiled by cows or their slaughter
- wear a cow costume when performing advertising related duties.

Thomas refers to the EBA covering his employees. It tells him that:

- the kind of employees who are entitled to receive cow allowance are those with veterinary qualifications
- the allowance is payable in connection with a requirement to undertake continuing professional development (CPD) in bovine care required as a condition of their professional registration.

With all of this information, Thomas can see that the purpose of this allowance is to compensate his employees for the expense of training required to maintain their professional registration or qualifications.

STP reporting includes allowances paid for:

- transport (in a car, on public transport, or in a different kind of vehicle)
- obtaining or cleaning uniforms and clothing
- employees needing to buy a meal during work time
- employees travelling away from home
- employees needing to supply something to do their work
- getting or keeping a qualification, certificate or licence
- performing extra duties or working in difficult conditions
- employee incurring an expense that was not for business purposes
- other purposes not already covered

Transport (in a car, on public transport, or in a different kind of vehicle)

There are many different types of allowances which are paid for the purpose of compensating an employee for the costs of transport. These can include the cost of:

- driving a car, ute, van or motorcycle
- ride-share and ride-sourcing
- catching a train, plane, taxi, boat, bus or other vehicle.

These kinds of allowances don't relate to travel expenses, such as the costs of accommodation.

When working out how to report in STP about allowances you pay for the purpose of compensating an employee for the costs of transport, consider these questions:

1. Is the transport for business purposes?
   - Yes – continue to the next question.
   - No – go to expenses that are not incurred for business purposes.

2. Is the amount of the allowance measured on a cents per kilometre basis?
   - Yes – go to question 5.
   - No – continue to the next question.

3. Is the allowance traceable to an award that was in force on 29 October 1986?
   - Yes – report as award transport payments (allowance type AD).
   - No – continue to the next question.
   - Don't know - continue to the next question.

4. Is the mode of transport used public transport?
   - Yes – report as other allowances (allowance type OD) with the allowance code T1
   - No – report as other allowances (allowance type OD) with the allowance code V1

5. Is the vehicle a car?
   - Yes – report as cents per km (allowance type CD).
   - No – report as other allowances (allowance type OD) with the allowance code V1

Obtaining or cleaning uniforms and clothing

There are many different types of allowances which are paid in relation to an employee's clothing. When working out how to report in STP about these allowances, consider these questions:

1. Is the allowance being paid to compensate for the cost of purchasing a uniform or work-related clothing?
   - Yes – report as other allowances (allowance type OD) with the allowance code U1
   - No – continue to the next question.

2. Is the clothing being cleaned for work related purposes? For example, because the clothing is uniform required at work.
   - Yes – continue to the next question.
   - No – go to expenses that are not incurred for business purposes.

3. What kind of clothing is being cleaned?
   - Conventional clothing – report as other allowances (allowance type OD) with the allowance code G1
   - Occupation-specific clothing – report as laundry (allowance type LD)
   - Protective clothing – report as laundry (allowance type LD)
   - A compulsory uniform – report as laundry (allowance type LD)
   - A non-compulsory uniform which has been registered on the Register of Approved Occupational Clothing – report as laundry (allowance type LD)
   - A non-compulsory uniform which has not been registered on the Register of Approved Occupational Clothing – report as other allowances (allowance type OD) with the allowance code G1.

Employees needing to buy a meal during work time

There are many different types of allowances which are paid for the purpose of compensating an employee for the cost of meals that they consume at work. When working out how to report in STP about these allowances, consider these questions:

1. Is the meal break for which the meal was bought connected with overtime worked?
   - Yes – continue to the next question.
   - No – go to expenses that are not incurred for business purposes.

2. Does the amount of the allowance exceed the ATO reasonable amount for overtime meal expenses?
   - Yes – report as overtime meal allowance (allowance type MD).
   - No – you don't need to report this allowance.

Employees travelling away from home

There are many different types of allowances paid to employees to compensate for the costs of travelling on work. These include allowances for accommodation, meals or incidental expenses. When working out how to report in STP for these allowances, consider these questions:

1. Is the travel for business purposes or due to their personal circumstances?
    - Business purposes – continue to the next question.
    - Personal circumstances – go to expenses that are not incurred for business purposes.

2. Was the employee required to sleep away from home?
    - Yes – continue to the next question.
    - No – go to expenses that are not incurred for business purposes.

3. Is the employee travelling on work or living at a location?
    - Travelling on work – continue to the next question.
    - Living at a location – you do not need to report this as an allowance in STP. However you should consider whether you have reportable fringe benefits that you need to report.

4. Is the allowance being paid to compensate the employee for the cost of accommodation overseas?
    - Yes – report as other allowances (allowance type OD) with the allowance code G1
    - No – continue to the next question.

5. Does the amount of the allowance exceed the ATO reasonable amount for travel expenses?
    - Yes – report as travel allowance (allowance type RD).
    - No – you do not need to report this allowance.

Employees needing to supply something to do their work

There are many different types of allowance which are paid for the purpose of compensating an employee for the costs of supplying and maintaining tools and equipment required for their work. When working out how to report in STP about these allowances, consider these questions:

1. Is the amount you are paying a reimbursement for the cost of the tools or equipment?
    - Yes – you do not need to report this reimbursement through STP.
    - No – continue to the next question.

2. Are the tools or equipment used for business purposes?
    - Yes – report as tool allowances (allowance type TD).
    - No – go to expenses that are not incurred for business purposes.

Getting or keeping a qualification, certificate or licence

There are many different types of allowance which are paid for the purpose of compensating an employee for the costs of getting or keeping a qualification or licence.

These kinds of allowances don't relate to situations where the employee is being compensated for performing extra duties, just because those duties might require a certificate for the employee to be eligible to perform them, such as being the first aider on duty.

When working out how to report in STP about allowances you pay for the purpose of compensating an employee for the costs of getting or keeping a qualification or licence, consider these questions:

1. Is the amount you are paying the employee a direct reimbursement of their costs in getting, renewing or keeping their qualification?
   - Yes – you don't need to report this reimbursement through STP.
   - No – continue to the next question.

2. Is the allowance relating to the employee getting or renewing an ordinary car driver's licence?
   - Yes – go to expenses that are not incurred for business purposes.
   - No – continue to the next question.

3. Is the qualification, certificate or licence obtained, maintained or renewed for business purposes?
   - Yes – report as qualification and certification allowances (allowance type QN).
   - No – go to expenses that are not incurred for business purposes.

Performing extra duties or working in difficult conditions

Awards and other industrial instruments provide for a wide range of allowances that are paid to compensate the employee for specific tasks or activities performed that involve additional responsibilities, inconvenience, or efforts above the base rate of pay. These allowances are known as services allowances because they are not paid to compensate an employee for expenses they may incur.

When working out how to report in STP about allowances you pay for the purpose of compensating an employee for specific tasks or activities, consider these questions:

1. Is the amount you are paying relating to an expense the employee has incurred or will incur?
   - Yes – identify the purpose of the allowance.
   - No – continue to the next question.

2. Does the allowance you are paying relate to working conditions or performing additional duties?
   - Working conditions – report as task allowances (allowance type KN).

- Performing additional duties – continue to the next question.

3. Are you paying the employee for the additional duties with an allowance, an increase to base salary (for example, an employee performing higher duties may either receive a higher duties allowance or be advanced to a higher pay point), or a different kind of payment?
   - Allowance – report as task allowances (allowance type KN) .
   - Higher base salary or different kind of payment – report as the appropriate payment type (such as Gross).

Employee incurring an expense that was not for business purposes

Generally, an employee is not entitled to claim a deduction in their tax return for expenses which were not work-related.

A common example is when an award or industrial instrument provides for the employee to be paid an allowance for the costs of transport between their home and their usual workplace. An employee usually won't be entitled to claim a deduction for those costs, as travel between home and work is not considered to be transport for business purposes, except in limited circumstances.

If the allowance you are paying relates to an expense that is not work-related, you should report it as other allowances (allowance type OD) with the allowance code 'ND'.

Other purposes not already covered

While there are 8 specific allowance categories to report in STP, industrial instruments provide such a wide variety of allowances that it is not possible to have categories for all of them.

If you're paying an allowance that isn't covered in the sections above, you should report it as other allowances (allowance type OD) and determine an appropriate description.

Allowance types in STP Phase 2

The allowance types you will separately report in STP Phase 2 are:

- cents per km (allowance type CD)
- award transport payments (allowance type AD)
- laundry (allowance type LD)
- overtime meal allowance (allowance type MD)
- travel allowances (allowance type RD)
- tool allowances (allowance type TD)
- qualification and certification allowances (allowance type QN)
- task allowances (allowance type KN)
- other allowances (allowance type OD)

Cents per km allowance (allowance type CD)

This applies to deductible expense allowances paid to employees using their own car at a set rate for each kilometre travelled for business purposes that represents the vehicle running costs including registration, fuel, servicing, insurance and depreciation.

The amounts you report using this allowance type are the same cents per kilometre allowances which have a varied rate for PAYG withholding based on the ATO rate and business kilometres limit. For reporting through STP, use this allowance type to report both:

- cents per kilometre allowances that exceed the ATO rate or business kilometre limit or both, and
- cents per kilometre allowances that don't exceed the ATO rate or business kilometre limit or both.

You may also pay other kinds of allowances to your employees relating to transport (in a car, on public transport, or in a different kind of vehicle), such as flat rate car allowances. Don't report those as cents per kilometre allowances in STP.

The following table outlines some examples of what should and shouldn't be included in Cents per km allowance.

Cents per km allowance reporting examples

Include	Don't include
• cents per km payments for a car up to the ATO rate and limit for business related travel • cents per km payments for a car in excess of the ATO rate and limit for business related travel	• cents per km payments for private travel such as travel between home and work – this should generally be reported as other allowances (allowance type OD) with the description ND (non-deductible) • cents per km payments for vehicles other than a car such as a motorbike or van – this should be reported as other allowances (allowance type OD) with the description V1 (private vehicle) • flat rate car allowance that is not referable to kilometres travelled – this should be reported as other allowances (allowance type OD) with the description V1 (private vehicle)

Award transport payments (allowance type AD)

Award transport payments are deductible expense allowances 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, as defined in section 900-220 of the *Income Tax Assessment Act 1997*.

The current award transport payment must be traceable to an award in force on 29 October 1986.

The amounts you report using this allowance type are the same award transport payments which have a varied rate for PAYG withholding based on whether the transport expenses are deductible. For reporting through STP, use this allowance type to report only award transport payments that are deductible transport expenses.

You may also pay other kinds of allowances to your employees relating to transport (in a car, on public transport, or in a different kind of vehicle), such as cents per kilometre allowances or payments for transport that are not traceable to an award in force on 29 October 1986. Do not report those as award transport payments in STP.

The following table outlines some examples of what should and shouldn't be included in Award transport payments.

Award transport payments reporting examples

Include	Don't include
• allowance payments for the cost of transport for business related travel traceable to a historical award in force on 29 October 1986	• allowance payments for the cost of transport for business related travel not traceable to a historical award in force on 29 October 1986 – this should be reported as other allowances (allowance type OD) with the description T1 (transport or fares) • allowance payments for the cost of transport for private purposes – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible) • cents-per-kilometre allowances – this should be reported as cents per kilometre allowance (allowance type CD)

For more information see Award transport payments.

Laundry allowance (allowance type LD)

This is a deductible expense allowance paid to employees for washing, drying and ironing uniforms required for business purposes.

You should only include laundry allowances for the cleaning of clothing that falls into one or more of the following categories:

- Compulsory uniform – unique and distinctive to identify the employer with a

- strictly enforced policy that makes it compulsory for the uniform to be worn at work.
- Non-compulsory uniform – only if the design of the uniform has been entered on the Register of approved occupational clothing.
- Occupation-specific clothing – that isn't everyday in nature and allows the public to easily recognise the occupation.
- Protective clothing and footwear – to protect against the risk of illness or injury posed by the activities undertaken to earn the income.

The amounts you report using this allowance type are the same laundry allowances which have a varied rate for PAYG withholding based on the ATO approved threshold.

For reporting through STP, use this allowance type to report both:

- laundry allowances that exceed the ATO approved threshold
- laundry allowances that don't exceed the ATO approved threshold.

You may also pay other kinds of allowances relating to uniforms or clothing, such as allowances which help an employee purchase new uniforms. Don't report those allowances as 'laundry allowances' in STP.

The following table outlines some examples of what should and shouldn't be included in Laundry allowance.

Laundry allowance reporting examples

Include	Don't include
• laundry allowance for cleaning of approved uniforms up to the ATO approved limit • laundry allowance for cleaning of approved uniforms in excess of the ATO approved limit	• laundry allowances for the cost of laundering deductible conventional clothing – this should be reported as other allowances (allowance type OD) with the description G1 (general). • laundry allowance for the cost of laundering uniforms for private purposes – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible)

Overtime meal allowance (allowance type MD)

This applies to deductible expense allowances defined in an industrial instrument that are in excess of the ATO reasonable amount, paid to compensate the employee for meals consumed during meal breaks connected with overtime worked.

The amounts you report using this allowance type are the same overtime meal allowances which have a varied rate for PAYG withholding based on the ATO reasonable amount for the financial year. For reporting through STP, use this allowance type to report only overtime meal allowances that exceed the ATO reasonable amount.

You may pay other allowances [because the employee needed to buy a meal during work time] that are not overtime meals, such as allowances for meals paid to workers doing their ordinary hours on a night shift. Do not report those as overtime meal allowances in STP, report them as [other allowances (allowance type OD)] with the allowance code ND instead.

The following table outlines some examples of what should and shouldn't be included in Overtime meal allowance.

Overtime meal allowance reporting examples

Include	Don't include
• overtime meal allowances that exceed the ATO reasonable amount	• overtime meal allowances paid up to the ATO reasonable amount – this payment continues to be exempt from PAYG withholding and from STP reporting

Travel allowances (allowance type RD)

This applies to deductible expense allowances that are paid for domestic or overseas meals and incidentals and domestic accommodation, undertaken for business purposes, which is intended to compensate employees who are required to sleep away from home.

It is not a reimbursement of actual expenses, but a reasonable estimate to cover costs including meals, accommodation and incidental expenses.

The amounts you report using this allowance type are the same travel allowances which have a [varied rate for PAYG withholding] based on the [ATO reasonable amounts] for the financial year. For reporting through STP, use this allowance type to report only travel allowances that exceed the ATO reasonable amount.

As travel allowances for overseas accommodation don't have a varied rate for PAYG withholding, don't report them using this allowance type. Report these as other allowances ([allowance type OD)] instead.

Don't use this allowance type to report a [living away from home allowance fringe benefit], but be careful as some industrial instruments use the name 'living away from home allowance' to mean a travel allowance that you do need to report here.

The following table outlines some examples of what should and shouldn't be included in 'travel allowances'.

Travel allowances reporting examples

Include	Don't include
• allowance that exceeds the ATO reasonable amount for domestic or overseas meals and incidentals and domestic accommodation, undertaken for business purposes, which is intended to compensate employees who are required to sleep away from home	• allowance that does not exceed the ATO reasonable amount for domestic or overseas meals and incidentals and domestic accommodation, undertaken for business purposes, which is intended to compensate employees who are required to sleep away from home – this is not reported at all through STP • allowance that is paid for overseas accommodation for business purposes where the employee is required to sleep away from home – this should be reported as other allowances (allowance type OD) with the description G1 (general) • part-day travel allowances – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible) • allowances paid for travel that is for private purposes – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible)

Tool allowance (allowance type TD)

This applies to deductible expense allowances to compensate an employee who is required to provide their own tools or equipment for business purposes. This allowance was formerly required to be reported under other allowances with a description of the allowance type.

The following table outlines some examples of what should and shouldn't be included in Tool allowance.

Tool allowance reporting examples

Include	Don't include
• tool allowances paid to trades staff	• home office equipment – this should

who are required by their employer to supply and maintain their own tools of trade • allowances paid to an employee required to supply equipment for business purposes	be reported as other allowances (allowance type OD) with the description H1 (home office) • internet allowances – this should be reported as other allowances (allowance type OD) with the description H1 (home office) • private purposes – this should be reported as other allowances (allowance type OD) with the description ND (non-deductible)

Qualification and certification allowances (allowance type QN)

This applies to deductible expense allowances that are paid for obtaining or maintaining a qualification, which is evidenced by a certificate, licence or similar, and is required to perform the work or services. For example, this includes allowances to cover registration fees, insurance, licence fees, which are expected to be expended to maintain a requirement of the job.

It doesn't include allowances paid for performing additional duties just because those duties require a qualification or certificate. It also does not include a direct reimbursement of the cost.

The following table outlines some examples of what should and shouldn't be included in Qualification and certification allowance.

Qualification and certification allowance reporting examples

Include	Don't include
• allowances paid to contribute to the cost of obtaining and maintaining a working with children check • ambulance drivers are entitled to a driving licence allowance to cover the cost of maintaining their non-standard drivers licence • air pilots are entitled to a loss of licence allowance to help the pilot to hold adequate insurance against loss of licence • under the general retail award, employees that are	• first aid allowance – this allowance is for performing duties as a first aider and should be reported as task allowance (allowance type KN) • allowances paid to recognise a higher level of skill, rather than an allowance to get or maintain a qualification itself – this should be reported as task allowance (allowance type KN)

required to maintain a liquor licence are entitled to a liquor licence allowance	

Task allowances (allowance type KN)

This applies to a services allowance that is paid to compensate an employee for specific tasks or activities performed that involve additional responsibilities, inconvenience or circumstances above the base rate of pay.

These allowances were included in gross in STP Phase 1 reporting but are now required to be reported separately.

It doesn't include allowances paid for obtaining or maintaining a qualification even if the qualification is a pre-requisite for performing the task.

Awards and enterprise agreements contain many different types of task allowances.

The following table outlines some examples of what should and shouldn't be included in Task allowance.

Task allowance reporting examples

Include	Don't include
• additional responsibilities • first aid allowance • leading hand allowance • higher duties • supervisor allowance • on call during ordinary hours allowance • inconvenience or disability • height allowance • dirt allowance • danger allowance • wet weather allowance • confined spaces allowance • other circumstances • industry allowance • site, district or	• shift allowance or penalty – this should be reported as gross • travel time allowance during ordinary hours – this should be reported as gross • travel time allowance outside of ordinary hours – this should be reported as overtime • on-call allowance outside of ordinary hours allowance – this should be reported as overtime • expense allowances

locality allowance • secondment • recognition of skill level	

Other allowances (allowance type OD)

These are other allowances that are not otherwise separately itemised. These can either be deductible or non-deductible expenses. If the allowance belongs in one of the more specific allowance types detailed above, you must report it in the specific allowance type and not as other allowances.

Anything you report as 'other allowances' needs to have a description for the category of expense. These categories will help us assist each of your employees to complete their individual tax returns.

The following table outlines the description codes descriptions you can use.

Other allowances description codes and examples

Allowance code	Description
H1 (home office)	Use this code for deductible expense allowances related to the employee maintaining a home office (such as allowances to assist with initial set up or running costs). Do not use this code to report allowances that relate to specific tools and equipment that are reported as tool allowance (allowance type TD).
ND (non-deductible)	Use this code for non-deductible expense allowances. Generally, these will be allowances related to an expense which is not work-related, not for business purposes, or is for private purposes.
T1 (transport or fares)	Use this code for deductible expense allowances related to the employee travelling on public transport, or in taxis and rideshare services. Do not use this code to report allowances that relate to transport that was not for business purposes, use ND instead.
U1 (uniform)	Use this code for deductible expense allowances related to uniforms, as long as they are not for non-deductible expenses (use ND instead).
V1 (private vehicle)	Use this code for deductible expense allowances related to the employee travelling in a private vehicle. This includes cents per kilometre allowances for vehicles that are not cars. Don't use this code to report allowances that relate to transport that was not for business purposes (use ND).

G1 (general)	Use this code for deductible expense allowances that don't belong in one of the other codes above.
Specific description we tell you to use	Sometimes we will tell you to use specific descriptions in relation to certain programs, such as the specific descriptions relating to the JobMaker Hiring Credit scheme (which has now ended). If we tell you to use a specific description, use it instead of the main allowance codes.

Depending on the product you use, these will appear in your STP report as either:

- the code only (for example, G1)
- the code and name (for example, U1 uniform)
- the code and the pay code description you have used in your payroll (for example, H1 internet allowance).

The following table outlines some examples of what should and should not be included in Other allowances.

Other allowances reporting examples

Include	Don't include
G1 (general) • laundry allowances for the cost of laundering deductible conventional clothing H1 (home office) • home office equipment allowances • internet allowances ND (non-deductible) • cents per km payments for private travel such as travel between home and work • allowance payments for the cost of transport for private purposes • laundry allowance for the cost of laundering uniforms for private purposes • allowances paid for travel that is for private purposes • part-day travel allowances • allowances paid in relation to equipment used for private purposes T1 (transport or fares) • Allowance payments for the cost of	• direct reimbursement of business expenses – this is not reported • living away from home allowance – this falls under the FBT legislation and is not reported here • tool allowances – this should be reported as tool allowances (allowance type TD) • cents per kilometre – this should be reported as cents per km allowance (allowance type CD) • qualification and certificate allowances – this is reported in qualification and certification allowances (allowance type QN)

transport for business related travel not traceable to a historical award in force on 29 October 1986 U1 (uniform) • allowances paid for the purchase of a uniform V1 (private vehicle) • cents per km payments for vehicles other than a car such as a motorbike or van • flat rate car allowance that is referable to the kilometres travelled	

Back pays

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=10
- Last modified: 10 Feb 2023
- QC 66099

As back payments are not a single type of payment, there is no single way to report them through STP

On this page

- How to do report back pays
- Lump sum E

How to do report back pays

Sometimes there may have been an oversight or delay and you need to make a back payment to an employee. As back payments are not a single type of payment, there is no single way to report them through STP. Instead, you need to consider the circumstances of the back payment.

In some cases, the back payment you are making may be a lump sum E payment. Lump sum E is a separately reported payment type for STP.

If you are making a back payment to an employee and it is not lump sum E, then report it in STP as the relevant payment type (such as gross, allowances or overtime).

Lump sum E

Lump sum E is an amount of back payment of remuneration that accrued, or was payable, more than 12 months before the date of payment and is greater than or equal to the Lump sum E threshold amount ($1,200).

Your payroll solution may report Lump sum E:

- in each STP report, or
- only when you finalise your reporting at the end of the financial year.

Both ways are acceptable.

You must report Lump sum E YTD amounts by specifying each prior financial year to which the amount relates.

When you report lump sum E payments, you will no longer need to issue employees with a lump sum E letter at the end of the financial year. This information will now be available on their income statement.

The following table outlines some examples of what should and shouldn't be included in Lump sum E.

Lump sum E reporting examples

Include	Don't include
• back payments which accrued, or were payable, more than 12 months before the date of payment and are greater than or equal to the lump sum E $1,200 threshold	• back payments that total below the lump sum E threshold • back payments that accrued or were payable less than 12 months before the date of payment

Example: lump sum E reporting

Ross' employer identified on 15 February 2022 that Ross has not been paid his higher duties allowance for the past 22 months totalling $3,300 due to an administration error. Using the normal ATO backpay rules, the pay office has split the payment into the following categories:

- The past 12 months of backpay (15 February 2021 to 15 February 2022) totals $1,800. This is taxed and reported in the current financial year. As the backpay is for an allowance, it will be reported in the appropriate allowance field.

- The amount that is greater than 12 months old (14 February 2021 and earlier) totals $1,500 which means it must be reported as Lump sum E because it is greater than the lump sum E threshold of $1,200. The Lump sum E component must be allocated to the appropriate financial year. $600 relates to the 2020–21 financial year and $900 relates to the 2019–20 financial year.

This is reported in STP Phase 2 as follows:

- KN tasks $1,800
- Lump sum E 2021 $600
- Lump sum E 2020 $900.

Ross' employer does not need to provide him with a letter as the lump sum E amounts have been allocated to the appropriate financial years in the STP report.

Exempt foreign employment income

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=11
- Last modified: 10 Feb 2023
- QC 66099

Any amount you pay to an employee that is exempt foreign employment income must be reported as exempt foreign employment income.

You must report these amounts even if they are the only income paid to the employee for the financial year. This is a new reporting requirement for STP Phase 2. It was not required to be reported under previous reporting phases such as STP Phase 1 or payment summaries.

If the employee's foreign service qualifies as exempt foreign income, it is not subject to withholding and must be reported in STP Phase 2 against the income type SAW as exempt foreign income.

Exempt foreign employment income is the exception to the reporting of pre-sacrificed amounts. You must only report post-sacrifice amounts as exempt foreign employment income, and you must not report any amount sacrificed from exempt foreign employment income as salary sacrifice in your STP report.

If the employee's foreign service does not qualify as exempt foreign income, it must be reported against the income type FEI.

Salary sacrifice

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=12
- Last modified: 10 Feb 2023
- QC 66099

You report salary sacrifice amounts and separately include the pre-sacrificed income amounts in your STP report.

On this page

- How to report salary sacrifice amounts
- Relationship between reporting RESC and salary sacrifice type S
- Relationship between reporting RFBA and salary sacrifice type O
- Salary sacrifice super (salary sacrifice type S)
- Salary sacrifice other employee benefits (salary sacrifice type O)
- Salary sacrifice through a third-party provider
- Refunds of salary sacrifice

How to report salary sacrifice amounts

If your employee had an effective salary sacrifice arrangement, you previously reported post-sacrifice amounts to us. This changes as part of STP Phase 2.

You now need to report the salary sacrifice amounts and separately include the pre-sacrificed income amounts in your STP report. Reporting the salary sacrifice amounts separately helps:

- us to assist your employees complete their tax return correctly by identifying pre-tax deductions from the payments you have reported through STP
- us identify where salary sacrifice arrangements may affect your employees' super guarantee entitlements
- other government agencies identify where income is sacrificed that may affect your employees' obligations or entitlements to other income tested payments.

When reporting salary sacrificed amounts, you report the actual amount of salary and wages which was sacrificed as one of the following salary sacrifice types:

- super (salary sacrifice type S) – for super to a complying fund or retirement savings account (RSA)
- other employee benefits (salary sacrifice type O) – for benefits other than super.

In your STP report, salary sacrifice components appear as positive amounts regardless of the salary packaging method you use. It's important to understand how your product manages salary sacrifice because some products may require you to enter negative amounts into your payroll so that calculations can be completed correctly.

You must not report amounts sacrificed from exempt foreign employment income as salary sacrifice in your STP report.

There are different rules if you are making post-tax deductions.

Example 1: reporting pre-sacrificed income

Adam earns $60,000 per annum and would like to sacrifice $3,000 into super.

In STP Phase 1 you reported the post-sacrificed income of $57,000.

In STP Phase 2 you are required to report the pre-sacrificed income as well as the amount of salary sacrifice. This is how you should report this in STP Phase 2:

- gross: $60,000
- salary sacrifice type S (super): $3,000.

This new method of reporting will show that Adam's full income is $60,000 with $3,000 being sacrificed to super, leaving a taxable income of $57,000.

Example 2: reporting both types of salary sacrifice

Anita earns $100,000 and sacrifices $5,000 into super and $20,000 to a novated lease.

In STP Phase 1 you reported the post-sacrificed income of $75,000.

In STP Phase 2 you are required to report the pre-sacrificed income as well as the amount of salary sacrifice. This is how you should report this in STP Phase 2:

- gross: $100,000
- salary sacrifice type S (super): $5,000
- salary sacrifice type O (other employee benefits): $20,000.

This new method of reporting will show that Anita's full income is $100,000 with $5,000 being sacrificed to super and $20,000 being sacrificed to other employee benefits, leaving a taxable income of $75,000.

Relationship between reporting RESC and salary sacrifice type S

Often the amounts you report as salary sacrifice super (salary sacrifice type S) are also considered reportable employer super contributions (RESC). There are other contributions you may make to super for an employee that are RESC but not salary sacrificed.

It's important to remember that salary sacrifice type S and RESC are different things and used for different purposes.

Salary sacrifice type S helps us identify the pre-tax deduction so that we can:

- help your employee complete their tax return correctly
- ensure you are meeting your super guarantee obligations.

RESC:

- can include some additional kinds of super contributions that are not made under an effective salary sacrifice arrangement
- is used in income tests for various obligations and entitlements administered by the ATO and Services Australia, including study and training support loan repayments and Family Tax Benefit.

If an amount is both salary sacrifice type S and RESC, you need to report it as both in STP. When reporting salary sacrifice type S amounts, you must include them in your STP report during the financial year. You can continue to choose whether you report RESC during or at the end of the financial year.

Relationship between reporting RFBA and salary sacrifice type O

Reportable fringe benefits amounts (RFBA) may be related to the amounts you report as salary sacrifice other benefits (salary sacrifice type O) but can differ because some:

- benefits an employee receives from salary sacrificing may not also be RFBA
- benefits an employee receives may be RFBA but were not obtained from salary sacrificing
- actions, such as employee contributions, may change the value of RFBA relative to the salary sacrifice.

It's important to remember that salary sacrifice type O and RFBA are different things and used for different purposes:

- Salary sacrifice type O helps us identify the pre-tax deduction so that we can help your employee complete their tax return correctly.
- RFBA
  - is used in income tests for various obligations and benefits administered by the ATO and Services Australia, including study and training support loan repayments and Family Tax Benefit
  - helps us ensure you are meeting your FBT obligations.

If an amount is both salary sacrifice type O and a RFBA, you need to report both:

- the amount of salary or wages which was sacrificed as salary sacrifice type O, and
- the grossed up taxable value of the benefits as RFBA.

When reporting salary sacrifice type O amounts, you must include them in your STP report during the financial year. You can continue to choose whether you report

RFBA during or at the end of the financial year.

When you are reporting Salary sacrifice type O don't apply the same FBT rules you would for reporting RFBA.

- Don't gross up amounts you are reporting as Salary sacrifice type O.
- Make sure you report the actual amount your employee has sacrificed from salary and wages, even if sacrificed for a benefit that may be exempt or otherwise not taxable for FBT purposes.

Salary sacrifice super (salary sacrifice type S)

You should include salary sacrifice to a complying super fund or RSA from an effective salary sacrifice arrangement.

The following table outlines what should and shouldn't be included in salary sacrifice super (salary sacrifice type S).

Salary sacrifice super reporting examples

Include	Don't include
• amounts sacrificed to a complying super fund or RSA due to an effective salary sacrifice agreement	• compulsory SG – this should be reported as super liability • additional extra super paid at the employer's discretion – this should be reported as super liability and may also be included in reportable employer super contributions (RESC) • non-effective salary sacrifice arrangements – this should be reported as gross

Salary sacrifice other employee benefits (salary sacrifice type O)

You must include salary sacrifice of all benefits from an effective salary arrangement. This includes where the sacrifice relates to benefits that are exempt from FBT, such as living-away-from-home allowance and laptops used primarily for business purposes.

The following table outlines what should and shouldn't be included in Other employee benefits salary sacrifice (Salary sacrifice type O).

Salary sacrifice other employee benefits reporting examples

Include	Don't include
• benefits from an effective salary sacrifice agreement including	• non-effective salary sacrifice arrangements – this should be

◦ novated leases ◦ airline lounge memberships ◦ portable electronic devices • non-effective salary sacrifice arrangements – this should be reported as gross • employee benefits given to an employee that have not been sacrificed such as entertainment fringe benefits	reported as gross • employee benefits given to an employee that have not been sacrificed such as entertainment fringe benefits

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. In this situation you must still include salary sacrifice amounts in your STP reporting.

We understand that 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.

We have 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.
- Ensure that when you finalise at the end of the financial year your STP reporting is showing the correct amounts.

This is a concession for STP reporting only – it does not change your super guarantee obligations. You still need to make sure that you are paying at least the minimum super guarantee on your employee's OTE base (including amounts salary sacrificed to super) each quarter.

Example: salary sacrifice with a third-party provider

Each fortnightly payday, one of Kim's employees sacrifices $150 from their salary. Kim uses a third-party provider to manage salary sacrifice for her employees, and each fortnight she sends $150 to her chosen provider to be applied in accordance with the instructions provided by the employee.

When Kim sends the sacrificed amount to the third-party provider, she does not know how her employee has instructed them to apply the amount. Kim chooses to use the ATO's concessional approach, so she includes the sacrificed $150 as Salary sacrifice type O in her STP reporting.

At the end of each quarter, the third-party provider sends Kim a report showing how the amounts sacrificed by her employee have been applied. Kim uses this report to identify that from each of the 6 fortnightly pays during the quarter, her employee sacrificed $50 to super and $100 to other benefits. Kim lodges an update event to correct her STP reporting by increasing the YTD amount reported at salary sacrifice type S by $300 and reducing the YTD amount reported at Salary sacrifice type O by $300 so that it shows the correct amounts.

Kim also reviews her super guarantee records to ensure she has paid enough for this employee for the quarter.

At the end of the financial year, Kim uses the reports her third-party provider has sent her to make sure that she has reported correct amounts as Salary sacrifice type S and Salary sacrifice type O before she finalises.

Refunds of salary sacrifice

Some circumstances may result in a refund of salary sacrifice amounts to an employee. The way to report this correctly depends on whether the refund of salary sacrifice occurs in the same, or in a different, financial year from when the amount was initially sacrificed.

The steps you need to take in your product to make these changes correctly will differ between payroll solutions. It is important to make sure you understand your DSPs instructions.

The following table shows the actions you need to take when reporting a refund of salary sacrifice if it occurs within the same financial year as the initial sacrifice.

Reporting a refund of salary sacrifice in the same year

Action	Reason
Reduce the YTD amounts you have reported as: • Salary sacrifice type S by the amount of the refund relating to sacrifice to super, and • Salary sacrifice type O by the amount of the refund relating to	We use the pre-sacrifice income amounts you report together with the salary sacrifice amounts to determine the post-sacrifice income that needs to be included in an employee's tax return. Refunding a salary sacrifice amount means that your employee has actually sacrificed less of their salary than what you have reported. Reducing the salary sacrifice amount ensures the post-sacrifice income can still be correctly determined.

sacrifice to other benefits.	
Withhold from the salary sacrifice refund and include the additional PAYG withholding in your STP report	If the amount had originally been paid to the employee as salary or wages, you would have withheld from it and reported the withholding in your STP report. However, you didn't because the amount was sacrificed. As you are now paying this amount to the employee, you still need to withhold and report the withholding in your STP report.
Check whether you have paid super on the refunded amount in a previous quarter. If you haven't, pay the additional super and include the amount in your STP reporting.	As an employer, you need to make sure that you have met your super obligations relating to the salary sacrifice refund amount. Depending on the circumstances you may already have paid super on it (such as where the sacrifice was to super), or you may need to pay additional super. It is important to confirm this (and if you need to, pay the additional super) so that your employee receives the super they are entitled to.
Check the RESC and RFBA you have reported to ensure you have not overstated them due to the refund of salary sacrifice.	If you have already reported RESC or RFBA relating to the same amount which is now being refunded, you need to make sure you correct that reporting so the amount is not double counted as income and as RESC or RFBA. RESC and RFBA are included in your employee's income for calculating some things like study and training support loan repayments and certain benefits, so double counting the salary sacrifice refund amounts can disadvantage your employee.

Example: refund of salary sacrifice within the same financial year

Oscar's employee sacrifices part of their salary towards a novated lease. So far in this financial year, they have sacrificed $20,000 and Oscar has reported $20,000 as Salary sacrifice type O through STP.

A reconciliation has identified that Oscar's employee has sacrificed $500 more than they needed to, and they are receiving a refund of salary sacrifice.

As the refund of salary sacrifice is occurring in the same financial year as the sacrifice, Oscar corrects his STP reporting to show $19,500 as the YTD amount for Salary sacrifice type O, and to include the additional PAYG withholding and super liability which applies to the refund.

Oscar also reviews his reported RFBA to ensure he has taken the salary sacrifice refund into account.

The following table shows the actions you need to take when reporting a refund of salary sacrifice if it occurs in a different financial year as the initial sacrifice for both:

- the current financial year when the refund of salary sacrifice occurs
- the previous financial year when the amount was sacrificed.

This is so your employees' income can be treated correctly in their tax returns and when calculating their other entitlements or obligations, such as study and training support loan repayments, for both affected financial years.

Reporting a refund of salary sacrifice in a different year

Action	Reason
For the current financial year, increase the YTD amounts you have reported as Gross by the total amount of the refund.	As the refund of salary sacrifice is occurring in the current financial year: • you have an obligation as an employer to report through STP that you have paid it • your employee has an obligation to include it in their tax return. Taking this step ensures the refunded salary sacrifice amount is included in your reporting and your employee's tax return for the correct financial year.
Withhold from the salary sacrifice refund and include the additional PAYG withholding in your STP report for the current financial year.	If the amount had originally been paid to the employee as salary or wages, you would have withheld from it and reported the PAYG withholding in your STP report. However, you did not because the amount was sacrificed instead. As you are now paying this amount to the employee, you still need to withhold and report the PAYG withholding in your STP report.
Check whether you have paid super on the refunded amount in a previous quarter and, if you haven't, pay the additional super and include the additional super amount in your STP reporting for the current financial year.	As an employer, you need to make sure that you have met your super obligations relating to the salary sacrifice refund amount. Depending on the circumstances you may already have paid super on it (such as where the sacrifice was to super), or you may need to pay additional super. It is important to confirm this (and if you need to, pay the

	additional super) so that your employee receives the super they are entitled to.
For the previous financial year, reduce the YTD amount you have reported as: • Gross by the total amount of the refund • Salary sacrifice type S by the amount of the refund relating to sacrifice to super, and • Salary sacrifice type O by the amount of the refund relating to sacrifice to other benefits.	As both you and your employee have obligations to include the refunded salary sacrifice amount in the STP reporting and tax return for the current financial year, you need to correct your reporting for the previous financial year so that it isn't double-counted in both years. Reducing both Gross and the reported salary sacrifice amounts ensures that when we use the pre-sacrifice income amounts you reported together with the salary sacrifice amounts to work out the post-sacrifice income that needs to be included in your employee's tax return, we can still determine the correct amount.
For the previous financial year, check the RESC and RFBA you have reported to ensure you have not overstated them due to the refund of salary sacrifice.	If you have reported RESC or RFBA relating to the same amount which is now being refunded, you need to make sure you correct that reporting so the same amount is not double counted as RESC or RFBA in one financial year and as income in another. RESC and RFBA are included in your employee's income for calculating some things like study and training support loan repayments and certain benefits, so double counting the salary sacrifice refund amounts can disadvantage your employee.

Example: refund of salary sacrifice outside of the financial year

Lisa's employee sacrifices part of their salary towards a novated lease. By 30 June 2022, the YTD amounts Lisa had reported through STP for this employee were:

- Gross = $100,000
- Salary sacrifice type O = $10,000
- Super liability = $9,000.

In July 2022, an end of lease reconciliation has identified that Lisa's employee sacrificed $500 more than they needed to during the financial year, and a refund of salary sacrifice is being provided to them in their first monthly pay on 15 July.

For the financial year which has just ended, Lisa:

- decreases Gross to $99,500
- decreases Salary sacrifice type O to $9,500
- reviews the RFBA amount to identify and correct any impact.

For the current financial year, Lisa:

- increases Gross to $8,833.33 (the pay period 1 YTD amount plus the amount of the salary sacrifice refund)
- includes the additional PAYG withholding on the salary sacrifice refund as PAYGW
- increases Super Liability to $927.50 (the pay period 1 YTD super liability amount of $875 plus the super liability relating to the salary sacrifice refund of $52.50).

If the refund of salary sacrifice is being paid by a different entity within your economic group (whether within the same financial year or not) you should follow the steps above for refunds occurring outside of the financial year. Treat the references in those steps to 'current financial year' and 'previous financial year' as 'current entity' and 'previous entity', but if the salary sacrifice refund has crossed between financial years you also need to make sure your corrections relate to the correct financial year.

Tax that has been withheld or paid

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=13
- Last modified: 10 Feb 2023
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You are required to withhold amounts from payments and pay the amount you have withheld to us.

On this page

- How PAYG withholding system and reporting connect
- PAYG withholding
- Foreign tax paid

How PAYG withholding system and reporting connect

The kinds of payments you need to report are also payments that are part of the PAYG withholding system. This means you are required to withhold amounts from these payments and pay the amount you have withheld to us. In some cases, you may also need to pay tax to a foreign government or tax authority. You need to include these amounts.

PAYG withholding

You must report the amounts you withhold from payments you make to employees. You must include separate YTD amounts you have withheld from each income type (and for income types that require a country code, for each combination of income type and country code).

If you are reporting amounts you have withheld from payments you are reporting against the FEI income type, you must only report the residual amount withheld after the deduction of foreign tax paid. If you do not know the amount of foreign tax on or before each payday, you must report the full amount of PAYG withholding. When you know the amount of foreign tax you can correct your STP reporting so that you are reporting the residual amount.

Foreign tax paid

If you have paid amounts to an employee that you are reporting against the FEI income type, there are rules for reporting foreign employment income. One of these rules is that you must report the amount of foreign tax that you have paid or are required to pay to a foreign government or authority.

This amount must be included in your STP reporting during the same financial year as the payment is reported even if you do not actually pay the foreign tax until after the end of the Australian financial year.

The amount you report must be in Australian dollars. See how to convert foreign income into Australian dollars.

If you do not know the amount of foreign tax on or before each payday, then you can report zero or estimate the amount of foreign tax. If you do this, you must still include the correct foreign tax amount in your STP report when you finalise your reporting at the end of the financial year.

Find out about other components of your STP reporting.

Other components of your STP reporting

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=14
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There are components you need to report through STP that relate to employees themselves.

On this page

- Deductions
- Child support reporting

- Reportable employer super contributions and reportable fringe benefit amounts
- Reporting super

What other components are

There are components you need to report through STP that influence the amount you pay to an employee but relate to the employee themselves rather than the kind of payment they are receiving.

For these components, you don't need to include an income type or country code in your STP report.

These components are:

- deductions
- child support
- super.

Deductions

The reporting of deductions does not change under STP Phase 2.

There are 2 deduction types you can report:

- union and professional association fees (deduction type F)
- workplace giving (deduction type W).

Union and professional association fees (deduction type F)

You should only report union fees and professional association fees deducted from payroll as deduction type F.

No other post-tax deductions can be reported as deduction type F.

Workplace giving (deduction type W)

When an employee has asked you to collect money from their pay to donate, you may have set it up as a:

- salary sacrifice arrangement
- workplace giving deduction.

You should only report workplace giving deductions as deduction type W. Don't include salary sacrifice contributions to a charity. These are reported as Salary Sacrifice Type O (other employee benefits).

The workplace giving deductions you report as deduction type W include:

- where you have established a workplace giving program in accordance with ATO guidelines and you have chosen
  - to reduce the amount of PAYG withholding from the employee's pay to account for the deduction
  - not to reduce the amount of PAYG withholding from the employee's pay.

- where you have not established a formal workplace giving program but make a post-tax deduction from the employee's pay to donate to their nominated Deductible Gift Recipient (DGR).

Child support reporting

If your STP solution offers the functionality, you can choose to report child support amounts through STP. If you do so you:

- won't need to report those amounts separately to Services Australia
- must still pay the required amounts to Services Australia using the payment information specified in the Child Support notice issued to you. Do not pay child support amounts to us.

If you can't or choose not to use STP to report child support amounts then you must continue to report directly to Services Australia using your existing reporting channels.

There are 3 kinds of child support amounts:

- Child Support Deductions which are made according to a deduction notice. These can be reported through STP.
- Child Support Garnishees which are made according to a garnishee notice. These can be reported through STP.
- employee-initiated child support amounts when there is no notice. These cannot be reported through STP.

Special rules apply if you are making corrections to child support garnishee or child support deduction amounts.

Child Support Deductions (deduction type D)

If you received a notice titled ‘Notice to commence Child Support Deductions’ or ‘Change to your Child Support Deductions’, these are deduction notices issued under section 45 of the *Child Support (Registration and Collection) Act 1988*. This type of notice requires an employer to deduct a fixed dollar amount each pay period. Rules for protected earnings amounts apply to these deductions.

Report these amounts in your STP report as a Child Support Deduction (deduction type D).

When you have not been able to deduct the full amount from the employee's pay

Sometimes there may be situations where you:

- haven't deducted the full amount from the employee's pay
- couldn't deduct at all.

These situations can include when the:

- protected earnings amount reduces the amount available to deduct
- employee was not paid for that pay period.

If you:

- have made a deduction report the amount you have deducted
- couldn't deduct any amount from the employee's pay, report this to Services Australia using an alternative child support reporting channel.

Some STP-enabled solutions may offer additional functionality that allows you to tell Services Australia about these employees by including them in your STP reporting with unchanged YTD child support amounts. If you use this functionality you do not need to report separately to Services Australia.

When an employee leaves

A notice from the Child Support Registrar requires you to deduct from an employee's pay. If that employee leaves, you must tell Services Australia by including their cessation date and cessation reason in your STP report.

Child Support Garnishees (deduction type G)

If you receive a notice titled 'Notice to pay money directly to the Child Support Registrar pursuant to section 72A', this is a garnishee notice issued under section 72A of the *Child Support (Registration and Collection) Act 1988*. This type of notice requires an employer to garnishee either a:

- percentage of the employee's income
- lump sum
- fixed amount each pay.

These deductions are not subject to the rules about protected earnings amounts.

You should report these amounts in your STP report as a Child Support Garnishee (deduction type G).

If you have been unable to garnishee the full amount under the garnishee notice (for example, because the employee was not paid), you do not need to tell Services Australia separately. This is different to Child Support Deductions.

Employee-initiated child support amounts

Your employee may have made arrangements with you to pay child support amounts even though you have not received a notice from the Child Support Registrar.

These employee-initiated child support amounts must not be reported through STP.

Starting to report child support amounts through STP

There are a number of things you need to do before you can report child support amounts through STP:

1. Check whether your payroll solution offers child support reporting functionality. If it does, make sure you understand the functionality that is offered. For example, if an employee is not paid during a pay period, your payroll solution may not have the functionality to use STP to report that you did not deduct.

2. Make a plan for how you will meet your reporting obligations to Services Australia
   - through STP
   - separately (when required) using an alternative child support reporting channel .

3. Decide when you will lodge your first STP report that includes child support amounts.
4. Check that your payroll solution is set up correctly to minimise issues in your reporting. Common mistakes may include
   - The pay period you have set up in the product doesn't match the pay period you use when paying your employees.
   - Pay codes for employee-initiated deductions (which are not reportable) are mapped to report as Child Support Deductions or Child Support Garnishees.
   - Pay codes for Child Support Deductions or Child Support Garnishees are not mapped to the correct deduction type for STP reporting.

5. Contact Services Australia to confirm your garnishee payment details, such as the payment reference number you use when you pay amounts to them. These details may change when you start reporting Child Support Garnishee amounts through STP.
6. Tell Services Australia your starting YTD child support deduction balances.
7. Lodge your first STP report that includes child support amounts.

Telling Services Australia your starting YTD child support deduction balances

As STP reporting uses YTD amounts for the financial year, Services Australia need to know your starting YTD balances. They will use this information to:

- compare your reporting for each pay period
- work out your pay period child support amounts.

You'll only need to tell Services Australia your YTD starting balances once.

To tell Services Australia what your starting YTD child support balances are, use one of the following methods.

Methods for starting YTD child support balances

Method	Actions using STP	Actions using your other child support reporting channels
Method 1: Start in the first pay of the financial	None. If you start reporting child support amounts in the first pay period of a new financial year, you do not need to separately tell your starting YTD child support balances to Services Australia. This is because Services Australia know that STP reporting	None.

year	begins from zero at the start of the financial year.	
Method 2: Update event	Before you run your first pay in which you will report child support amounts through STP, send an 'Update event' to us. The update event should include the YTD child support balances for your employees that have child support deduction or garnishee amounts. An update event tells Services Australia that you are just updating your information. They can use those balances to compare and identify your new child support amounts going forward.	None.
Method 3: Overlapped reporting	Send your STP report for the first pay period where you are reporting child support amounts. Services Australia will use the YTD amounts in this STP report as your starting YTD balances.	Use your preferred child support reporting channel to report your child support deduction amounts. You must include your child support deductions from the start of the calendar month up to and including the pay period you have sent the STP report for. As there is no earlier STP reporting to compare the reported YTD balances against, Services Australia can use this separate report to process your child support amounts for the final pay periods before you started using STP to report child support amounts.

Example: telling Services Australia your starting YTD balances

Linh has decided to start reporting child support amounts for their employees through STP in February. They need to tell Services Australia the starting YTD child support balances for their employees.

They have decided to use the Overlapped Reporting method and their STP report for the last pay period in the month will be the first that includes child support amounts.

Linh processes the pay as normal and sends their STP report (including the child support YTD balances) to the ATO. The ATO will provide the Child Support YTD balances to Services Australia so that they know what Linh’s starting YTD balances are.

A Child support deductions report form (CS4964) is completed, covering:

- each pay in February before they started to include child support amounts in the STP report
- the current pay (which has included the child support starting YTD balances in the STP reporting).

They send the CS4964 form directly to Services Australia so that the child support deductions can be processed.

The overlap of the STP report and the Child support form CS4964 covers the last pay of the month meaning that:

- Services Australia can use the CS4964 form to process Linh's child support amounts, because there is no earlier STP reporting to compare it to
- Linh has told Services Australia the starting YTD balances so that from the next pay period (the first pay in March) they only need to use STP to report for child support.

Reportable employer super contributions and reportable fringe benefit amounts

- You can report an employee's reportable fringe benefits amounts (RFBA) reportable employer super contributions (RESC) through STP.

The reporting rules for RFBA and RESC have not changed with STP Phase 2.

How to report RESC and RFBA through STP

You only report RFBA amounts if the total taxable value of certain fringe benefits you provided to your employee exceeds $2,000 for the FBT year (1 April – 31 March).

If you choose to report this information, you may provide YTD RFBA and RESC either:

- through a pay event (if the information is available in payroll) throughout the financial year, or
- through an update event throughout the financial year.

This can be at any time up until the due date to make the declaration that you have finalised your reporting for that employee for the financial year.

Once you've reported an amount, you should continue to report the amount in all following pay events, even if the YTD amounts remain the same.

If you can't (or choose not to) provide RFBA or RESC through STP, you must provide this information on a payment summary to the employee and provide us with a payment summary annual report. The payment summary must not include amounts reported through STP.

Relationship between reporting RESC and RFBA, and salary sacrifice

amounts

Often the amounts you report as salary sacrifice super (salary sacrifice type S) are also considered reportable employer super contributions (RESC). However, there are other contributions you may make to super for an employee that are RESC but not salary sacrificed.

Similarly, reportable fringe benefits amounts (RFBA) may be related to the amounts you report as salary sacrifice other benefits (salary sacrifice type O) but can differ because:

- benefits an employee receives from salary sacrificing may not also be RFBA
- benefits an employee receives may be RFBA but were not obtained from salary sacrificing
- actions, such as employee contributions, may change the value of RFBA relative to the salary sacrifice.

When reporting RESC and RFBA through STP, you need to ensure you understand the relationship between reporting RESC and salary sacrifice type S, and the relationship between reporting RFBA and salary sacrifice type O so that you can report correctly.

Example 1: RESC and salary sacrifice type S

Jackie earns $60,000 per annum. During the employment process she negotiated an extra 2% ($1,200) super above the super guarantee (SG) rate. Because Jackie negotiated with her employer to pay extra super this must be reported as RESC.

Jackie has also decided to salary sacrifice $10,000 into super.

This is reported in STP Phase 2 as:

- Gross $60,000
- Salary sacrifice type S (super): $10,000
- RESC $11,200.

The RESC value is higher than the salary sacrifice type S because it includes:

- the salary sacrifice amount of $10,000
- the extra $1,200 of employer super she negotiated.

Example 2: RFBA and salary sacrifice type O

Ross earns $80,000 per annum. Instead of carrying his heavy laptop, he has decided to salary sacrifice a tablet worth $2,000 which will be primarily used for work purposes.

This is reported in STP Phase 2 as:

- Gross $80,000
- Salary sacrifice type O (other employee benefits): $2,000
- RFBA $0.

The tablet is reported as Salary sacrifice type O because all salary sacrifice items are reported in STP Phase 2. However, because the tablet is being used primarily for work purposes it is not subject to FBT, so is not reported as RFBA.

Reporting super

You must include information about your employees' super entitlements.

You must continue to report and pay your employees' super entitlements through your existing SuperStream solution (including the Small Business Superannuation Clearing House). This has not changed with STP Phase 2.

You must report either:

- your YTD employer super liability for each employee in the STP report (super type L)
- the YTD ordinary time earnings (OTE) for each employee in the STP report (super type O).

If your payroll solution allows you can also report both.

There are some circumstances where it may not be clear what to report such as where your:

- YTD employer super liability or your employee's OTE is zero – report zero
- employees are entitled to receive super contributions above the minimum super guarantee (SG) liability – report this higher amount if you can't separately identify these in your payroll solution
- employee is a member of a defined benefit fund and you make super contributions for the employee – report this amount if it is available in your payroll system. This would usually correspond to the YTD amount shown on the employee's payslip. Otherwise, report zero as the super liability amount.

When an employee transfers or leaves

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-

Payroll-Phase-2-employer-reporting-guidelines/?page=15
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The information you must include in your STP Phase 2 report when employees leave.

On this page

- Basic reporting requirements
- Cessation date
- Cessation reason
- Termination payments
- Transferring or rehiring an employee

Basic reporting requirements

You must provide information in your STP Phase 2 report when employees leave. This will reduce the need to provide them with an employment separation certificate.

Cessation date

You must report your employees' cessation date when they leave.

If you make another payment to that employee after the cessation date (for example, an ETP), you do not need to update the cessation date.

Cessation reason

There are many reasons why employees leave, and you will need to include the reason in your STP report.

Cessation reasons you can report are:

- Voluntary cessation (V) – an employee resignation, retirement, domestic or pressing necessity or abandonment of employment.
- Ill health (I) – 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.
- Deceased (D) – the death of an employee.
- Redundancy (R) – an employer-initiated termination of employment due to a genuine bona-fide redundancy or approved early retirement scheme, or a non-genuine redundancy.
- Dismissal (F) – an employer-initiated termination of employment due to dismissal, inability to perform the required work, misconduct or inefficiency.
- Contract cessation (C) – 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.
- Transfer (T) – 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.

Termination payments

There are some kinds of payment you make to an employee when their employment with you ends.

Each of these amounts must now be reported against an income type and (for some income types) a country code.

There are also changes to the way you report a payment of unused leave on termination.

There are no other changes to any of the other amounts you may pay when an employee leave including:

- lump sums
- ETPs.

Unused leave on termination (paid leave type U)

Unused leave paid on termination that was previously reported in Gross in your STP Phase 1 report must now be reported as unused leave on termination (paid leave type U) in your STP Phase 2 report.

The following table outlines what should and shouldn't be included in Unused leave on termination (paid leave type U).

Unused leave on termination (paid leave type U)

Include in paid leave type U	Do not include in paid leave type U
• annual leave or leave loading accrued Post-17 August 1993 paid on a normal termination (for example, voluntary resignation, employment terminated due to inefficiency, retirement) • long service leave accrued post-17 August 1993 paid on a normal termination (for example voluntary resignation, employment terminated due to inefficiency, retirement)	• annual leave or leave loading accrued post-17 August 1993 paid on termination for genuine redundancy, invalidity or early retirement scheme reasons – you should report this as lump sum A • unused annual leave or leave loading paid on termination that accrued before 17 August 1993 – you should report this as lump sum A • long service leave paid on termination that accrued between 16 August 1978 and 17 August 1993 – you should report this as lump sum A • long service leave paid on termination that accrued before 16 August 1978 – you should report

	this as lump sum B

Lump sums

When you report lump sums through STP, you must include an income type and country code. You must also include the type of lump sum and the YTD amount. The type of lump sum is represented by a code.

The lump sum type codes you can include in your report are:

- R or T (lump sum A)
- B (lump sum B)
- D (lump sum D).

There are also lump sums you can report which are not paid when an employee leaves:

- E (lump sum E)
- W (lump sum W (return to work payment)).

Lump sum A

Lump sum A is for certain unused leave that is paid out on termination.

When reporting lump sum A, you need to report the lump sum type code of R or T.

- Lump sum type code R – for all unused annual leave or annual leave loading, and the component of long service leave that accrued from 16 August 1978 that is paid out on termination only for genuine redundancy, invalidity or early retirement scheme reasons.
- Lump sum type code T – for unused annual leave or annual leave loading that accrued before 17 August 1993, and long service leave that accrued between 16 August 1978 and 17 August 1993 that is paid out on termination for reasons other than genuine redundancy, invalidity or an early retirement scheme.

Lump sum B

Lump sum B is for long service leave that accrued before 16 August 1978 that is paid out on termination, no matter the reason for termination.

When reporting lump sum B, you should report the whole amount even though the employee will only be taxed on 5% of it.

You cannot report lump sum B for employees whose date of birth is later than 16 August 1978.

Lump sum D

Lump sum D represents the tax-free amount of only a genuine redundancy payment or approved early retirement scheme payment, up to the tax-free limit, based on the employee’s complete years of service, for an employee up to their age-pension age.

You need to report lump sum D amounts even if they are the only amount you pay your employee in the financial year. This is different to STP Phase 1.

Employment termination payments (ETPs)

When an employee leaves, you may pay them an ETP.

If you make an ETP you must report the:

- date you paid it
- type of ETP it is
- amount you paid, itemising the non-taxable (for life benefits only) and taxable components
- amount you have withheld from the ETP.

ETPs are different to the other amounts you include in your STP report because you do not report them as YTD amounts. Instead you report each amount by payment date and type.

You must now also include an income type and country code for each ETP you report.

ETP types you can report

ETP types help us to identify factors such as whether the ETP is a life benefit or death benefit, the reason it is being paid and the recipient. There are 8 ETP types you can report.

1. Genuine redundancy or early retirement scheme payments (ETP type R) – a life benefit paid only for reasons of
   - genuine redundancy to employees under their pension age or earlier age of mandatory retirement
   - invalidity
   - an ATO approved early retirement scheme
   - compensation for personal injury, unfair dismissal, harassment or discrimination.

2. Other reasons (ETP type O) – a life benefit paid for reasons other than for ETP type R.
3. Split ETP type R (ETP type S) – multiple payment of life benefit ETP type R for the same termination of employment, where the later payment is paid in a later financial year than the original payment.
4. Split ETP type O (ETP type P) – multiple payment of life benefit ETP type O for the same termination of employment, where the later payment is paid in a later financial year than the original payment.
5. Dependant (ETP type D) – a death benefit payment directly to a dependant of the deceased employee.
6. Non-dependent (ETP type N) – a death benefit payment directly to a non-dependant of the deceased employee.
7. Split ETP type N (ETP type B) – a multiple payment for a death benefit ETP type N for the same deceased person, where the later payment is paid in a

later financial year than the original payment.
8. Trustee of deceased estate (ETP type T) – a death benefit payment directly to a trustee of the deceased estate.

Paying an ETP to a death beneficiary

There are special rules for reporting ETPs you pay to death beneficiaries of a deceased employee. These include:

- the identity information you report (such as TFN, name, address or date of birth) must belong to the death beneficiary, not the deceased employee. If you do not have the death beneficiary's TFN, use the relevant TFN exemption code
- reporting either the Payroll ID of the deceased employee or a new one you have assigned to the death beneficiary in your payroll solution
- reporting a commencement date of 01/01/1800 for the death beneficiary
- reporting an employment basis code of D for the death beneficiary
- reporting a tax treatment code of DBXXXX for the death beneficiary.

If the death beneficiary is also an employee on your payroll, you should report their actual commencement date, employment basis and tax treatment code.

Outstanding salary or wages, paid leave taken, allowances, overtime, bonuses and commissions, or directors' fees that were payable upon death of the employee, but not paid to the employee before death are not ETPs. Do not report these through STP.

Some payroll solutions may allow you to report the non-taxable component for death beneficiaries. This is acceptable.

Paying ETPs in multiple instalments

If you pay the ETP in multiple instalments, you must report each payment separately.

If you pay multiple ETP types on the same day, they must still be identified separately if the ETP type code is different. You must not add the payments together and report the payments as a YTD figure unless they are paid on the same day and are the same type.

Transferring or rehiring an employee

Sometimes you may transfer an employee between different combinations of ABNs and branches within the same payroll solution, or from one payroll solution to another.

When you do this, it may impact on what you report as an employee's commencement date, and whether you report cessation date and cessation reason.

Commencement date

When you transfer or rehire an employee, the commencement date you report after the transfer or rehire depends on the way you have processed it in your payroll solution. Your payroll solution will determine the date to use in most cases.

If you:

- are only moving the employee to a different combination of ABN and branch, the commencement date you should report is the start of the employment relationship. If this is unavailable, report the date you recognise for prior service
- transfer the employee in your payroll solution by terminating and rehiring them and
  - assign them a different Payroll ID, report the rehire commencement date
  - terminate and rehire in the same pay period for the same combination of ABN and branch with the same Payroll ID, you do not need to report the rehire commencement date
  - terminate and rehire for a different (related) combination of ABN and branch (regardless of the pay period), your payroll solution will determine if you report the rehire commencement date or the earliest recognised date for service. Both are acceptable.

Cessation date and reason

When you transfer or rehire an employee, the way you report cessation date and reason before the transfer or rehire depends on the way you will process it in your payroll solution. Your payroll solution will determine the date to use in most cases.

If you:

- are only moving the employee to a different combination of ABN and branch, do not report any cessation date or reason. This is because there is no cessation to report
- transfer the employee by terminating them from your current payroll solution and rehiring them in a new payroll solution, report the cessation date and reason code
- terminate the employee and later rehire them in the same combination of ABN and branch then
  - report the cessation date and reason you terminate. If the employee is rehired using the same Payroll ID and you have not yet reported a cessation date, the cessation date should not be reported
  - if the employee is rehired using the same Payroll ID, you should stop reporting the cessation date and reason

- terminate the employee and rehire them in the same pay period in a different combination of ABN and branch within the same group, the cessation date does not have to be reported.

Rules of reporting through STP

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=16
- Last modified: 10 Feb 2023
- QC 66099

There are some rules for reporting through STP. This section explains those rules.

On this page

- Requirements for an STP report
- When your STP report is due
- Who you include in your STP report
- Rules for reporting amounts
- Rules for reporting foreign employment income
- Reporting based on your current business structure

Requirements for an STP report

An STP report must meet some minimum requirements. Your payroll solution will ensure you meet them, as you will not be able to lodge your STP report otherwise.

The minimum requirements for an STP report are:

- Your STP report must contain at least one employee record.
- Your STP report can only include one record per payee identity (combination of Payroll ID and payee details such as TFN, name, date of birth)
  - if you establish 2 payroll records for an individual, you can report these payments within the same pay event by using unique Payroll IDs
  - you must report separate YTD amounts for each unique Payroll ID for an employee.

- You must report period gross salary or wages (BAS label W1) and PAYG withholding (BAS label W2) for all employee payments included in that pay event. These amounts
  - are your 'employer-level amounts'
  - may be negative because of fixes you've made
  - would generally correspond to the amounts you posted to your general ledger for the pay run.

- If your payroll solution offers the functionality to report child support amounts and you choose to use it, you must also include your total period amounts for each child support type.

When your STP report is due

Your STP report is due on or before the pay day. The pay day is either the payment date stipulated in the electronic transaction to your financial institution or, if you did not specify a date for payment, the date you intend to make the payment into your employee's bank account.

You may lodge multiple STP reports on the same day. Your system will generate a time stamp to identify the latest record for each financial year and ensure the employee's myGov display recognises the latest record.

There are concessional reporting arrangements which provide a later due date in some circumstances.

Out-of-cycle reporting

You may make payments to employees other than as part of their regular pay cycle, for example when you pay commissions, bonuses, payments in advance or back payments to your employees.

These payments may be reported by either:

- lodging a pay event on or before the pay day you made the payment
- including the out-of-cycle payment made to the employee in the next regular pay event you lodge if your payroll solution offers this functionality. If the next regular pay cycle is in the following financial year, you must report the payment by 30 June in the year the payment was made before you finalise.

This is distinct from an ad hoc payment that is generally either run as a calculation simulation or as an advance of the regular salary (which is deemed as a loan) and should be reported at the time the actual salary is calculated.

Example: out-of-cycle reporting

A software company pays its employees monthly. The employment agreement stipulates that employees should receive their pay on the 15th of every month.

On 30 March, Matthew, an employee of the company, earns a commission of $1,000. On 31 March, the company processes Matthew's commission through payroll.

The company has 2 options to report the payment made to Matthew, either:

- report this payment to Matthew through a separate pay event (that is, not the regular 15th of the month pay event)
- include the commission payment to Matthew when it lodges the next regular pay event (the pay event with the pay date 15 April).

Note: Some STP-enabled solutions may not offer both options.

Who you include in your STP report

Your STP report must include each employee you've made a payment to that is mandatory for you to report.

Your STP report may also include information for other employees, such as:

- those you've made a payment to that is voluntary to report
- those who've been reported earlier during the financial year but did not receive a payment for this pay period.

Payments you must report

Under STP, some payments subject to withholding are in scope and some are out of scope. These have not changed under STP Phase 2 reporting.

On this page

- Mandatory reporting
- Voluntary reporting
- Payments that can't be reported through STP
- Contractors

Mandatory reporting

There are some withholding payments that are required to be reported under STP. They are generally paid through a payroll process by employers to their employees.

If you report these payments (and amounts withheld from them) throughout the year and finalise your STP data you will not need to provide the corresponding payment summaries to your employees or a PAYG withholding payment summary annual report to us.

Table 1: Mandatory reporting of gross payment or amount withheld (BAS labels W1 and W2)

Description	BAS labels (gross payment, amount withheld)	Payment summary type
A payment to an employee, such as salary or wages	W1, W2	INB (except INB-P) or FEI
A payment of remuneration to the director of a company	W1, W2	INB (except INB-P) or FEI
A payment to an office holder (for example, a member of the Defence Force)	W1, W2	INB (except INB-P) or FEI
A payment to a religious practitioner	W1, W2	INB (except INB-P) or FEI
A return to work payment to an individual	W1, W2	INB (except INB-P) or FEI
A payment for termination of employment	W1, W2	ETP (life benefit)

An unused leave payment	W1, W2	INB (except INB-P) or FEI
A payment of parental leave pay	W1, W2	INB (except INB-P)
A payment to an employee under certain labour mobility programs	W1, W2	INB (except INB-P)

INB: PAYG payment summary – individual non-business (NAT 0046)
INB-P: Individual non-business (pension)
FEI: PAYG payment summary – foreign employment (NAT 73297)
ETP: PAYG payment summary – employment termination payment (NAT 70868)

You must lodge a pay event even if the amount you were required to withhold from any of these payments was nil.

Voluntary reporting

You may choose to include voluntary reporting amount in your STP reports. These are not mandatory.

Reporting voluntary amounts through STP may help to streamline your reporting and compliance processes because it can replace other reporting requirements, such as payment summaries.

Table 2: Withholding payments that are voluntary to report of gross payment or amount withheld (BAS labels W1 and W2)

Description	Current BAS labels (gross payment, amount withheld)	Payment summary type
A payment that is covered by a voluntary agreement	W1, W2	Business and personal services income – 003
A payment under a labour hire arrangement or a payment specified by regulations	W1, W2	Business and personal services income – 001 or 002
A payment for termination of employment	W1, W2	ETP (death benefit)

PAYG payment summary – business and personal services income (NAT 72545)
ETP: PAYG payment summary – employment termination payment (NAT 70868)

You can also choose to include:

- RESC
- RFBA
- child support deduction amounts

- child support garnishee amounts.

If you choose to include RESC and RFBA in an STP report by 14 July in the next financial year and complete a finalisation declaration, you don't have to give payment summaries to your employees covering these amounts. You don't need to lodge a payment summary annual report covering these amounts.

If you choose to include child support deduction or child support garnishee amounts, you may no longer need to provide separate reporting directly to the Child Support Registrar, via your previously preferred reporting channel.

Payments that can't be reported through STP

Some payments can't be reported through STP.

These include:

- payments that are generally not paid through a payroll process
- payments made by payers to recipients that are generally not their employees, such as
  - Services Australia
  - investment bodies and managed investment funds
  - purchasers of certain taxable Australian property.

Payers must continue to provide payment summaries and lodge a payment summary annual report for these withholding payments.

In addition, a payer can't include any payment made through payroll solution that is not a withholding payment – for example, partnership distributions and payments to suppliers.

Payments that can't be reported through STP

Description	Current BAS labels (gross payment, amount withheld)	Payment summary or annual report
A super income stream or an annuity	W1, W2	PEN or INB-P
A super lump sum	W1, W2	SLS
A social security or similar payment	W1, W2	INB
A compensation, sickness or accident payment	W1, W2	INB
Payment of income of closely held trust where tax file number (TFN) not quoted	Annual activity statement	Closely-held trust or Annual TFN withholding report
Recipient does not quote Australian business number (ABN)	W4	ABN or No ABN, AIIR

Dividend, interest and royalty payments	W3	N/A or non-residents, AIIR
Departing Australia superannuation payment	W3	DASP
Excess untaxed roll-over amount	W3	n/a
A payment to a foreign resident	W3	Free format or Foreign residents
Payments in respect of mining on Aboriginal land, and natural resources	Electronic payment	Free format
Distributions of withholding MIT income	W3	Free format or AIIR
Distributions by AMITs (including deemed payments)	W3	Free format (for example, AMMA statement), AIIR
Alienated personal services payments	W1, W2	Business and personal services income – 004
Non-cash benefits, and accruing gains, for which amounts must be paid to the Commissioner, except subdivisions 14-C and 14-D	W3 or Electronic payment	Most applicable
Shares and rights under employee share schemes (ESS)	W1, W2, where TFN quoted W3 only, where TFN not quoted	ESS
Capital proceeds involving foreign residents and taxable Australian property	Electronic payment	n/a

PEN: Super income stream
SLS: Super lump sum
AIIR: Annual investment income report,
DASP: Departing Australia superannuation payment
AMMA statement: Annual attribution MIT member statement
ESS: Employee share scheme.

Contractors

Payments made to contractors are not mandatory to report under STP. However, if you currently report contractors through your payroll solution, you should continue to do so under STP.

If you report payments to contractors and you have a voluntary agreement to have withholding applied, you don't need to provide a payment summary to these contractors.

If the contractors are managed outside of payroll using accounts payable you don't have to report payments to them under STP.

Rules for reporting amounts

Your STP report includes YTD amounts of salary or wages, allowances or other payments (as relevant), deductions and PAYG withholding for each employee included in that pay event.

These YTD amounts may be less than a previous report (for example, recovery of a current year overpayment) or can be zero.

There are limited circumstances where YTD amounts for specific payment types in your payroll are negative, typically where corrections cross financial years or cross related payers. This can result in some of the YTD amounts you need to report through STP also being negative.

If this occurs, it usually means an amendment is required to your STP reporting for an earlier financial year.

In very rare circumstances, YTD amounts can be negative when they are reported for:

- gross
- paid leave
- allowances
- overtime
- bonuses and commissions
- directors' fees
- lump sum type W
- salary sacrifice.

If any of the YTD amounts you report are negative, the overall amount of income for each income type you report in your STP report must still be zero or positive. This means that for each income type the total of Gross, Paid leave, Allowances, Overtime, Bonuses and commissions, Directors' fees and Lump sum W, less salary sacrifice, must be zero or positive. Your solution will ensure you meet this requirement.

Not all amounts can be reported for all income types. The following table shows the amounts that can be reported against each income type.

Reporting available by income types

Income type	SAW	CHP	IAA	WHM	SWP	FEI	VOL	LAB	OSP
PAYGW	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Foreign tax	No	No	No	No	No	Yes	No	No	No

Exempt foreign Income	Yes	No	No	No	No	No	No	No	No
Gross	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Paid leave payment	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Allowances	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Overtime	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Bonuses and commissions	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Directors' fees	Yes	Yes	Yes	No	No	Yes	No	No	No
Salary sacrifice	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Lump sum payment	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Employment termination payment	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No

Rules for reporting foreign employment income

The classification of payments made to employees working in foreign countries depends on a number of factors, such as the time spent in the foreign country and the applicable tax treaties.

These rules detail how you can report and adjust these payments through STP:

- Payments to an employee posted to a foreign country should be reported using the foreign employment income (FEI) income type if amounts are withheld in that country.
- If no amounts are withheld for the foreign country, payments should be reported using the relevant other income type (such as salary and wages (SAW)).
- Employers should follow the Accounting for foreign tax instructions.

You must report payments made to employees posted overseas throughout the year, and foreign tax, and make adjustments as required. These adjustments can be reported in either a pay event or update event. The adjustments can be done throughout the year or at the end as part of the finalisation process.

You can use one or a combination of the following 3 methods to report:

1. Estimates – if you believe the employee will remain overseas for the qualifying period, treat that employee as earning foreign income from the beginning. If the employee’s status changes, adjust the employee's year-to-date figures accordingly. For example, if your employee is working overseas for a year and the payments are subject to withholding in that country, apply the withholding rate for that country from the beginning.
2. Actual – treat the employee as earning foreign income from the time they

qualify for withholding in the foreign country.

3. Reconciliation – treat the employee as an employee working in Australia for the financial year and then reconcile the payments and withholding at the end of the financial year.

Reporting based on your current business structure

Your payroll solution will generate your STP report for your pay cycle by ABN, branch and business management software (BMS) ID. We use this combination of information, together with the Payroll IDs you report, to identify when we need to display a separate income statement to your employee.

Some businesses structure their payroll so that the same person may be paid by different combinations of ABN, branch and BMS ID. They may also have multiple Payroll IDs in the same payroll solution that relate to the same person (for example, where the person performs multiple jobs).

This section explains some of the circumstances where this occurs.

PAYG withholding branches

Some business entities register PAYG withholding branches to suit the structural, management and accounting arrangements of the organisation. When an entity registers a branch, it must report and pay PAYG withholding separately for each branch.

If you have registered multiple PAYG withholding branches, you must conduct your STP reporting separately for each branch.

Multiple payroll solutions

If you currently use multiple payroll solutions, you can report separately from each payroll solution. This will be identified by the payroll solution via a unique BMS ID, which forms part of the STP report.

Most products will allocate the BMS ID for you as part of making their products STP-enabled. If you have more than one payroll solution, you will need to ask your DSP about your BMS ID.

When the employee’s payer changes

Your employee may have income attributed to different ABNs, branches, and BMS IDs during a financial year. If this is the case, each combination will result in a separate income statement displayed on the employee’s myGov account.

You must finalise each income statement (that is the combination of ABN, branch and BMS ID and Payroll ID). You can choose whether you finalise the income statement during the year or at the end of the year (by 14 July). However, you should consider whether:

- your previous ABN or branch will still be active. You cannot finalise your STP reporting if the ABN or branch has been cancelled
- you will still have authorisation to report on behalf of your previous ABN or

branch

- you will still have access to the payroll solution you reported from.

If your business structure changes, the ABN and branch under which you have been generating your STP reporting may change. If this occurs, you must:

- finalise your STP reporting under the ABN and branch you have been using for your STP reporting. You can choose whether you do this before you start reporting for the new ABN and branch or later (up until 14 July). However, you should consider whether
  - your previous ABN or branch will still be active. You cannot finalise your STP reporting if the ABN or branch has been cancelled
  - you will still have authorisation to report on behalf of your previous ABN or branch
  - you will still have access to the payroll solution you reported from
- start your STP reporting under the new ABN and branch using zero YTD employee amounts.

Example 1: partnership to company

Amy, Joanna and Remy run a small furniture manufacturing business as equal partners. They report monthly wage payments for 20 employees through their STP-enabled payroll software.

In the 2020–21 financial year, they decide they want to transfer their interests in the assets of the partnership to a company. This is to occur on 1 March 2021.

When making and reporting via STP their February 2021 monthly wage payments, they make a finalisation declaration to finalise their STP reporting under the partnership's ABN.

As part of the restructure, Amy, Joanna and Remy's employees become employed by the company from 1 March 2021. Therefore, the company reports its March 2021 wage payments under the company's ABN, starting from zero YTD employee amounts.

In their 2020–21 tax returns, the employees will see 2 records – one listed against the partnership (for the period 1 July 2020 – 30 April 2021), the other against the company (for the period 1 March – 30 June 2021).

Example 2: employee starts to work for a different branch

Priya is employed by a small mining company as a project manager in their main business. The company reports the fortnightly salary paid to Priya through STP throughout the year from its ABN and main reporting branch.

In the 2021–22 financial year the company enters into a joint venture. The joint venture will commence on 1 April 2022 and the company establishes a new branch for their ABN to keep their joint venture reporting separate from their main business.

Priya begins to work solely on the joint venture. Her salary starts to be paid by the joint venture branch from 1 April 2022. Therefore, the joint venture branch reports the salary paid to Priya through STP.

When she logs in to myGov to complete her 2021–22 tax return Priya will see 2 income statements displayed, even though she has only worked for the same mining company during the year. This is because she was paid by more than one combination of ABN and branch:

- One income statement shows the salary paid to Priya when she was working for the main branch before 1 April 2022.
- The other income statement shows the salary paid to Priya when she was working for the joint venture branch after 1 April 2022.

Multiple employee records

We use a combination of the employee identity information you supply (such as their TFN, name and date of birth) and the Payroll ID to match your STP report to the correct ATO taxpayer record so we can display the employee's information in their income statement.

Where an employee is recorded more than once under the same ABN, branch and BMS ID then each payroll record of the employee must be reported using a unique payee Payroll ID. This is so we can identify for which taxpayer you are reporting separate payroll records and display the correct information. Each Payroll ID must have separate YTD amounts reported.

For example, where an employee works within an organisation under 2 separate roles or awards and has been created as if they are 2 unrelated employees, the employee can be reported under multiple payee Payroll IDs within a single pay event.

Some payroll solutions may use the same Payroll ID for more than one person, such as where the second person is a death beneficiary of the person originally assigned that Payroll ID. In this situation you must ensure that you report unique payee identity information so that we can match the STP report to the correct person’s ATO taxpayer record.

Remitting PAYG withholding

If you notify your PAYG withholding liability on an activity statement, you should continue to follow your existing processes. If you are a large withholder you must continue to pay the amounts you withhold to us electronically.

Note: If you are a large withholder, follow your existing process. See When to pay and report on activity statements.

Find out about

- Correcting information reported through STP

Correcting information reported through STP

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=17
- Last modified: 10 Feb 2023
- QC 66099

Explains what you can correct through STP and how to correct it.

On this page

- What you can correct
- Correcting employee information
- Correcting child support information reported through STP
- Overpayment identified within the same financial year
- Misclassification with no additional payment
- Reporting under an incorrect ABN or PAYG withholding branch
- Full file replacement

What you can correct

You have some time to correct information reported in a pay event without being liable to a penalty for making a false or misleading statement. We call this correction a 'fix'.

This only relates to situations where the information you have already reported through STP is incorrect. It does not include situations where you should have lodged an STP report but failed to do so on time.

It is important that you make timely corrections because we may share the information you report through STP with Services Australia to assist your employee if they are a Services Australia customer. If you do not make a fix within the required period, you may also be liable to a penalty.

Correcting employee information

If the employee YTD information you last reported to us doesn't reflect the information in your payroll system, you should give the updated information to us either:

- within 14 days of the need for a correction being identified
- in the next regular pay event within the same financial year where the affected employee has continuity of employment.

If we send an error message to you relating to the employee data you have reported, the same 'fix' rules apply to correcting those errors as above.

Corrections that impact your PAYGW liability

Sometimes when you identify that you need to make a fix to your STP reporting, you may also identify that the PAYG withholding you reported to us for a previous tax period was too high or too low.

When you correct employee information reported through STP in accordance with these guidelines, there are 2 ways you can report the correction to your PAYG withholding liability. You can:

- revise your activity statement for the earlier tax period to show the correct amount (or for large withholders, follow the existing process for notifying us of changes to your PAYG withholding liability in an earlier tax period)
- carry forward the correction to your reported PAYG withholding for the current tax period, subject to some limits.

If the PAYG withholding liability reported in the previous tax period was too low (meaning you've not reported and paid enough), you can only carry forward the correction if the total of all corrections for the current tax period doesn't exceed the materiality threshold.

A materiality threshold is the upper limit on the amount of corrections to your PAYG withholding liability that you can carry forward to the current tax period. It varies based on how much you withhold each year. The materiality thresholds are outlined below.

Materiality thresholds

Size of withholder	Total withheld per annum	Materiality threshold
Small	n/a	$2,500
Medium	Less than $100,000	$3,500
Medium	$101,000 to $500,000	$5,000
Medium	$500,000 to $1m	$10,000
Large	n/a	$50,000 or 0.5% of amount withheld in previous financial year

If the PAYG withholding liability reported in the previous period was too high (meaning you've reported and paid too much), there is no limit on the amount you can carry forward to offset your liability in the current tax period.

When you chose to include a correction to your reported PAYG withholding liability in the current tax period, you must record your choice in writing. This is so that you have business records which demonstrate that you made the choice.

Correcting child support information reported through STP

Special rules apply to correcting child support information that you have reported through STP. Once you have identified that a correction is required, you must take action immediately.

Situations and actions required

Situation	Action required
• You reported a child support amount for an employee that is covered by a notice issued by Services Australia. • The amount you reported is too high. • You need to make a correction that reduces the YTD amount you have reported.	You must contact the Child Support Registrar for authorisation to make changes to your STP reporting. After you have received authorisation you can either: • make the correction immediately (using an update event) • make the correction in the next pay period.
• You reported a child support amount for an employee that is covered by a notice issued by Services Australia. • The amount you reported is too low. • You need to make a correction that reduces the YTD amount you have reported.	Lodge an update event to report the correct amount.
You reported a child support amount for an incorrect employee that is not covered by a notice issued by Services Australia	Lodge an update event to correct your reporting for the incorrect employee. If the error means you have also under-reported for the correct employee, you should include the correction for that employee in your update event as well.

Overpayment identified within the same financial year

If an overpayment is identified in the same financial year it was paid, the employee will only need to repay the net (gross less tax) amount of the overpayment. The net amount is the amount received by the employee.

You will need to ensure we have the correct amounts recorded (the employee's YTD values don't include details of the overpayment). You can make these fixes in either:

- the next regular pay cycle report for the employee (by reducing the employee's YTD figures and your employer-level gross payment and withholding figures)
- an update event, within 14 days of the overpayment being identified.

Misclassification with no additional payment

A misclassification is when information has previously been reported under an incorrect item. For example, a payment was reported as gross instead of as an allowance, and no additional payment is made to the employee.

You must correct your STP reporting by correcting the classification and you can make this fix in the next pay event or by lodging an update event.

Reporting under an incorrect ABN or PAYG withholding branch

You must correct your STP reporting if you have reported employees under an incorrect ABN or PAYG withholding branch. To fix this, you should:

- adjust any incorrectly reported amounts from the incorrect ABN or PAYG branch by zeroing out your YTD amounts
- report your employee under the correct ABN or PAYG withholding branch from the point you discovered the error.

To zero out your YTD amounts you should send us:

- an update event for the incorrect ABN and branch combination that shows all YTD amounts for your employees as zero. This tells us that you are making changes and that we should stop displaying your employees' current income statement
- an STP report for your employees showing their YTD amounts against the correct combination of ABN and branch.

This will ensure we don't display duplicate income statements for your employee and that you haven't over-reported your PAYG withholding liability.

If you paid the employee and have reported through STP from one combination of ABN and branch but subsequently assign that expense to another combination of ABN and branch, then you don't need to correct your STP reporting. This is because your STP reporting should show who actually paid the employee and your original report is correct.

If the adjustment moves PAYG withholding amounts between ABNs or branches you may need to revise your reported PAYG withholding liability (either on your activity statements or, if you are a large withholder, using your existing process).

Full file replacement

Some solutions may offer functionality which gives you the ability to completely replace the latest pay event file you sent to us in error, or which contained significant corrupt data. This is called a full file replacement.

Don’t use a full file replacement for corrections.

A full file replacement:

- may only be used to replace the latest pay event
- must contain the submission identifier of the pay event to be replaced
- cannot be lodged if any employee information has subsequently been changed in a payroll or update event
- cannot replace an update event – a new update event should be lodged.

Only one full file replacement can be lodged per 24-hour period.

Finalising your STP data

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=18
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Let us know your STP reporting is complete for an employee for a financial year by finalising your STP data.

On this page

- End-of-financial-year finalisation declaration
- Finalisation declaration during the financial year
- Amendments after finalisation
- Overpayment in a previous financial year

End-of-financial-year finalisation declaration

Finalising your STP data is how you let us know your STP reporting is complete for an employee for a financial year.

The way you finalise your STP data is by making a finalisation declaration. A finalisation declaration is a declaration in the approved form lodged by 14 July each year indicating you have fully reported for the financial year for each employee. You make a finalisation declaration by providing a finalisation indicator for an employee (and directors, contractors, etc) as part of your STP reporting.

When you have provided the finalisation indicator for the employee, we will prefill the employee's tax return and display the information as 'tax ready' in ATO online services, accessed through myGov.

You can make a finalisation declaration for an employee at any time during the financial year (for example, for employees who have ceased employment), or after the end of the financial year up to 14 July. It is important to make a finalisation declaration so that your employees can be confident they are using accurate and complete information for their tax return.

You can apply for an extended due date to make your finalisation declaration.

Interaction with payment summaries

You are not required to provide payment summaries (including part-year payment summaries) to your employees for the payments you report and finalise through STP. We make this information available to your employees in ATO online services accessed through myGov. This information is called an income statement. It is the equivalent of a payment summary.

Once you make a finalisation declaration, after the end of the financial year we will notify your employees that their income statement is 'tax ready' through myGov and they can use it to complete their tax returns.

Finalised STP information will be pre-filled after the end of the financial year into myTax for individuals who prepare and lodge their own tax returns. It will also be made available to tax agents.

You will still need to provide your employees with a payment summary and send a payment summary annual report to us for any payments not reported and finalised through STP.

Finalisation declaration during the financial year

If you make a finalisation declaration during a financial year, you don't need to provide the employee with a part-year payment summary.

In some circumstances you may pay an employee after you have already made a finalisation declaration for them in the same financial year.

If it is a one-off payment, make another finalisation declaration when you report this payment.

If you expect to make another payment (for example, you rehire the employee), deselect or remove the finalisation indicator and wait until the end of the financial year to make another finalisation declaration.

Even if you finalise an employee record partway through the financial year, we will not pre-fill the information into your employee’s tax return until after the end of the financial year. The employee will need to follow the current process for lodging a part-year tax return. This commonly affects employees who are leaving Australia once their employment has terminated.

Amendments after finalisation

If you need to amend details after making a finalisation declaration, you should do this as soon as possible by lodging an update event. We will make updated information available to your employee through ATO online services. We also recommend that you notify your employee of any changes because they may need to correct their tax return if they used the previous information.

If you can't lodge an update event with the correct details straight away, you should lodge an update event with the existing details with the finalisation indicator removed. This will advise us that the current information is not final and shouldn't be used to pre-fill your employees' individual tax returns. If you cannot lodge an update event with the correct details by the finalisation due date, you need to apply for a finalisation declaration deferral.

You must correct errors within 14 days of detection or, if your pay cycle is longer than 14 days (for example, monthly), by the date you would be due to lodge your next regular pay event.

When you've lodged the update event with the correct details and the finalisation indicator, revise the PAYG withholding information (labels W1 and W2) on your activity statement for that period. You can amend finalised information reported through STP up to 5 years after the end of financial year.

Overpayment in a previous financial year

If you overpay a worker in a previous financial year and only discover the overpayment in a later financial year, you should lodge an update event to advise us the amounts the employee should have received in the relevant financial year. You must not adjust:

- the amount of tax withheld
- any child support amounts.

You should provide an update event for each financial year in which an overpayment occurred. See Overpayment relates to a previous financial year.

If the overpayment relates to a payment you did not report through STP you should provide your employee with an amended payment summary and send an amended payment summary annual report to us.

Changing your payroll solution or employees' Payroll IDs

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=19
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Explains how to changing your payroll solution or employees’ Payroll IDs during a financial year.

On this page

- What happens
- Changing your payroll solution
- Changing your employees’ Payroll IDs
- Changing payroll solutions or Payroll IDs without transferring YTD amounts
- Options for telling us about changes

What happens

Your payroll solution will generate your STP report for your pay cycle by ABN, branch and BMS ID. We use this combination of information, together with the Payroll IDs you report, to identify when we need to display a separate income statement to a taxpayer. We will display a separate income statement for each combination.

If you transfer the employee YTD amounts you have reported to a different combination of these things (for example, because you have changed to a different payroll solution) you need to tell us.

If you don’t tell us, your employees will see duplicate income statements. It also means you're reporting more than your true PAYG withholding liability.

Your options for telling us about changes will depend on your circumstances.

Changing your payroll solution

Your STP-enabled payroll solution has a BMS ID that acts like a serial number to tell us which payroll solution sent the STP report. This is important because some payroll arrangements pay employees out of more than one payroll solution at the same time.

Some payroll solutions will assign the BMS ID for you and others may allow you to nominate your own BMS ID. Your DSP can advise you about your BMS ID.

You need to tell us if you change payroll solution and transfer YTD amounts if your payroll solution:

- assigns the BMS ID for you
- allows you to nominate a BMS ID and you choose to nominate a BMS ID that is different to your previous payroll solution.

If your payroll solution allows you to nominate your own BMS ID and you choose to use the same BMS ID as your previous payroll solution, you do not need to tell us. This is because there has been no change to the combination of ABN, branch and BMS ID in your STP reporting.

Changing your employees’ Payroll IDs

Each employee included in your STP report must have a Payroll ID for you to report their YTD amounts to us. If you change their Payroll ID and transfer their YTD amounts from their old Payroll ID, you need to tell us that you have transferred these amounts.

This may also occur when you are changing payroll solutions.

If you don't transfer employee YTD amounts, you don't need to tell us.

Changing payroll solutions or Payroll IDs without transferring YTD amounts

There may be circumstances where you change payroll solution but do not transfer your YTD amounts to the new solution.

If you do not transfer employee YTD amounts, you do not need to tell us about any changes.

We will display a new income statement for the new YTD amounts you report for the new combination of ABN, branch, BMS ID and Payroll ID that you report through STP.

This means that your employee will have more than one income statement. You must finalise your STP reporting for each combination of ABN, branch, BMS ID and Payroll ID for your employees, so that we can let your employees know when the information displayed in each of their income statements is tax ready.

You can finalise your STP reporting at any time during a financial year until 14 July. However, you should consider whether:

- your previous ABN or branch will still be active – you cannot finalise your STP reporting if the ABN or branch has been cancelled
- you will still have authorisation to report on behalf of your previous ABN or branch
- you will still have access to your previous payroll solution.

If you won't be able to finalise all your STP reporting at the end of the year or you don't know whether you will be able to, you should finalise your STP reporting when you change your payroll solution or employees' Payroll IDs.

Options for telling us about changes

This section describes the methods you can use when you need to tell us about a change to your payroll solution or Payroll IDs. If you are not able to use any of these methods, phone us on 13 28 66.

Zeroing out

You should use the zeroing out method if:

- your previous software provides this functionality
- you still have access to your previous software
- your DSP doesn't offer the alternative option

- you are correcting an incorrect combination of ABN and branch in your STP reporting.

Follow these steps when using the zeroing out method:

1. Before you transfer the YTD amounts to your new payroll solution or your employees' new Payroll IDs, send us an update event that shows all YTD amounts for your employees as zero. This tells us that you are making changes and that we should stop displaying your employees' current income statement.
2. Transfer your employee YTD amounts to your new payroll solution or employee Payroll IDs and send us an STP report for your employees showing their transferred YTD amounts.

Replacement of BMS ID or Payroll IDs

You should use the replacement method if:

- your software provides this functionality
- you know your previous BMS ID or your employees' previous Payroll IDs
- you no longer have access to your previous software.

When using the replacement method, you should transfer your employee YTD amounts to your new payroll solution or to their new Payroll IDs and send us an update event which includes your previous BMS ID or your employees' previous Payroll IDs. This will tell us to replace your employees' old income statement with a new income statement.

You can only tell us your previous BMS ID or your employees' previous Payroll ID in an update event. You cannot include them in a pay event.

What employees need to know

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=20
- Last modified: 10 Feb 2023
- QC 66099

A summary for employees on how to acess their information.

On this page

- Accessing information
- YTD data
- Having a myGov account
- Interaction of STP with payment summaries
- myTax pre-fill

Accessing information

Once you start reporting through STP, your employees' YTD tax and super information will be available in ATO online services, accessed through myGov. If your employees use a tax agent, their tax agent will also have access to this information. This has not changed under STP Phase 2.

What has changed is that:

- your employees' income statements will include some of the extra detail you have reported through STP Phase 2
- we will now share the information you have reported with Services Australia who will use this information to help their customers when reporting their employment income.

YTD data

The YTD data employees see may not always align with the data in your payroll solution – for example, when your reported information needs to be corrected in your next pay event.

Having a myGov account

It is not mandatory for employees to have a myGov account. However, if they want to access their information online throughout the year, they will need one.

It's easy to create a myGov account, and there is online help available. Once it's set up, employees can link their myGov account to a range of government services, including the ATO. See Create a myGov account and link it to the ATO.

Interaction of STP with payment summaries

You will not be required to provide your employees with payment summaries for the information you report and finalise through STP. Your employees will see information reported through STP in myGov. This information is called an income statement.

Tax agents will also have access to this information through Online services for agents.

Employees who do not create a myGov account will need to phone us for a copy of the information reported through STP.

Payments and amounts withheld that were not reported through STP must be included on a payment summary and you must send a payment summary annual report to us.

myTax pre-fill

The information you report to us through STP will be pre-filled into myTax at the end of the financial year for your employees who prepare and lodge their own tax return.

We'll notify your employees at the end of the financial year when the STP information they need to complete their tax return is ready.

Until employees receive this notification from the ATO, the STP information they see in myGov may not align with the data in your payroll solution.

STP Phase 2 reporting – Quick reference guide

- https://www.ato.gov.au/Business/Single-Touch-Payroll/In-detail/Single-Touch-Payroll-Phase-2-employer-reporting-guidelines/?page=21
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- QC 66099

This quick reference guide shows how to report some common payment types through Single Touch Payroll (STP) Phase 2.

On this page

- Payment types A – G
- Payment types H – Z

Payment types A – G

How to report payment types A to G

Payment type	STP Phase 2
Allowance – accommodation – domestic, amount does not exceed ATO reasonable amount	Not reported
Allowance – accommodation – domestic, amount exceeds ATO reasonable amount	Travel allowances (allowance type RD)
Allowance – accommodation – overseas, for business purposes	Other allowances (allowance type OD) with the description G1 (general)
Allowance – accommodation – overseas, for private purposes	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – car – flat rate	Other allowances (allowance type OD) with the description V1 (Private vehicle)

Allowance – cents per km - for a car in excess of the ATO rate for business related travel.	Cents per km allowance (allowance type CD)
Allowance – cents per km – for a car up to the ATO rate for business related travel	Cents per km allowance (allowance type CD)
Allowance – cents per km – for private travel such as travel between home and work.	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – cents per km – for vehicles other than a car such as a motorbike or van.	Other allowances (allowance type OD) with the description V1 (Private vehicle)
Allowance – confined spaces	Task allowances (allowance type KN)
Allowance – danger	Task allowances (allowance type KN)
Allowance – dirt	Task allowances (allowance type KN)
Allowance – district	Task allowances (allowance type KN)
Allowance – driving licence	Qualification and certification allowances (allowance type QN)
Allowance – equipment – where equipment is supplied by employee for business purposes	Tool allowances (Allowance type TD)
Allowance – first aid	Task allowances (allowance type KN)
Allowance – freezer	Task allowances (allowance type KN)
Allowance – height	Task allowances (allowance type KN)
Allowance – higher duties	Task allowances (allowance type KN)
Allowance – home office equipment	Other allowances (allowance type OD) with the description H1 (Home office)

Allowance – industry	Task allowances (allowance type KN)
Allowance – Internet	Other allowances (allowance type OD) with the description H1 (Home office)
Allowance – laundry – for cleaning of approved uniforms in excess of the ATO approved limit.	Laundry allowance (allowance type LD)
Allowance – Laundry – for cleaning of approved uniforms up to the ATO approved limit	Laundry allowance (allowance type LD)
Allowance – laundry – for the cost of laundering deductible conventional clothing	Other allowances (allowance type OD) with the description G1 (general)
Allowance – laundry – for the cost of laundering uniforms for private purposes	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – leading hand	Task allowances (allowance type KN)
Allowance – liquor licence	Qualification and certification allowances (allowance type QN)
Allowance – living away from home (FBT)	Not reported – but may form part of RFBA
Allowance – locality	Task allowances (allowance type KN)
Allowance – loss of licence	Qualification and certification allowances (allowance type QN)
Allowance – meals and incidentals – domestic, amount does not exceed ATO reasonable amount.	Not reported
Allowance – meals and incidentals – domestic, amount exceeds ATO reasonable amount	Travel allowances (allowance type RD)
Allowance – meals and incidentals – overseas, amount exceeds ATO reasonable amount	Travel allowances (allowance type RD)

Allowance – on call – ordinary hours	Task allowances (allowance type KN)
Allowance – on call – outside ordinary hours	Overtime
Allowance – overtime meals – amount does not exceed the ATO reasonable amount	Not reported
Allowance – overtime meals – amount exceeds the ATO reasonable amount	Overtime meal allowance
Allowance – recognition of skill level	Task allowances (allowance type KN)
Allowance – secondment	Task allowances (allowance type KN)
Allowance – site	Task allowances (allowance type KN)
Allowance – supervisor	Task allowances (allowance type KN)
Allowance – tools of trade	Tool allowances (allowance type TD)
Allowance – transport – for private purposes	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – transport – payments for the cost of transport for business related travel traceable to a historical award in force on 29 October 1986	Award transport payments (allowance type AD)
Allowance – transport – payments for the cost of transport for business related travel not traceable to a historical award in force on 29 October 1986	Other allowances (allowance type OD) with the description T1 (fares)
Allowance – travel – for private purposes	Other allowances (allowance type OD) with the description ND (non-deductible)
Allowance – travel – part day	Other allowances (allowance type OD) with the description ND (non-deductible)

Allowance – travel time – ordinary hours	Gross
Allowance – travel time – outside ordinary hours	Overtime
Allowance – wet weather	Task allowances (allowance type KN)
Allowance – working with children check	Qualification and certification allowances (allowance type QN)
Back pay – total is below Lump sum E threshold	The payment type that matches the payment. For example, back pay of ordinary pay = gross, back pay of higher duties allowance = task allowance (allowance type KN).
Back pay – accrued less than 12 months before date of payment	The payment type that matches the payment. For example, back pay of ordinary pay = gross, back pay of higher duties allowance = task allowance (allowance type KN).
Back pay – accrued more than 12 months before date of payment	Lump sum E
Bonus – Christmas	Bonus and commission
Bonus – ex-gratia, in respect of ordinary hours of work	Bonus and commission
Bonus – paid to employee that has resigned to encourage withdrawal of resignation	Return to work payment (Lump sum W)
Bonus – paid to end industrial action	Return to work payment (Lump sum W)
Bonus – paid to ex-employee to return	Return to work payment (Lump sum W)
Bonus – performance	Bonus and commission
Bonus – referral	Bonus and commission
Bonus – relating entirely to time worked	Overtime

outside ordinary hours	
Bonus – retention	Bonus and commission
Bonus – sign-on	Bonus and commission
Breach of rest break payment	Gross
Call back payment	Overtime
Commission	Bonus and commission
Directors' fees – working or non-working director	Directors' fees
Flexi time – hours worked and taken	Gross

Payment types H – Z

How to report payment types H to Z

Payment type	STP Phase 2
Identifiable overtime component of annualised salary	Overtime
Leave – annual – cashed out in service	Cash out of leave in service (paid leave type C)
Leave – annual – taken	Other paid leave (paid leave type O)
Leave – bereavement	Other paid leave (paid leave type O)
Leave – carer's	Other paid leave (paid leave type O)
Leave – community service	Ancillary and defence leave (paid leave type A)
Leave – compassionate	Other paid leave (paid leave type O)
Leave – defence	Ancillary and defence leave (paid leave type A)
Leave – family and domestic violence	Report to align with how

	the amount is shown on the employee's payslip. For example, if the amount is shown as ordinary pay on the payslip, report as Gross.
Leave – firefighting service	Ancillary and defence leave (paid leave type A)
Leave – gardening	Other paid leave (paid leave type O)
Leave – jury duty	Ancillary and defence leave (paid leave type A)
Leave – long service – cashed out in service	Cash out of leave in service (paid leave type C)
Leave – long service – taken	Other paid leave (paid leave type O)
Leave – parental – employer paid	Paid parental leave (paid leave type P)
Leave – parental – government paid (GPPL)	Paid parental leave (paid leave type P)
Leave – personal – cashed out in service	Cash out of leave in service (paid leave type C)
Leave – personal – taken	Other paid leave (paid leave type O)
Leave – RSPCA	Ancillary and defence leave (paid leave type A)
Leave – sick	Other paid leave (paid leave type O)
Leave – State Emergency Service (SES)	Ancillary and defence leave (paid leave type A)
Leave – study	Other paid leave (paid leave type O)
Leave – paid on termination – annual leave or leave loading accrued after 17 August 1993 paid on a	Unused leave on termination (paid leave

normal termination	type U)
Leave – paid on termination – long service leave accrued after 17 August 1993 paid on a normal termination	Unused leave on termination (paid leave type U)
Leave – paid on termination – annual leave or leave loading accrued after 17 August 1993, termination for genuine redundancy, invalidity or early retirement scheme reasons	Lump sum A, type code R
Leave – paid on termination – unused annual leave or leave loading paid on termination that accrued before 17 August 1993	Lump sum A, type code T
Leave – paid on termination – long service leave that accrued between 16 August 1978 and 17 August 1993.	Lump sum A, type code T
Leave – paid on termination – long service leave that accrued before 16 August 1978	Lump sum B
Loadings – annual leave loading (demonstrably referable to a loss of overtime)	Overtime
Loadings – annual leave loading (standard)	Leave type O
Loadings – casual loading	Gross
Ordinary hours	Gross
Overtime	Overtime
Penalties – public holiday	Gross
Penalties – shift	Gross
Public holiday - day not worked	Report as if the employee had worked (Gross and any other relevant payment types)
Rostered day off (RDO) – hours cashed out in service	Leave type C
Rostered day off (RDO) – hours taken	Leave type O
Salary continuance – payments under a commercially obtained policy	Leave type O

Time off in lieu (TOIL) – hours taken	Other paid leave (leave type O)
Time off in lieu (TOIL) – hours cashed out in service	Overtime
Travel time – Excess, for travel outside ordinary hours	Overtime
Workers' compensation – no work is performed	Leave type W
Workers' compensation – paid after termination	Leave type W
Workers' compensation – top-up, no work is performed	Leave type W
Workers' compensation – top-up, work is performed	Gross
Workers' compensation – work is performed	Gross

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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