

Extract of the Transcript for the Phase 2 Information session

(This session was provided to software companies as an introduction to the direction that STP Phase 2 is heading and its impact)

Phase 2 is a change to the STP data

It hopefully removes the Employment Separation Certificate, makes allowances (and deductions) more complete and embraces Child Support reporting.

- a quick overview of Phase 2,
- ATO approach,
- introduction to the key changes with Phase 2,

Overview

asked by the Government to look at opportunities through Single Touch Payroll to capture some additional information to assist in across Government, and with the primary purpose of trying to make it easier for employers in their interactions with other sections of Government.

key dates - a new pay event version – optional from 1 July 2020, required by 1 July 2021

we are only looking to capture data that exists in payroll systems, we're not looking to bring in additional data that a typical payroll system wouldn't have, and we've gone through a lot of co-design process over the last 12 months to try to stay true to that.

also looking at expanding the current data set to capture some additional fields to try to draft some more benefits right across the system, so it's not just Government, but for employers, employees, and then obviously improving the service offering that a DSP can provide to their customers.

we will be publishing a draft Position Paper with the existing data structure and the new data structure side-by-side.

we'll have a draft or an updated draft of the BIG and supporting information

what's changing?

- additional transition fields: there was misunderstanding around the use of BMS IDs and payroll IDs, which has resulted in duplicate records. ATO effectively use both BMS ID and payroll ID as unique identifiers. The proposal is to bring in the option that you can provide the previous BMS ID or a previous payroll ID and we will be able to ensure that that previous record doesn't get shown online, so that removes confusion for the employee at tax time.
- income realignment, move away from reporting by income type, to have a repeating field that has the same data items. In effect a database structure change.
- disaggregation of gross. more granular information to align to some of the information especially that DHS need. The proposal is that when we design it will be a remapping exercise, rather than a rebuild.
- lump sums. allow you to report for lump sum E and the financial year to which the payment relates. Previously you had to separately provide a letter to your employee, which they then provided with their tax return so that the correct amount of offset could be calculated. By capturing that information straight out of your payroll system it

removes that letter to your employee and for them to then separately provide that to their tax agent.

- allowances, currently we only get separately itemised allowances for INB salary and wages, we will now be providing or allowing the reporting of those for all income types. also to expand the categories that we currently collect through STP, to allow information about additional allowances for matching to potential tax deductions
- removing the onboarding (TFN Dec) tuple. In STP phase 1 we provided for an employer to report the TFN declaration from their employee. In phase 2 we replace the TFN dec service with the STP service and capture of key pieces of information that will replace the need for an employer to send through a TFN declaration. Effectively the first STP report that you send in for an employee will meet your obligation to send a TFN dec.
- adding a separation reason, called “cessation reason – 7 different codes Replaces Separation Certificates
- tax scale: the employer will report a code that indicates the tax scale for calculating the tax withholding.
- the offset amount. an existing field: where through the withholding declaration or the TFN declaration the employee asks the employer to reduce the withholding because they’re entitled to an offset, now reported each pay day.
- CSA deductions, specifically child support garnishees and child support deductions. What will happen is that where you’ve got to do a garnishee or deduction on behalf of Child Support Agency, rather than manually reporting once a month you’ll be able to do that through Single Touch Payroll. There will be a parent period total and the amount of the deduction for that pay period. The employee report will provide the year-to-date totals which will be reported straight through to the Child Support Agency. Probably more than 300,000 of those reports that can be automated a year.

The key processes going forward

- detailed co-design,
- publishing the Position Paper and the draft data structure
- Q&A session.
- November publish the draft schema, MST And validation rules,
- half a day sessions to discuss the proposed revised Business Implementation Guide,
- final BIG published around Christmas and the new year.
- testing in the new year,
- ability for people to start, if they choose to, reporting from July 2020 for the 2020/21 financial year.
- Business Implementation Guide review in June. (regular update)

key messages - Phase 2.

- our priority right now is DSPs. So we aren’t looking to go out and talk broadly to employers at this stage because we really want them to focus on getting started with STP. But given the lead times of a July 2020 voluntary opt in, and a 2021 changeover, we need to start these conversations with yourselves,
- We will start to message with employers, but not until the new year

Q Does this mean that employers would need to go back to sending the TFN paper declarations to the ATO?

No.

It doesn't change the fact that you still need to get a TFN declaration and potentially a choice form from your employee.

this is replacing the sending through of the TFN declaration to the ato.

Q Does this mean that their payroll systems will need to be collecting Child Support information on their users that have those Child Support agreements?

You will still be able to continue to use the current process. But how industry explained the process for us is that a number of, well a large number of payroll systems do support Child Support deductions, they then create a separate report so that they can then report that through to Child Support. In the future system they'll be able to meet that reporting obligation to Child Support directly through their STP report.

Q how do we manage the transition from phase 1 to phase 2?

In consultation