



# Single Touch Payroll Phase 2: Employee profiles

Single Touch Payroll Phase 2 changes will be rolled out across the Xero platform in three stages. This information pack covers stage one, employee profiles and will help you prepare your payroll data in Xero to meet the new reporting requirements for STP Phase 2. It covers what you need to know, what you need to update and answers common questions to help you get ready.

## About Single Touch Payroll

Single Touch Payroll or STP is an Australian government initiative to reduce the compliance burden on businesses who report pay details to multiple government agencies. Businesses can report pay details directly to the ATO using STP enabled software. Xero has secured a deferral on the compliance date with the ATO until 31 December 2022 for all Xero customers lodging STP through Xero Payroll.

## STP Phase 2

STP Phase 2 makes data available to additional government agencies. The information required as part of your STP submission will be more granular and utilised by additional government agencies, with the intention of reducing the amount of separate reporting that needs to be completed.

## Changes to Xero for STP Phase 2

We're making changes to Xero Payroll to help you meet these new requirements. These changes will be rolled out across the Xero platform in three stages throughout the year, with stage one changes already available in Xero Payroll:

- **Stage one:** We updated our employee setup process to make sure new employee payroll profiles will be compliant with STP Phase 2. You will need to update your existing employee records with new details, like whether they're an employee or contractor.
- **Stage two:** New earnings categories will be created in Xero Payroll so you can identify and reclassify pay items with the new earnings categories for STP Phase 2. Coming soon.
- **Stage three:** Paid leave is being broken down into additional subcategories, you will need review and update your existing leave items to the new categories. Coming soon.





# Single Touch Payroll Phase 2: Employee profiles

## Stage one: employee profiles

### What you need to know

STP Phase 2 requires more information on the individual parts that make up an employee’s pay. These include:

- Employment type – whether the individual is an employee or contractor.
- Income type – how the individual is paid, such as salary and wages.
- Employment basis – whether the individual is full-time, part-time or casual.
- Tax scale – the PAYG tax scale category that determines how much tax should be withheld for an employee.

We’re adding a few new fields to complete when setting up a new employee in Xero Payroll to make sure the profile is compliant with STP Phase 2.

For existing employees, you will need to update their profiles. Xero has a [transition tool](#) to step you through this process.



### Stage one checklist

TASK	COMPLETE	N/A
<b>UPDATE EXISTING EMPLOYEE DETAILS</b>		
Click <b>Payroll, Single Touch Payroll</b> , then <b>STP Phase 2</b> to access the STP portal. You’ll see an overview of the key steps to updating your payroll data to be STP Phase 2 compliant.	<input type="checkbox"/>	<input type="checkbox"/>
Under ‘Step 1. Update employee profiles’, click <b>Update employee profiles</b> .	<input type="checkbox"/>	<input type="checkbox"/>
Add the new required details for any active payees in your employee list, one at a time. You’ll see an Update details for STP2 message in the <b>Action required</b> column for any you need to update.	<input type="checkbox"/>	<input type="checkbox"/>
Select <b>Update</b> next to each employee record to start the transition tool and update their details.	<input type="checkbox"/>	<input type="checkbox"/>
In the <b>Select employment type</b> section, select the employee’s employment type: <ul style="list-style-type: none"> <li>• Employee</li> <li>• Contractor</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>



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TASK	COMPLETE	N/A
In the <b>Select income type</b> section, select the employee's income type: <ul style="list-style-type: none"><li>• Salary and wages</li><li>• Closely held payee</li><li>• Working holiday maker</li><li>• Non-employee</li><li>• Labour hire</li></ul>	<input type="checkbox"/>	<input type="checkbox"/>
In the <b>Tax scale</b> section, select the employee's tax scale: <ul style="list-style-type: none"><li>• Regular</li><li>• Actors, variety artists and other entertainers</li><li>• Horticulturalists and shearers</li><li>• Seniors and pensioners</li></ul> If you selected 'Contractor' as the employment type, you won't need to select a tax scale.	<input type="checkbox"/>	<input type="checkbox"/>
Select <b>Save and continue</b> to confirm the updates to the employee's profiles.	<input type="checkbox"/>	<input type="checkbox"/>
If you haven't already, invite the employee to Xero Me. In the <b>Email</b> field enter your employee's email, then click <b>Invite</b> . In Xero Me, employees can view payslips, enter timesheets and submit leave requests. For more information on Xero Me, <a href="#">click here</a> .	<input type="checkbox"/>	<input type="checkbox"/>
Select <b>Back to employees</b> and follow the steps for the next employee.	<input type="checkbox"/>	<input type="checkbox"/>
<b>MARK AS DONE</b>		
Once you've updated all existing employees' profiles, go to <b>Payroll, Single Touch Payroll</b> , then <b>STP Phase 2</b> to access the STP portal. Under Step 1. 'Update employee profiles', select <b>Mark as Done</b> .	<input type="checkbox"/>	<input type="checkbox"/>





# Single Touch Payroll Phase 2: Employee profiles

## FAQS

### Employee profiles

#### What are the key changes to my employee profiles for STP Phase 2?

Employee profiles need additional information included to meet STP Phase 2 reporting requirements:

- Employment conditions
- Income type
- Country codes

#### How is a contractor defined?

Contractors run their own business and sell their services to others, whereas employees work within a business. Contractors need to provide you with a valid Australian Business Number (ABN).

For more information on how contractors are defined, visit the [Fairwork website](#).

#### If I have a contractor set up in Xero, how do I make sure their record is compliant with STP Phase 2 so I can file both their earnings and superannuation?

The ATO are implementing changes to contractor profiles for STP Phase 2. You will need to define the income type for the contractor record in Xero Payroll to be STP Phase 2 compliant.

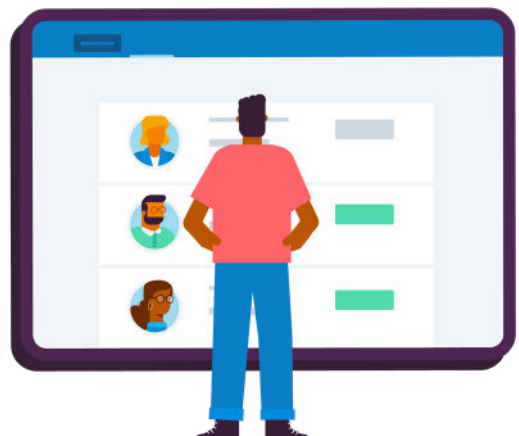
#### Who can make changes to employees' profiles to update them for STP compliance?

Anyone with the payroll admin user role can make changes to your employees' profiles. [Click here](#) for more information about payroll user permissions.

### STP Phase 2

#### When do I need to be STP Phase 2 compliant?

Xero has secured a deferral on the compliance date with the ATO until 31 December 2022 for all Xero customers lodging STP through Xero Payroll. Changes will be rolled out across the Xero platform in three stages throughout the year to help you meet this deadline.



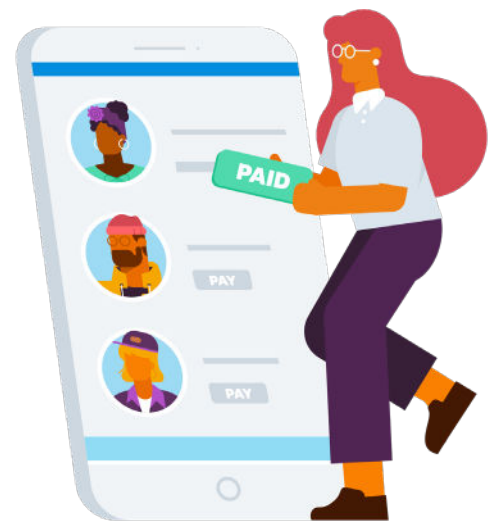


# Single Touch Payroll Phase 2: Employee profiles

## What isn't changing to the way I report in STP Phase 2?

While you will need to report additional information in your STP report, there are many things that aren't changing, such as:

- The way you lodge your STP report.
- When STP reports are due. They are still due on or before pay day unless you are eligible for a reporting concession.
- The types of payments that are in-scope for STP reporting.
- Taxation and superannuation obligations.
- End of year finalisation requirements.



## Who has to comply with STP Phase 2?

All Australian businesses making payroll payments will need to report on the additional data required for STP Phase 2. Businesses reporting STP through Xero Payroll will need to be compliant by 31 December 2022.

## Can I start submitting tax number declaration forms through Xero?

This feature is currently in development for launch later this year. For now, you still need to obtain a signed TFN declaration from your employees and keep it on file. When the feature is available, the STP filing will act as the 'notification' of the TFN declaration to the ATO. We will keep you updated when this is available.

## Is there a cost to being STP Phase 2 compliant in Xero?

No, there are no extra costs for you to use the new STP compliance features we roll out across the year.

## I only recently converted to Xero – can I still receive the deferral?

Yes, all customers reporting STP through Xero Payroll are eligible for the deferral date of 31 December 2022.

## Is there an ATO guide for employers?

Yes, the ATO has detailed information on STP Phase 2 changes [here](#).



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## Where can I find ATO deferral evidence?

You can download the deferral evidence letter from the **Single Touch Payroll** page in Xero

1. From the **Payroll** menu, select **Single Touch Payroll**
2. Select the **STP Phase 2** tab
3. Click **Read the ATO deferral** to download a copy of the letter

## Is there a way to update my payroll data in bulk?

Due to the complexity of STP Phase 2, Xero hasn't been able to build an option to update payroll data in bulk.

## Will this change how I report STP data to the ATO right now?

Not yet – all Xero Payroll customers will continue to report STP Phase 1 for the time being. The roll out of STP Phase 2 updates to the employee setup process in Xero Payroll will not affect reporting or any YTD values sent to the ATO.

Xero Payroll will continue to report employees' pay as a gross amount until you have completed all three stages of the STP Phase 2 transition.



## I've noticed some other new additions in payroll relating to Phase 2 – can I use them now?

Yes, we've been developing payroll features to help you become STP Phase 2 compliant. While these aren't mandatory yet, you can start using them now so you're prepared for STP Phase 2 reporting.

The changes include new earnings categories which capture the more detailed payroll information needed for STP Phase 2. These are:

- Bonuses and commissions: Previously these were reported as part of gross payments, but will need to be reported separately for STP Phase 2.
- Director's fees: These must now be reported separately for STP Phase 2.
- New allowance types: Allowances for task, tools or qualifications must be reported under new labels in STP Phase 2.
- Lump sum W (return to work) payments: A return-to-work amount is paid to encourage an employee to return to work – this was previously reported as part of gross payments.
- Lump sum E payments: A lump sum payment for back pay from previous income years.

You can now add a reason for termination to an employee's record, removing the need for an employment separation certificate to be issued.



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## As leave needs to be reported separately, can I enter leave opening balances into Xero with STP Phase 2?

Yes, we'll make changes to allow leave opening balances to be added to the employee opening balances page.

## What impact will switching from STP Phase 1 to STP Phase 2 reporting in the middle of the financial year have on aggregated and disaggregated earnings amounts?

As Xero's payroll users will be moving to STP Phase 2 reporting within a financial year, there will be both aggregated and disaggregated earnings information. We have made arrangements with the ATO so you won't need to do anything to finalise the aggregated amounts or retrospectively change the YTD totals for gross or disaggregated earnings.

## Where can I find more information?

- Speak to your advisor who can guide you through the transition process.
- Watch the [employee transition video](#).
- Register for a [live or on-demand webinar](#).
- Visit [Xero Central](#).
- Read our [Guide to STP Phase 2](#).
- Refer to the ATO's [employer reporting guidelines](#).

## Notes

