

Single Touch Payroll (STP) – Phase 2

DATE: 12/12/2022

ATTENTION: Wardens and Treasurers

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Key points

1. Under Single Touch Payroll (STP) Phase 2 parishes will shortly be required to report more detailed payroll information to the Australian Taxation Office (ATO).
2. There is no change to the calculation of taxable income, but instead of just reporting taxable income and tax withheld, parishes will shortly need to report the agreed stipend before any stipend sacrifice (type 'SAW' salary and wages), the amount of stipend sacrifice (other employee benefits – stipend sacrifice type 'O'), and the amount of tax withheld.
3. The amount of any stipend sacrifice type 'O' will be reported to Services Australia (Centrelink) and may be taken into account by them in calculating the individual's entitlement to income tested payments.
4. Other exempt benefits provided to ministry staff (typically housing, motor vehicle/travel and other ministry-related expenses) are not reportable under STP Phase 2.
5. Parishes should contact their Digital service provider (DSP) (which is usually the supplier of your accounting or payroll software) for information on when the system they supply/support will be STP Phase 2 compliant. Parishes that require further assistance to record the additional information required by STP Phase 2 for ministry staff should consider contacting one of the firms listed at the end of this Circular.

Action item

The Wardens should check –

- if the parish's DSP is now STP Phase 2 compliant, and if not, when it will be, and
- if the parish's payroll system has been updated to include the additional information now required by STP Phase 2 for each employee, including the disaggregation of gross income.

Background

Parishes will have been reporting through STP for several years (see Circular [Single Touch Payroll – new obligations for reporting tax and superannuation information to the ATO](#) dated 22 May 2019).

Expansion of STP

In its 2019–20 Budget, the Federal government announced that STP would be expanded to include additional information that will support the administration of the social security system.

STP works by sending tax and super information from your STP-enabled payroll or accounting solution to the ATO when the parish runs its payroll. This has not changed with Phase 2.

The parish's STP Phase 2 solution will send the ATO an expanded report with the information the ATO now needs, including –

- Details of the remuneration the parish pays –
 - the type of income for the employee (for parishes this will generally be salary and wages), note: clergy receiving a stipend are treated the same as employees receiving a salary for the purposes of reporting remuneration to the ATO, and
 - the components which make up the amounts (such as gross pay, paid leave, taxable allowances or overtime).
- Details of the parish's pay as you go (PAYG) withholding –
 - the amounts the parish has withheld from payments it made, and
 - information about how the parish calculated the amount to withhold (this information is currently provided to the ATO when the parish sends a copy of the employee's TFN declaration).
- Superannuation liability information.

For parishes following the Remuneration Guidelines issued by the Standing Committee of the Sydney Diocese a distinction needs to be made between the exempt benefits provided to ministry staff (both ordained and lay) as a result of a stipend sacrifice arrangement, and the other benefits that are provided to those ministry staff in addition to the agreed stipend –

- The exempt benefits provided as the result of a stipend sacrifice arrangement (a maximum of 40% of the agreed stipend) are reportable under STP Phase 2 because, if they were not they were not provided in that form the amount in question would be added to the stipend.
- Other exempt benefits that may be provided in accordance with the Remuneration Guidelines (typically housing, motor vehicle/travel and other ministry-related expenses such as phone/computer, hospitality, professional development, etc) are not reportable under STP Phase 2 because, if the minister decided not to receive these components of their remuneration in the form of exempt benefits there would not be any increase in the minister's stipend.

Parishes are not required to report other exempt benefits provided to ministry staff through STP Phase 2. In fact, the ATO advise that a payer can't include any payment made through a payroll solution that is not a withholding payment. The payment of a stipend (and any related stipend sacrifice) is a payment that attracts PAYG withholding tax, whereas the provision of an exempt benefit does not attract PAYG withholding tax.

If the parish records the other exempt benefits provided to ministry staff in the payroll system it should –

- change any reference to these from "allowances" to "benefits",

- use “Ordinary time earnings” and not “Allowances” as the Pay Item Earnings Category, and
- ensure the payroll system is set up for STP Phase 2 compliant reporting as shown in the table below and does not report the other exempt benefits.

Alternatively, the other exempt benefits can be accounted for outside the payroll system with the amount expensed as Staff benefits & MDBA entitlements (item 6-1150 or 6-1155 in the Prescribed Financial Statements) and credited to an MDBA liability (item 1-1900).

Summary of information to be reported

	Reported under STP 1	Reported under STP 2
Stipend and related ‘withholding payments’ –		
Recommended/agreed stipend (100%, before stipend sacrifice)	No	Yes (type ‘SAW’)
Stipend sacrifice (maximum 40% of agreed stipend)	No	Yes (deduction - stipend sacrifice type ‘O’ or ‘Other’)
Taxable stipend (after stipend sacrifice)	Yes (BAS W1)	No
Tax withheld	Yes (BAS W2)	Yes (BAS W2)
Net stipend (credited to minister’s bank account)	No	No
Other recommended/agreed benefits (provided through an MDBA in addition to the stipend) –		
Housing (agreed reasonable value, if parish house not provided)	No – non reportable fringe benefit	No – non reportable fringe benefit
Motor vehicle/travel (recommended \$8,047 + \$246 per 1,000 km)	No – non reportable fringe benefit	No – non reportable fringe benefit
Other ministry-related expenses (agreed amount for phone/computer, hospitality, professional development, etc)	No – non reportable fringe benefit	No – non reportable fringe benefit

Centrelink implications

Stipend sacrificed exempt benefits are reported to the ATO as part of STP Phase 2, and the ATO will pass that information on to Centrelink.

Other exempt benefits provided such housing, motor vehicle/travel and other ministry-related expenses (phone/computer, hospitality, professional development, etc) are not reportable as part of STP Phase 2. However, some of these benefits, particularly if they are of a private nature as opposed to being directly related to ministry work, may be assessed by Centrelink when determining the individual’s entitlement to income support payments (such as the age pension). Generally these non stipend sacrifice benefits will not be assessed by Centrelink when determining eligibility for other entitlements (such as the family tax benefit).

Since parishes will not be reporting these other exempt benefits to the ATO (and Centrelink) under STP Phase 2, each individual minister will remain responsible for declaring to Centrelink the value of any non stipend sacrifice exempt benefits they receive that might impact their eligibility to government entitlements.

Steps required

In order to transition from STP Phase 1 and comply with the Phase 2 reporting requirements parishes will need to –

1. Update existing employee profiles – employment type (generally 'employee'), income type (generally 'salary and wages'), tax scale (generally 'regular').
2. *Optional: Update YTD income payments into particular categories (most commonly 'gross', 'stipend/salary sacrifice', 'paid leave', etc). However, parishes can choose not to do this and just have a 'hybrid' model for the fiscal year to 30 June 2023, and full STP Phase 2 compliant data from 1 July 2023 onwards.)*
3. Categorise paid leave according to type – annual leave, compassionate and bereavement leave, long service leave, personal (sick/carer's) leave, special paid leave, etc.

Timing

The official start date for STP Phase 2 reporting was 1 January 2022, however the government has allowed many DSPs more time to update their software to support Phase 2 reporting. Your DSP (usually the supplier of your accounting or payroll software) will let you know when your solution is ready. For example, Xero Payroll's STP Phase 2 reporting is available now and parishes are encouraged to get started, or move ahead if they have already started, to make sure they are fully STP Phase 2 compliant well before the deadline Xero has been granted of 31 March 2023.

Corrections

The ATO allows some time for employers to correct information reported in a pay event without being liable to a penalty for making a false or misleading statement. They call this correction a 'fix'. However, it is important that any corrections are made in a timely manner because the ATO may share the information reported through STP with Services Australia (Centrelink). Generally the time to make corrections is in the next regular pay event after the error is identified within the same financial year.

Further assistance

Parishes should contact their DSP for advice on –

- the deadline their DSP has been granted for submission of STP Phase 2 reports, and
- when their system will actually be STP Phase 2 compliant.

The DSP should also be able to provide general advice on recording the additional information required by STP Phase 2 on employee profile, income payment categories and paid leave categories for non-ministry staff. However, experience to date suggests most DSPs are not familiar with the requirements of the tax law relating to ministry staff (i.e., 'religious practitioners').

Parishes that have questions in relation to how they should record and report stipends, stipend sacrifice amounts and other exempt fringe benefits provided to ministry staff are therefore encouraged to seek specialist advice from one of the following –

- the parish's existing accountant and/or auditor,
- SDS (either the author of this Circular or the SDS contact person, Jason Ferguson, whose details appear at the beginning of the Circular) – particularly if it concerns the ATOs requirements in relation to STP Phase 2, or
- one of the firms listed below that provide accounting, bookkeeping, payroll and tax advice to a number of Sydney parishes using the Xero accounting solution (noting that, depending on the nature of the enquiry, there may be a cost incurred) –

Benkorp Management Services –

(p) 1300 138 627, (e) connect@benkorp.com, (w) www.benkorp.com

Exdia –

(p) 1300 139 342, (e) service@exdia.com.au, (w) www.exdia.com.au

Pascoe & Co Chartered Accountants –

(p) (02) 7201 7575, (e) admin@pascoeco.com.au, (w) www.pascoeco.com.au

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