# Confidently prepare for STP Phase 2 checklist



This checklist will help you navigate Single Touch Payroll (STP) Phase 2 in Xero Payroll.

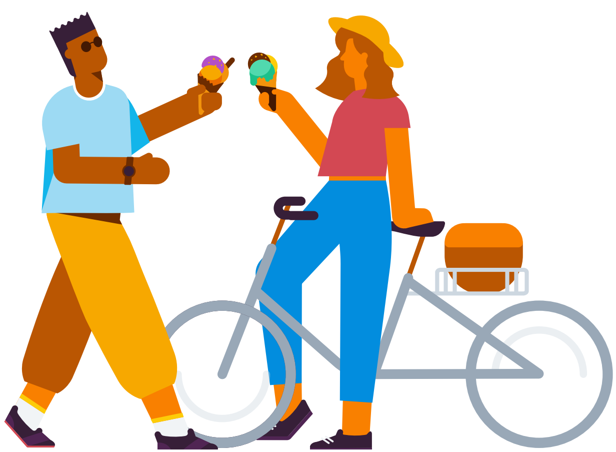
For any extra help you need, check out Xero Central, contact the ATO or your advisor or professional association.

## Step one: stay informed

Understanding the changes to employee information you report, is key to ensuring you remain compliant with STP reporting.

| ACTIVITY | COMPLETE | N/A |
|---|---|---|
| **Xero guide to STP Phase 2** | | |
| Download the Xero guide to STP Phase 2. | ☐ | ☐ |
| **STP Phase 2 Information Hub** | | |
| Check the latest product updates and what's currently under development. | | |
| • Go to the **Payroll** menu and click **Single Touch Payroll**. | ☐ | ☐ |
| • Select **STP Phase 2** tab. | ☐ | ☐ |
| **Xero Blog** | | |
| Read the announcements; | | |
| • Small business customers | ☐ | ☐ |
| • Xero advisors | ☐ | ☐ |
| **Australian Tax Office website** | | |
| Learn more about Single Touch Payroll Phase 2. | ☐ | ☐ |
| Learn more about your reporting obligations. | ☐ | ☐ |

### Notes



# Confidently prepare for STP Phase 2 checklist



## Step two: review your pay items

Now you're aware of the changes for STP Phase 2, it's time to review your existing pay items. While some pay item changes are not yet mandatory, they're available now for you to use.

| ACTIVITY | COMPLETE | N/A |
|---|---|---|
| **Pay Items - Earnings** | | |
| Check the Earnings Category column to ensure you have the correct category assigned to each earnings rate e.g an allowance has a category of Allowance. | | |
| • Note down any earnings rates that need changing. | ☐ | ☐ |
| • Mark any earnings rates no longer required as inactive. | ☐ | ☐ |
| **Earnings - Allowances** | | |
| Allowances are reported under their own allowance type e.g travel, meal, tools etc. If you pay allowances, review your existing set up. | | |
| • Select each allowance and review the type. | ☐ | ☐ |
| • Update the type (if required). For detailed information on allowance types, click here. | ☐ | ☐ |
| • If an allowance has a type of Other; assign a category from the category drop down list. | ☐ | ☐ |
| • Add new allowance pay items (if required). For detailed information on adding a pay item, click here. | ☐ | ☐ |
| **Earnings - Bonuses and Commissions** | | |
| Bonuses and commissions must be reported as a separate pay item as part of Phase 2. If you pay bonuses or commissions, review your existing set up. | | |
| • Check the earnings category is set to Bonuses and Commissions. | ☐ | ☐ |
| • If you need to change the category, add a new bonuses and commissions pay item with the correct category. Then mark the incorrect pay item as inactive. | ☐ | ☐ |

## Notes

# Confidently prepare for STP Phase 2 checklist



| Earnings - Directors' Fees | COMPLETE | N/A |
|---|---|---|
| Directors' fees must be reported as a separate pay item as part of Phase 2. If you pay directors' fees, review your existing set up. | | |
| • Check the earnings category is set to Directors Fees. | ☐ | ☐ |
| • If you need to change the category, add a new directors' fees pay item with the correct category. Then mark the incorrect pay item as inactive. | ☐ | ☐ |
| **Earnings - Lump sum E & W** | | |
| Lump sum pay items must be reported separately as part of STP Phase 2. If you pay lump sum amounts, review your existing set up. | | |
| • Check that the earnings category is set to the applicable lump sum category e.g  Lump Sum E or Lump Sum W | ☐ | ☐ |
| • If you need to change the category, add a new lump sum pay item with the correct category. Then mark the incorrect pay item as inactive. | ☐ | ☐ |
| For detailed information on adding Lump sum E payments, click here. | ☐ | ☐ |
| For detailed information on adding return to work payments (Lump sum W), click here. | ☐ | ☐ |
| **Pay Items - Deductions** | | |
| Check the Deduction Category column to ensure you have the correct category assigned to each deduction, e.g Union fees have a category of Union / Association Fees. | | |
| • Note down any deductions that need changing. | ☐ | ☐ |
| • Mark any deductions no longer required as inactive. | ☐ | ☐ |
| **Deductions - Other / None** | | |
| If you pay deductions, review your existing set up. | | |
| • Select each deduction pay item and review the PAYG checkbox. This field can no longer be edited when a deduction is in use in payroll. | ☐ | ☐ |
| • If you need to change the PAYG checkbox, add a new deduction pay item with the correct PAYG option. Then mark the incorrect pay item as inactive. | ☐ | ☐ |

## Notes

# Confidently prepare for STP Phase 2 checklist

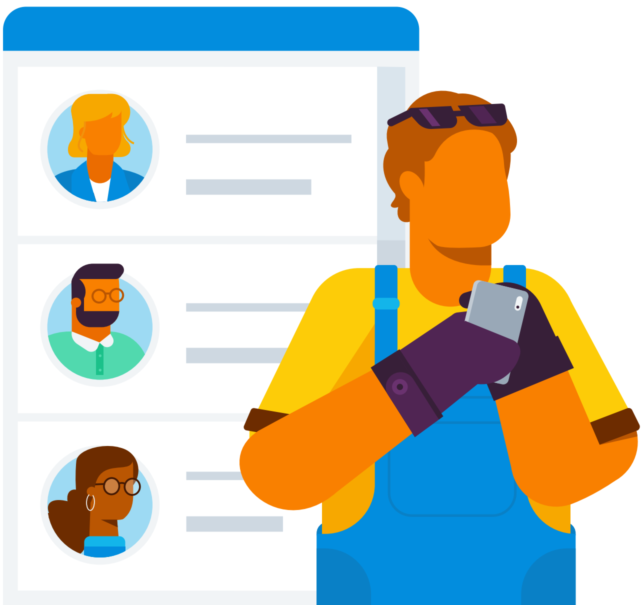


## Step three: review your employees

Phase 2 reporting requires more details about your employees. This means how you onboard a new employee will change, in particular in the Employment and Taxes tabs. Get ready for these changes by reviewing key details below.

| ACTIVITY | COMPLETE | N/A |
|---|---|---|
| For each employee check the following details; | | |
| **Employment tab** | | |
| • Check their start date, classification and ordinary earnings rate. Update if required. | ☐ | ☐ |
| For more information on setting up an employee's Employment tab, [click here]. | ☐ | ☐ |
| **Taxes tab** | | |
| • Check their employment basis has the correct option selected e.g a full time employee should have "Full-time employment" selected. | ☐ | ☐ |
| • Check if their residency status has the correct option selected e.g if your employee is a working holiday maker, then select "Working Holiday Maker" from the drop down. | ☐ | ☐ |
| For more information on setting up an employee's Taxes tab, [click here]. | ☐ | ☐ |
| **Pay template tab** | | |
| In step 2, you reviewed your pay items. If you made any changes, go ahead and update your employees' [pay templates] so the changes appear in the pay run. | ☐ | ☐ |

## Notes



# Confidently prepare for STP Phase 2 checklist



## Step four: have a conversation

As you've learned, there are a lot of changes coming in the way businesses report employee details. Bringing your employees on this journey is just as important as you being across these changes yourself.

Take the time to chat with your employees about the changes they can expect to see now and in the coming months.

For example, if you're required to report an allowance separately like tools, and you have an employee who is eligible for this allowance, let them know they can expect to see this on their payslip as a separate allowance line item. Don't forget you can add a message to employee payslips in the pay run.

For more information on adding a message to payslips, click here.

### Notes

## Step five: update employee documents

Start to think about the types of employee documents you ask employees to complete; either when they start with your business or when their circumstances change.

- Do these documents need updating to include any of the changes for STP Phase 2 reporting?
- Do you need to update any internal process documents?
- Do you need to provide extra training to support your payroll team through this change?

### Use the space below to note down any that come to mind.