Transitioning to STP Phase 2

When transitioning to STP Phase 2, you need to review, update and validate your data. To help you transition, MYOB Advanced version 2021.1.403 added new screens and workflows that let you see all your STP data and update it in bulk.

The new **STP Phase 2** tab of the **Payroll Preferences** screen (MPPP1100) lists the workflows you need to complete to transition to STP Phase 2. You can go to the relevant screen for a workflow by clicking the links next to the checkboxes.

> You should complete these workflows when all pay runs are closed.

The transition workflows are designed as a one-way journey. After you complete them, the ATO won't allow you to return to STP Phase 1.

So, before completing the transition workflows, it's vital that you understand:

- what's changing with STP Phase 2

- how this affects your payroll

- what pay items you need to meet the requirements of new ATO categories.

> For example, in STP Phase 1, a company could have one pay item for laundry allowances. In STP Phase 2, that company might need to create additional pay items for laundry allowances, because different real-world scenarios are now represented by more specific ATO categories.

Before you start, enable STP Phase 2

Before you can start updating your STP information for Phase 2, an administrator needs to enable the STP Phase 2 feature for your company.

First, enable the STP Phase 2 feature

> Only an administrator can enable the STP Phase 2 feature.

1. Go to the **Enable/Disable Features** screen (CS100000).

2. On the toolbar, click **Modify**.

3. Select the **STP Phase 2** checkbox.

Enable/Disable Features

↶   MODIFY   **ENABLE**

- ☑ Inventory and Order Management
  - ☐ Multiple Warehouses
  - ☐ Basic Physical Count
- ☑ Customer Management
  - ☐ Lead/Contact Duplicate Validation
- ☑ Customer Portal
  - ☐ B2B Ordering
  - ☐ Financials on Portal
- ☑ Platform
  - ☑ Monitoring & Automation
    - ☑ Time Reporting on Activity
    - ☑ Approval Workflow
    - ☑ Field-Level Audit
    - ☑ Scheduled Processing
    - ☑ GDPR Compliance Tools
    - ☐ Secure Business Date
    - ☐ Document and Entity Templates
- ☑ Third Party Integrations
  - ☐ HubSpot Integration
  - ☐ Outlook Integration
- ☑ Advanced People
  - ☑ Termination
  - ☑ STP
    - ☑ STP Phase 2

4. On the toolbar, click **Enable**.

# Then, start transitioning to STP Phase 2

1. Go to the **Payroll Preferences** screen (MPPP1100).
2. Click the **STP Phase 2** tab.

> If you can't see the **STP Phase 2** tab, make sure an administrator has enabled the STP Phase 2 feature for your company.

3. Select the **Get started** checkbox. This tells MYOB Advanced Payroll to start thinking in terms of STP Phase 2, and lets you start updating your data.

> If you need to disable STP (for example, in a test tenant) you can click the **STP** tab and deselect the **Enable STP** checkbox.
>
> If you disable STP then enable it again, the original date STP was enabled is still displayed.
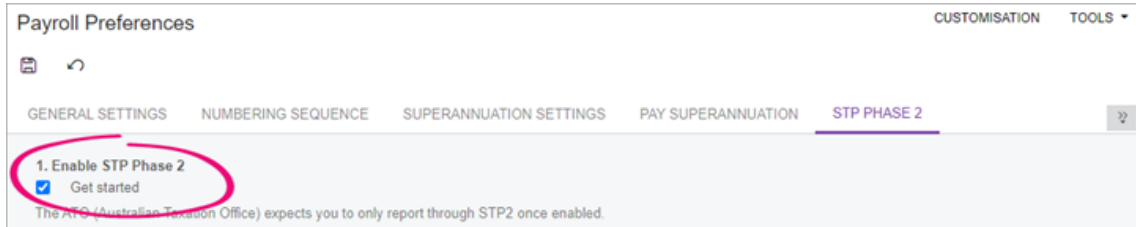
4. On the toolbar, click the **Save** button (💾).

Update your STP information for Phase 2

Updating employee information

In STP Phase 2, payment summary types are now called income types. Some income types have new names compared to their payment summary type equivalent. There are also new information requirements. You can make the required changes on the new **Update Employee Taxation Details** (MPPP2340).

To update employee taxation details

1. On the **Payroll Preferences** screen (MPPP1100), click the **STP Phase 2** tab.

2. Click **Update Employee Taxation Details**. The **Update Employee Taxation Details** screen opens.

3. On the toolbar, click **Actions** and choose **Change payment summary types to income types**. This automatically changes the following payment summary types to their equivalent income type in the **Income Type** column.

Payment summary type	Income type
Individual Non-Business	Salary and Wages
Working Holiday Maker	Working Holiday Maker

Payment summary type	Income type
Voluntary Agreement	Voluntary Agreement
Business and Personal Services	Labour Hire
Not Required	Not Required

4. To manually change an employee's income type, click the **Income Type** field and choose from the list. You can change multiple income types simultaneously by selecting multiple rows, then making your change to just one row.

> For example, if you have seasonal workers, you need to manually change the **Salary and Wages** income type to **Seasonal Worker Programme**.


5. Review all employees and complete the relevant fields and checkboxes. You can complete multiple fields or checkboxes simultaneously by selecting multiple rows, then making your change to just one row.

6. On the toolbar, click **Actions** and choose **Apply income type changes historically**. This applies your income type changes to each historical pay run, so that the YTD STP remuneration values can be correctly gathered for reporting.

> If you don't apply income type changes historically, the YTD report will be incorrect.

> There are ATO rules around updating of historic payments:
> - Income types are not be updated for pays dated earlier than 1 July 2017, which is before STP reporting was introduced.
> - The following income types are only historically updated for pay runs later than 1 July 2020. Any earlier pays are updated as the **Salary and Wages** income type:
>   - Closely Held Payees (CHP)
>   - Salary & Waged employees (SAW)
>   - Inbound Assignees to Australia (IAA).
> - Country codes are not updated for pay runs earlier than 1 July 2020.

7. Click the **Save the current record and close the screen** button (⬚).

8. On the **STP Phase 2** tab of the **Payroll Preferences** screen, select the **Update Employee Taxation Details** checkbox.
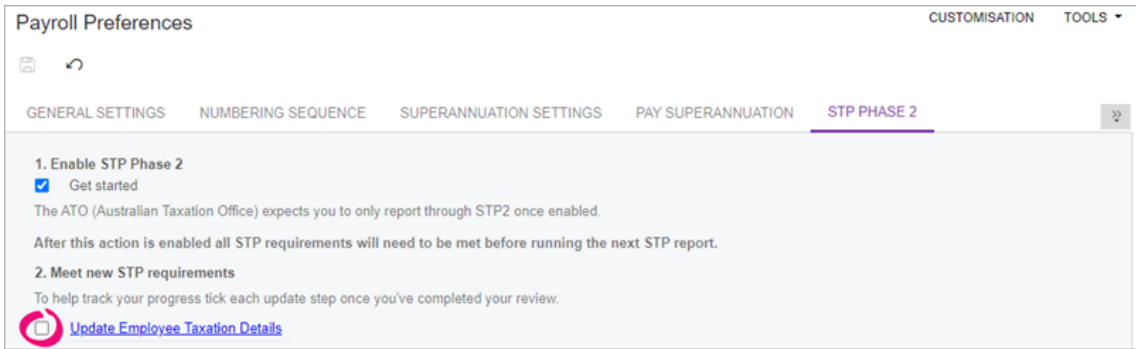
Updating pay item categories

The **Update Pay Item ATO Categories** screen (MPPP2350) has been added to help you review and update all existing pay items, so that you're capturing the more detailed information required in STP Phase 2.

To update pay item categories

1. On the **Payroll Preferences** screen, click the **STP Phase 2** tab.

2. Click **Update Pay Item ATO Categories**. The **Update Pay Item ATO Categories** screen (MPPP2350) opens.

3. On the toolbar, click **Actions** and choose **Change Phase 1 ATO Categories to Phase 2 ATO Categories**. This automatically maps pay items to the new ATO category, where possible.

4. Review the **Phase 2 ATO Category** column. In the The table in the expandable below

ATO category mapping

This table

STP Phase 1 category	Default STP Phase 2 category	Description of change

STP Phase 1 category	Default STP Phase 2 category	Description of change
N/A	Salary sacrifice superannuation	Applied to Employee super pay items marked as salary sacrifice
Various categories	Unused leave on termination	MYOB Advanced updates pay item categories. See the MYOB Advanced items updated table below
N/A	Child support deduction	Applied to all deductions marked as child support. You need to review if it should be standard or garnishee
Gross Payments	Gross Payments (where other automatic mappings don't apply)	Needs user review
Allowance Other	Need to be manually reviewed	Review All allowances should be reviewed
Gross Payments	Other paid leave	Needs user review
Exempt foreign employment income	Exempt foreign income	Relabeled
RESC Payments	RESC	Relabeled
Super Guarantee Amount	Super liability	Relabeled

STP Phase 1 category	Default STP Phase 2 category	Description of change
Allowance Travel	Allowance - travel and accommodation	Review all allowances
Allowance Meals	Allowance - overtime meals	Review all allowances
Allowance Laundry	Allowance - laundry	Review all allowances
Allowance Transport	Allowance - award transport payments	Review all allowances
Allowance Car	Allowance - cents per km	Review all allowances
Reportable fringe benefits amount	Reportable fringe benefits amount	No change
Workplace giving	Workplace giving	No change
Lump Sum D	Lump Sum D	No change
Lump Sum E	Lump Sum E	No change
Lump Sum A	Lump Sum A	No change
Lump Sum B	Lump Sum B	No change
CDEP payments	CDEP payments	No change

MYOB Advanced items updated

Pay Item name	Current Category	New Category
Unused AL loading (Post-1993)	Gross Payments	Unused leave on termination
Unused AL (Post-1993)	Gross Payments	Unused leave on termination
Unused LSL Normal (Post-1993)	Gross Payments	Unused leave on termination

5. For any incorrect categories, change it by clicking the **Phase 2 ATO Category** field and choosing from the list. You can change multiple income types simultaneously by selecting multiple rows, then making your change to just one row.

6. On the toolbar, click **Actions** and choose **Apply Phase 2 ATO Categories Historically**. This applies your reviewed changes to the current configuration and historical pay run records.

> If you don't apply the phase 2 ATO categories historically, the YTD report will be incorrect.

> There are ATO rules for updating historic payments: Lump Sum Type Code of W is not reportable prior to 1 July 2020. MYOB Advanced handles this automatically.

7. Click the **Save the current record and close the screen** button (💾).

8. On the **STP Phase 2** tab of the **Payroll Preferences** screen, select the **Update Pay Item ATO Categories** checkbox.
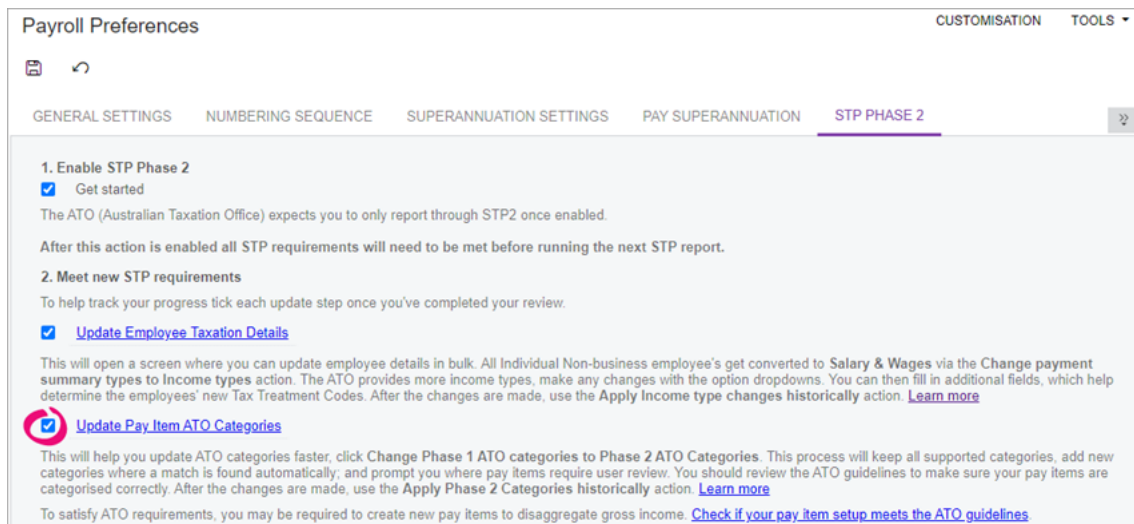
Updating lump sum E payments

In STP Phase 2, all back payments need to say which year the back payment was for. The **Update Lump Sum E Financial Year** screen (MPPP2351) lets you view all historic back payments and assign a year to them.

To add a financial year to a back payment

1. On the **Payroll Preferences** screen, click the **STP Phase 2** tab.

2. Click **Update Lump Sum E Financial Year(s)**. The **Update Lump Sum E Financial Year** screen opens.

3. In the **Financial Year** field for a back payment, enter a financial year. You can assign the same financial year to multiple back payments simultaneously by selecting multiple rows, then entering a financial year in just one row.

4. When you've added financial years to all back payments, click the **Save current record and close the screen button** (⟳).

5. On the **Payroll Preferences** screen, select the **Update Lump Sum E Financial Year(s)** checkbox.

Updating termination details

In STP Phase 2, all terminations require a cessation code. If you need to send a new update/finalisation STP event for a previously terminated employee, you can use the **Update Cessation Reasons** (MPPP2380) screen to assign a cessation code to any historical terminations.

To update cessation reasons

1. On the **Payroll Preferences** screen, click the **STP Phase 2** tab.

2. Click **Update Cessation Reasons**. The **Update Cessation Reasons** screen opens.

3. Double-click the **Cessation reason** field for an employee and choose from the list. You can add a cessation reason to multiple employees simultaneously by selecting multiple rows, then completing the **Cessation reason** field for just one row.
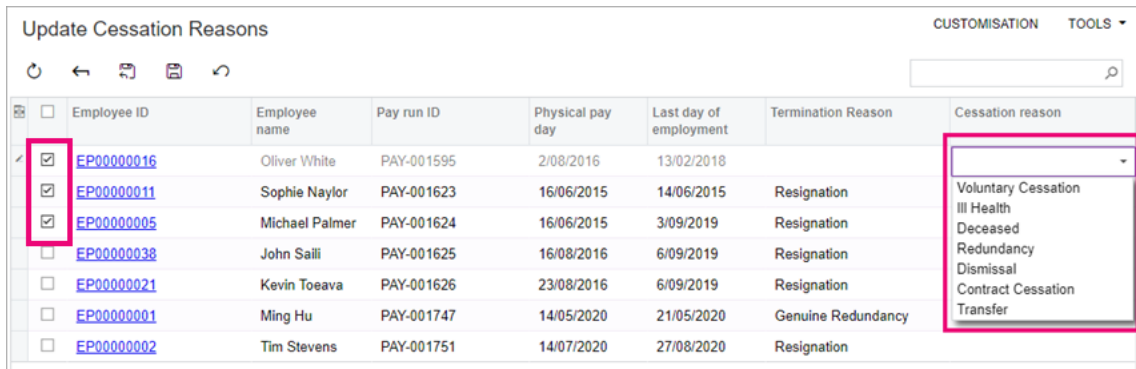
4. When you've finished adding cessation reasons, click the **Save the current record and close the screen** button (💾).

5. On the **STP Phase 2** tab of the **Payroll Preferences** screen, select the **Update Cessation Reasons** checkbox.
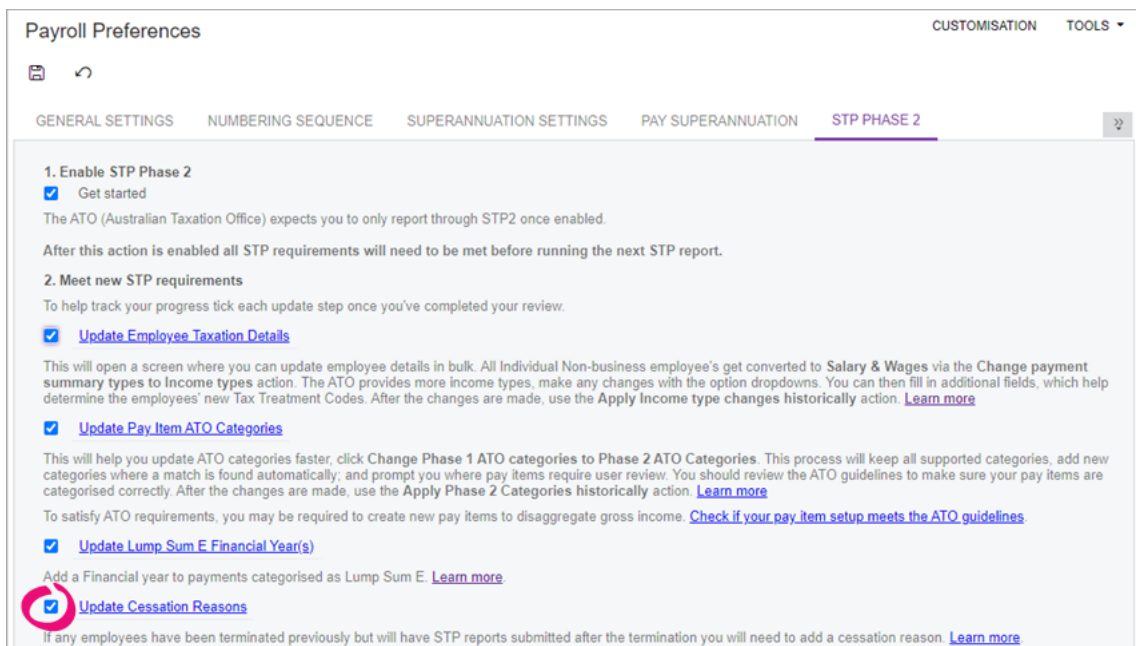
Checking company data changes

MYOB Advanced has a check-data feature that is useful for pointing out if a company, employee or pay item is missing mandatory data. This feature has been updated to check if data meets the STP Phase 2 requirements.

The check data feature only checks for mandatory data – for example, an employee being paid using pay item ATO categories that don't match the employee's income type. It doesn't check for transactional irregularities.

> Data is also checked automatically when you process a pay run. Only data relevant to the pay run is checked. The person processing the pay run won't see data being checked, but if something is incorrect, they'll be notified in MYOB Advanced.

To check company data

1. On the **Payroll Preferences** screen, click the **STP Phase 2** tab.
2. Click **Check Data**. The **Check Company Data** window opens.
3. On the toolbar, click **Run Validation** to see if all companies, employees and pay items meet mandatory data ATO requirements.
4. If errors are found:
   a. Click the link in the **ID** column to go to the relevant screen.

   b. Make changes to address the error and save your changes.
   c. On the **Check Company Data**, click **Run Validation** again.

5. If no errors are found, you've passed the mandatory data ATO requirements check. You're now ready to report with STP 2.

What data is checked?

The following table shows some of the STP Phase 2 updates to the check-data process.

> In MYOB Advanced Payroll versions 2021.1.403 and later, some validations areas have been relaxed for employee address information and company address information.

Entity	Error
Employee	When Employment Basis Code is V (Voluntary agreement), an Income type of VOL (Voluntary agreement) must be provided
Employee	When Medicare Levy Exemption is provided in the fifth character of the Tax Treatment Code, the first two characters must not be one the following: RD, AD, AP, CT, CF, HR, HU, HF, WP, NF, NA, DB, DV, DZ, VC, VO, RN, AN, or FF (i.e. Only choose Medicare levy exemption if Scale 2 or 6)
Employee	When Medicare Levy Reduction is provided in the Sixth character of the Tax Treatment Code, the first two characters must not be one the following: RD, AD, AP, CT, CF, HR, HU, HF, WP, NF, NA, DB, DV, DZ, VC, VO, RN, AN, or FF (i.e. Only choose Medicare levy reduction if Scale 2 or 6)
Employee	Country Code can't be au, nf, cx, cc, or hm