

14 December 2020

The Hon. Stuart Robert MP  
Minister for Government Services  
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The Hon. Michael Sukkar MP  
Assistant Treasurer  
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Louise Clarke  
Deputy Commissioner  
Policy, Analysis and Legislation  
ATO

By email: SingleTouchPayrollPhase2@ato.gov.au

Dear Minister, Assistant Treasurer and Deputy Commissioner

### **Delaying the proposed start date of Single Touch Payroll Phase 2**

CPA Australia, Chartered Accountants Australia and New Zealand, Institute of Public Accountants, The Tax Institute, The Institute of Certified Bookkeepers, Tax & Super Australia, National Tax and Accountants' Association Ltd and Australian Bookkeepers Association are the external professional association members of the ATO Tax Practitioner Stewardship Group, and are together the **Joint Bodies**. We write to you as the peak professional accounting, tax practitioner and bookkeeping bodies in Australia representing the tax profession.

The Joint Bodies are committed to the successful implementation of Single Touch Payroll (STP) Phase 2, however for the reasons below, digital service providers, intermediaries and employers are not in a position to meet the proposed 1 July 2021 start date. We therefore seek a deferral of the start date to **1 July 2022**.

Such an extension will help to ensure that the data submitted through STP 2 to the ATO, and subsequently shared with Services Australia and others, is more likely to be accurate and able to be relied upon by Government.

Our profession has been integral to the successful implementation of Single Touch Payroll (STP) Phase 1 and has supported businesses and employers through the impacts of COVID-19, including the critical role played in implementing the Government's economic stimulus measures.

Businesses and employers have been significantly disrupted as a result of COVID-19 and many remain financially vulnerable. Tax practitioners have spent a significant part of the year focused on economic stimulus measures and business survival, often without recompense. They are now focused on tax compliance, business recovery and implementing the Government's next tranche of measures intended to support the business community and Australians recover from COVID-19. Many have minimal capacity to cope with additional pressures or costs associated with further compliance and regulatory requirements.

The tax profession has worked closely with the Government and the ATO throughout STP Phase 1 and supports the intent of the next stage – Single Touch Payroll Phase 2. The proposed legislative instrument, [Taxation Administration - Single Touch Payroll - Amounts to be Notified Determination 2020 \(the Determination\)](#), nominates the extension of the reporting requirements through STP

which requires a change to technical submission of STP data. The [Explanatory Statement](#) to the Determination specifies a start date of 1 July 2021.

The Joint Bodies are aware of, and in some instances have been involved in, the extensive consultation and co-design process in relation to the technical specifications required to enable STP Phase 2 reporting. Our understanding is that this is only now approaching finalisation.

We have significant concerns about the ability for employers, tax practitioners and digital service providers (DSPs) to be ready to implement STP Phase 2 on 1 July 2021, including:

- Unrealistic timeframes for a large-scale change program where technical specifications are not yet finalised — this further exacerbates the COVID-19 impacts noted in the following point;
- COVID-19 impacts resulting in planned activities to be deferred for at least eight months — well into 2021 — to implement JobKeeper and JobMaker, as well as other support measures across all levels of government;
- Identifying and assisting those micro employers and businesses with closely held payees who are not yet required to report through STP Phase 1;
- Limited awareness across the business and practitioner community of the scale and breadth of the STP Phase 2 changes;
- The increased cost of STP Phase 2 payroll solutions and the possible exit of low/no-cost payroll solutions from the market;
- The costs of training staff in the new software and then accurately migrating data into the STP Phase 2 environment;
- The planned rollout of STP Phase 2 will challenge many larger employers who are using proprietary payroll systems and are unlikely to be able to make the transition in the proposed timeframe;
- The high likelihood of poor-quality data reported through STP Phase 2, which would potentially negatively impact the quality of information received and used by government agencies; and
- 30 June is the financial year-end for most businesses, and so finance, reporting and accounting functions will have no capacity to implement a new payroll system at the same time as all other year-end requirements.

For STP Phase 2 to be successful, we submit that the employer community and their intermediaries will require:

1. correctly formed payroll software solutions,
2. an appropriate length of time to understand and implement the changes, and
3. a period of time to reconfigure each employee's details within the software.

With this in mind, the Joint Bodies seek a deferral of the start date of STP Phase 2 to 1 July 2022. With an appropriate transition and implementation timeframe, we foresee that the data submitted through STP to the ATO, and subsequently shared with Services Australia and others, is more likely to be accurate and able to be relied upon to achieve the Government's objectives.

The successful implementation of STP Phase 1 included a future start date, a transition period, and a deferral process. It recognised different development and implementation schedules. The tax profession commends the Government and the ATO for the success of STP Phase 1, which is an example of a well-managed change program that recognised co-dependencies. Phase 1 was

co-designed, with external stakeholders who were crucial to successful implementation, working closely to achieve the desired outcome.

The scope of STP Phase 2 involves a greater magnitude of change than Phase 1. We recommend that the successful STP Phase 1 approach be replicated for Phase 2. The Determination, as drafted, does not provide for a tailored approach.

Consideration should also be given to a deferral or extension process that would allow for the development of payroll solutions and the implementation process for some categories or specific classes of employers.

Contrary to what is suggested in paragraph 12 of the Explanatory Statement, we do not believe that the compliance cost associated with Phase 2 will be minor. We consider that the cost to employers to obtain a STP Phase 2-enabled payroll solution, and then transition to the STP Phase 2 requirements, will be significant. In addition to software outlay, the human cost associated with collating the necessary information cannot be underestimated.

The Joint Bodies are committed to the successful implementation of STP Phase 2 and bring insights and experiences from STP Phase 1 implementation. We support the submission made by the Australian Business Software Industry Association (ABSIA) which highlights the risks related to the accuracy of reported incomes and Government exposure to incorrect income support decisions as a result of rushed implementation of Phase 2.

The practical reality is that the proposed 1 July 2021 start date is not feasible.

Should you wish to contact us in relation to the above, please contact Matthew Addison, Executive Director (ICB), on 1300 85 61 81 or at [Matthew@icb.org.au](mailto:Matthew@icb.org.au), in the first instance.

Yours faithfully,

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