

Presenter - Chris Howard (ABSIA): Alright.

Webinar Host - Maggie Leese (ABSIA): I think we're good to go.

Presenter - Chris Howard (ABSIA): Ready to start. Excellent. Thank you.

Ah well. Welcome everyone to this webinar today and thank you for joining us this afternoon. I'm Chris Howard. I'm the President of ABSIA and one of the Board of Directors.

I just want to first off, thank our guest today, John Shepherd, from the Australian Tax Office, for joining us.

John's worked for the ATO for 25 years based in Canberra but has been out and about quite a bit lately talking about Single Touch Payroll and helping us through the industry changes. He's currently the Commissioner for Single Touch Payroll and has been the STP program lead for the last three years. If you've attended one of our Annual Conferences, you may recall John and I had a similar chat about STP. We're going to be talking, predominantly about Single Touch Payroll and the End of the Financial Year and what that might mean for the industry.

I will ask the audience to please use the chat function to ask any questions and just before we start, John, is there anything you would like to add before we start the discussion.

Guest Speaker - John Shepherd (ATO): No, no. Nothing to add from me thanks Chris. Happy to get into it when you are.

Presenter - Chris Howard (ABSIA): Excellent. Thank you John.

As I said, we are taking a look at the last year of Single Touch Payroll and briefly discussing some of the significant successes and learnings that we've had. We'll delve a little bit into topic of Single Touch Payroll's role in the end of year financial processing. What's different, what's new, what software developers can learn or expect and then we'll round out the webinar with a discussion about the common errors that the ATO have found with STP and what the software development community can learn from those.

Towards the end of the webinar we will be opening up for some conversation and Q&A.

We're approaching the first full year of Single Touch Payroll for those employers with 20 plus employees and now those with 19 or fewer employees will be reporting STP as of 1 July 2019. So as part of that, if I may, John, we'll start with the past year of Single Touch Payroll.

We're approaching the first year mark since it was introduced for employers of 20 or more and now with the 19 or fewer coming on board, these will be required to report through Single Touch

Payroll as well. How has the first year of Single Touch Payroll been received, recognised and what successes have you seen?

Guest Speaker - John Shepherd (ATO): Well Chris, I think firstly you'll see from that slide and the numbers have really accelerated particularly over the past few months in terms of employers on board and particularly employees. We have had as you mentioned a transition year from 1 July last year, an important transition year as all of the products got ready and we've now got a lot of, particularly the tier one, tier two products, but nearly all of the products now STP enabled. And particularly starting to see some of the very large employers in Australia start their reporting from some of those most complex payrolls and we always said that they would need the most time because they have, probably, the most complex systems and processes and scenarios to deal with to for their employees.

But overall, just to touch on these numbers and they've moved pretty quickly even this week. We're actually now up to 109 thousands employers reporting each pay day and that includes 52 substantial employers out of the expected 70 thousand substantial that we think would come in. Yesterday, for example, we had two thousand onboarded and every week day for the last couple of weeks now we've been seeing around a thousand employers start reporting and our prediction is that those figures will continue to build and grow now right through into July and beyond with the small employer legislation going through. Each of the days so far the split has been about 80 20. So we're seeing about 80 percent of our numbers coming on being small employers starting early and about 20 percent being in the 20 or more or substantial category. And that progress, as I said, has been quite pleasing.

On the employee front, we're now up to nearly seven million employees, it's around 6.9 and we've projected that the number of employees covered by STP will grow to around nine million by the end of June. Which is an important thing to note because that's nine million who, and we will get on to a bit of the end of year stuff in a minute, the impacts, but that's potentially nine million employees who will get their end of year tax return data from STP or from MyGov or from pre-filling their *inaudible* tax return based on STP finalisation and not from a payment summary annual summary being submitted to the ATO. So that's quite a shift and, as I said, I'll talk a bit about the messaging that sits around that in a minute.

So that's kind of a progress. We also this year deployed two services supporting a pre-filled employee commencement forms both the TFN declaration and the choice of fund form, which enable an employee who onboards through those online forms to actually get a pre-filled TFN dec using information the ATO holds, which hopefully helps them get those things more accurate and get a better outcome in terms of getting their withholding right as well as the ability to actually present to an employee, not just their default fund details but also their existing superannuation accounts which was a really important outcome. And it's been a slow launch of those products, those two employee commencement products. One is directly available through ATO online in MyGov and can be pointed their by an employer. But the one we really want to build up is actually the one that has interaction with an employer's software and enables the

employer in the onboarding process to point the employee to a link to go in and complete those forms, those online forms in MyGov and then get the data back, at the end of the process, back into their software and be able to process it as a part of the onboarding. So the direct service is now getting some usage, it's been a self launch. We, yet, haven't seen any software products that have built the ability to navigate into them, the ATO online form, and get the data back digitally and one of the reasons for that has just been that the main focus being on pay event, which is, of course, the legislated requirement, and the employee commencement services are of course optional an optional service.

So that's covered things in terms of the last year and what we've got to. Certainly, numbers wise, we're quite pleased. I think if you just go to the next slide there.

We do talk there a bit about those that haven't onboarded. Of course, I've mentioned around 51 or 52 thousand substantial employers reporting out of 70 thousand there are a number that are still subject to deferrals a lot of which end by 30 June or earlier. But we have seen a number who don't have a deferral or have a deferral that's expired but still haven't started reporting and we've started to take, send a firmer message, we've certainly started to send some follow up messages. Which are precursor then to any penalties being applied potentially if we don't get a good response to that but yeah it's important for us now that we've come to the end of this first year that those that have 20 or more employees get their reporting up and running unless they've got particularly special circumstances and in which case they should be engaged with the ATO around whatever time that might actually take and we're treating those very much case by case now. There's really no more blanket deferrals being applied for the substantials it is much more a case by case rather than driven, particularly, by software solutions etcetera. We are actually also starting to make some follow up calls, not just the letters, but we will be doing follow up calls etcetera as well for some of those employers.

So I might move from there just on to the end of financial year changes and what that means.

Presenter - Chris Howard (ABSIA): Sure.

Guest Speaker - John Shepherd (ATO): So there's certainly a couple of messages there Chris around this experience and there's been a lot of thought gone into how do we communicate. One of the big things I've heard a lot about is I've gone around to different employer forums and different tax agent groups and software developer events is concerns about how the ATO was going to tell people they won't be getting a payment summary any more and so we've actually done a lot of work to understand that experience from both the employers side as well as the employee side and importantly, then, how we message it to tax agents who could be supporting either the employer or the employee. So we've got a bit of a split message happening there and it's important if I just highlight the high level message. The high level message is very much from an employer perspective. If you report under STP and finalise in STP, you don't need to provide a payment summary to your employees. You can if you want to but you're no longer legally required to and as long you finalise in STP and then that

data will become available to your employee through their pre-fill, whether they do their own tax return or through their agent and if they still want to get the thing they used to call a payment summary or a group certificate, now called an income statement, they can get that from ATO online. So that's the employer messaging and certainly we've really been saying there you have this year until the 31st of July as a transition year to finalise your data for your employees in STP to submit those finalisation events, which will then obviously make the data tax ready for the employees to go and do their tax returns. From next year onwards, that date will actually be the 14th of July. It will come back to what the date was to give your employees payment summaries in the current system, in the old system. So that's the important messaging there from an employer perspective.

From an employee perspective, because this is seen as such a significant change and something people still ask for and expect just to be a part of getting ready for tax time. Our message has been not that payment summaries will disappear altogether but that what you got from your employer called a payment summary is changing, it's got a different name and it won't come from your employer anymore. You'll actually be able to get that from either the ATO, through ATO online again through having a MyGov account, or you'll be able to get that through your agent. And it's been an important split message there because for a lot of people they only have a once a year interaction with the tax system where they go to a tax agent in early July just to get their tax return processed and get their refund hopefully out of that interaction. So for them they can go and set up a MyGov account and access that information and other information like your super online or they can still go to their agent and get their tax return prepared. So that's been kind of our messaging and we've got a fair bit of communication planned over the next couple of months for agents but importantly going to individuals in a range of different categories, including those individuals who still lodge paper returns and therefore are unlikely to have a MyGov or get a MyGov message. We've got those who do their own tax returns and messages going to them through MyGov and then we've got that strong messaging and interaction with the agents working through with agents what's changed this year and that goes right down to, for example, how some of the larger agents who do a lot of refunds in July communicate on their websites because formerly they would have said when you get your payment summary from your employer, come on in and we'll book you an appointment and we can do your tax return straight away. Obviously, things like that, even, have to change because those triggers will change, particularly where the employer isn't providing a payment summary and I say is and I know there's a number of employers who have said that they still will provide payment summaries for this year but our key message to employers, again, has been let your employees know what you're doing, whether or not you're going to provide them with a payment summary. If you're not, pass on some information about how to access their income statement and how to get their tax return still done and we're providing that information out to employers and agents and it's available as fact sheets on our website to really support that change to the end of year process.

So, if you look at it through a very thin lense, it's a very minor change Chris in some ways and almost seamless but for some people it will be seen as very significant cause I've always got a group certificate from my employer.

Presenter - Chris Howard (ABSIA): I, as you know, I also work in the payroll industry and that is a very similar message. It is really about the individual employee and getting access to their end of year information. I think there's, there's probably a little bit of not, one big concern is probably a little bit of unsure of what it will actually look like. We've certainly worked with yourselves to pass around that messaging and I do see how that messaging could add significant value as we come closer to the end of the financial year.

Guest Speaker - John Shepherd (ATO): Yeah, yeah I agree. And we still get lots of questions in and around this, around particularly those that are starting and a lot of the small employers who have chosen or are thinking about starting before 30 June. Lots and lots of questions about can I still start. Do I have to do payment summaries if I only start in June. Do I have to do payment summaries this year or not and there showing people in most cases that's fine and they'll basically submit and they should be doing their year to date reporting and their solution should help them to actually make that transition at the time that's right for them. And all the solutions cater for that, that kind of start so that's a pretty important message to get across as well. 'Cause there's still a little bit of confusion out there around that. The other one is just around ability to come back and do past, after doing the finalisation, can I come back and actually make changes if I identify an error. Can I come back and do that later and, of course, we say yes that's the ability through STP to make amendments has been provisioned as well. To come back and do those amendments, where you find the latest, so finalising doesn't necessarily mean finalising forever and then we've got the functionality as well obviously to be able to go back and do whatever amendments, therefore, would be needed to the individual's tax returns as part of that.

Some of the other supportive messaging I just wanted to pick up here that we've worked through is the data that's made available, that's available year round, year to date information that's now visible in MyGov for all of those people who are reporting each pay day. Will be available there and there will be, it will be listed when the employee comes and we know we have lots of taxpayers who try to do their tax return as soon as tax time opens and so they'll be in right on the end of June on the 1st of July trying to do their tax return and they have always done that regardless of whether or not they've got their payment summary. They'll use whatever source they've got. So we are pointing out to people in the pre-fill process have got STP information reported and we're also giving them a warning that, in that messaging, that says that you have unfinalised data or, sorry, put that in another way, your data's not yet tax ready. You have information reporting in STP from an employer. It's not yet tax ready and that you should wait until it's tax ready and we'll also advise taxpayers then when all of their employers who are in STP have finalised their data and we'll give them a nudge then to say your income statement data or your STP data has all been finalised and you can be a *inaudible* now and do your tax return. That that messaging is important and given that the employer's obviously have until the

31st of July to finalise. We are saying finalise, obviously, as soon as you can and we know lots of employers did PSAR last year quite quickly, within the first couple of weeks of July. So the same kind of thing would apply but at the same time we're actually saying to employees if it's not finalised you really should wait or you might end up with amendment or you might end up with a debt that you have to pay back. So they kind of cover off most of our kind of common messages and things that are in there and I think I've picked up most of them in terms of this unfinalised STP data. But we don't stop people from submitting their tax returns with unfinalised data because they still will use whatever data they actually can pick up currently. They'll often pick that up off their last payslip for the year to actually submit. So we're just trying to use it as a prompt to actually help them to make the right call about waiting that is they choose to still go ahead and lodge with the best information they've got, they will then potentially get an amendment later and that's what's pointed out to them.

So they're probably my main things there I think I wanted to cover in terms of that end of financial year. Particularly impacts around the change from payment summaries and that messaging to both employers and employees and we've tried to work this through fairly carefully because it is a bit of a nuanced message depending on which one we're actually talking to.

Presenter - Chris Howard (ABSIA): And I assume given that this is the first year of this full year of activity, there will still continue to be some mild confusion that we'll have to work through together. But stating that, the messaging has been out there now and it is being shared, so, hopefully it will minimise most of that impact.

Guest Speaker - John Shepherd (ATO): Yeah and that's assuming people read messages. We know even when we write to people and send them a MyGov message, for example, the actual open rates are not incredibly high but that's the case in terms of any channel we use. Whether that's email or physical correspondence or MyGov we, people, will only, it's only as good as what people are prepared to read, want to open it and actually read it and so we've tried to cover this from a range of angles to make sure that they're going to, hopefully, get the message one way or another.

Presenter - Chris Howard (ABSIA): Excellent.

Guest Speaker - John Shepherd (ATO): There's just a bit of a view there of just what that employee view looks like for those that haven't seen it. Hopefully now with so many employers in STP you know perhaps some of the people online have actually had a chance to get on to ATO online and have a look at their own data. Either the data's that's been reported through STP or now we're also displaying a lot of the contributions data that we're now also receiving from superannuation funds. But yeah those streams shouldn't, hopefully, come as a surprise to people who have been around for quite a while now. And there is the ability for employees if they wish to print those, there's a print version that they can do off of ATO online to get a copy of their income statement. They also, if they get really stuck and can't, for some reason, get themselves a MyGov account or really just have no, very limited, digital skills they can call our call

centre and they will provide a copy and mail it out to the person still. So, there's still a few safety nets in place there and, again, another *inaudible* would be we commonly get the question about we're forcing people to take up MyGov accounts. Whether it's mandated and that's not the case. It's really about saying there's a range of services that you can access some information if you have a MyGov account not just from the ATO but from other agencies but it's still a choice about whether people choose to take that up or not and if not there are, as I said, some other safety nets in place. Clearly the ability to see a lot of this stuff in more real time and the level of information that's available starts to drive some of the benefits to doing so though. And we're trying to bust, again, some of the common myths about how difficult MyGov might be to log on to or how hard it is to set up an account. A lot of that has been streamlined and even in terms of the access to ATO online, once you've set it up and linked it to MyGov you can set up a voice authentication through the ATO app and actually directly access your ATO online account through your phone using voice logon each time, which is another way to get to it if people don't want to go through MyGov to get to that each time and do their password etcetera.

Alright so, Chris, anything there, else you want to explore around end of year or do we move on to sort of some of the things...

Presenter - Chris Howard (ABSIA): Some of the common errors yeah. First, I think that has been very informative and certainly being able to look at that from both a business and an individual perspective has been very valuable. As I said, we're still seeing questions about what to expect so hopefully this information will get out further to even more people as well and I'm well aware of some of the upcoming communications that are being planned out of ATO as well. Which I think will only go to extend that messaging about don't worry, here's what you can expect so I think this information is tremendously valuable.

Guest Speaker - John Shepherd (ATO): Yeah look and I think ... this is the first time, this is the first really tangible change and as I said, it should be fairly streamlined and simple but it's the first real tangible change they're probably seeing from their employer reporting through STP so no doubt it will flag and raise a few questions from people.

Presenter - Chris Howard (ABSIA): So yeah, if can go ahead and jump to the, to the next topic 'cause you know whatever you and I have spoken about in previous discussion was what are some of the things you're seeing in the data now and what are some of the common errors that you're seeing coming through that businesses or the software industry can be looking at in terms of how we improve missing information or how we help to reduce potential issues that are created in businesses or industry.

Guest Speaker - John Shepherd (ATO): Yep, no worries, I will cover that and look I'll firstly say I think that the PVT, or the Production Verification Testing, process that we're now doing or we have been doing since the start of STP with the software providers on a couple of employers before they roll out has actually been really valuable in picking up some kind of obvious things and some anomalies that obviously isn't a catch all and it isn't a thorough, thorough end to end

test of every scenario but we do find that's a useful process to actually iron out some of the kind of more obvious and things before it rolls out more broadly. I also should say that our approach has continued to be very much careful intervention on the data that we're receiving. We're obviously getting massive amounts of transactions through now each day. Peaking usually on a Wednesday but the numbers are actually quite staggering in terms of the transactions both in terms of STP and the data coming from funds on the super contributions. So we are being quite careful firstly, still, not to actually try to, there's no real automated processes being put in place at this stage. Other than what we do around the acknowledgement of the first submission from an employer and a welcome to STP message that goes out but beyond that we're still doing that kind of careful analysis and collectively intervening or following up on individual cases. Individual submissions and things that like look anomalies but we're doing that in the context of learning and hopefully predicting where things will self correct again still very much picking up on the learning from the UK process where they probably over-engineered that initial reconciliation processes. So we know we've got a lot to learn looking at it in kind of three levels. Initially that we actually, actually I'll come back to that three levels because I think that's the next slide. But just in terms of some of the things we have seen. On the whole, people are reporting really well, the data is actually coming through and we're actually able to start to make some good sense of it and particularly how, for example, you know some of the super liability information might be able to be seen in light of the information on contributions we're getting from funds. We do obviously need to do some work on both in terms of ironing out some of the idiosyncrasies and some of the data quality issues that we see. We still see some late or misreporting of payroll events and in some cases that lateness is not much of a concern, it may just be a day after payday and there is the facility we've built into the portals to enable an employer to notify if that's a recurring thing that they have because they have someone submitting on their behalf or doing the software on their behalf. They pay *inaudible* one day and then the bookkeeper comes in and actually puts everything into the software and submits the file. The next day, well, we can actually support those arrangements through, by notifying us through that deferral form. However, not commenting there on whether the Fair Work requirements around that. That's just purely from around how does STP operate and flexibility but we do see some misalignment, if you like, of the payday and the report date and that's fine if the report date is earlier than the pay date but not so much the other way around.

We're still seeing some missing information in some files as well and some of that not just optional information but mandatory information. We've got some employers who are using multiple software IDs and we've also still had quite a regular occurrence, I think it still runs at about 10 percent, of employers who start submitting in STP without notifying their software ID. Again, most of the software solutions now have actually are doing quite a good job of actually pointing that out after that first submission and we're also looking at how, building as service that the software can consume around a pre-check, so enabling the software to pre-check whether or not the software ID's been provided before the employer starts reporting in the first place rather than having to go through that first failed submission to identify it so. I mean my main feedback on that is they're reporting, to start STP reporting has been so easy in many of the products that people have just thought I'll give this a go without actually doing that first step.

So although I said it's running at about 10 percent, or one in 10, fail that initial submission because of software ID notification in many, many cases that then is corrected for the next submission to be successful and for those that have actually had ongoing failure and it not responded to correspondence and things we've sent them. We're now actually starting a phone campaign to reach out to those employers and talk them through on the phone, actually help them get their software ID notified on the phone, so their reporting can get up and running and they can be successful with that.

Presenter - Chris Howard (ABSIA): So with that level of interaction John and I mean it sounds like there's been a lot of work done to help organisations and especially payroll administrators or officers to make sure that those things are being resolved. Are there any that are repeated just right throughout that continue to create challenges, any issues?

Guest Speaker - John Shepherd (ATO): Look, I don't think so. I think, as I said, the software ID has been a bit of a bug there, that's probably the main one. But other than that, we have seen some really good learning and response to some of that early reporting. I think nearly all of the products have done some refinement and certainly have picked up on the learnings from those early submission and are doing a really good job of onboarding their employers and we're getting into quite a rhythm, which is really important, of course, coming into the smaller employer implementation where we move from 70 thousand substantial employers to seven hundred and thirty thousand smalls. So it is important that we iron that out and we know that in that population there's quite a large number that will be using software, some kind of software product, for the first time. So the chance of error in there is obviously higher as well 'cause they're not necessarily familiar with it so. I think, other than what I've mentioned, I think that that learning is being fed back and addressed in a lot of the products as well.

Presenter - Chris Howard (ABSIA): That's pleasing to hear. Pleasing to hear.

So I guess the next segway into that is that in the longer term are there things that the software development industry can do to help in reducing some of these or to improving moving forward?

Guest Speaker - John Shepherd (ATO): Before I go there, I might just talk to this slide Chris, which is actually just ...

Presenter - Chris Howard (ABSIA): Sure

Guest Speaker - John Shepherd (ATO): ... getting some examples of the use of data and how we're going about it. So I started to talk earlier about the three, the different levels of checks that we do on the reporting we're getting. Our initial focus, building off what is done in PVT has been very much health checks around each submission and ensuring that we can see internal data integrity so the data actually makes sense together and it kind of relates to each other. It goes beyond the sort of testing that happens in *inaudible* around conformance but actually starts to look that the right attributes are there and that there, for example, you know

fields are not bigger than other fields that you would expect to be and that they're relatively similar, sorry, relative to each other in the way we would expect. The second level of checks that we've now started to work on and more toward is the diagnostic models and, in particular, that's starting to look at the interaction of what we're seeing through the pay event reporting for STP, which is a reporting event and then how that relates to what's being, the payment event, which is the BAS, is probably the obvious example. So then when people come to do their payment of their withholding what's the, how do those things true up in terms of what the reporting was through STP and we do have plans from next year, which we're working through and designing around using pre-fill of the information reported through STP as a starting point on the BAS, which can then still be updated if it needs to be but the idea is to use the data that's been reported to streamline the BAS lodgement process and also consider how we can use it to help people to pay if the BAS isn't lodged as well as part of those scenarios. But yeah the diagnostics really then starting to look at that against the other events and what we would expect to see. Phoenix is mentioned there, it's one of the things that STO, of course, is bring forward the reporting of the employee data from what's currently an annual process and well after the BAS payments are due each quarter or month, we will actually have the data at the employee level in a more frequent time frame and therefore can start to actually identify discrepancies in things nearer to real time and not be chasing back with debts at the end of the year when we reconcile the PSARs back to the activity statements and find that someone hasn't paid enough withholding and then raise debts etcetera and in some cases find that the companies have gone and moved onto other structures. So, very much, that's what that diagnostic model is focused on is that interaction between those different obligations and then data sets that we can use to actually help remind people to pay when it's due, rather than chasing them afterwards to chase up a debt that's not been paid. Just on the last one there, what we call, MATS data, some people might not be familiar, that's basically the transactions reported for superannuation from the superannuations funds that their reporting all contributions to us now within 10 days of the contribution being received and within that set of data, is all of the super guarantee payments that are made by employers on behalf of employees and so we've got some early work there starting to look at how those data sets, where the crossover is in those data sets. I think we've got around five million employees that have contributions reported now from the funds in real time and as well as having STP data reported to us and it's enabled us to start some of that work to look at how do those two things stack up on what's a quarterly obligation for payment of super and a payday reporting obligation in terms of what gets put on the payslip as the liabilities for super. So that work is now, as I said, we're starting to make some early, early inroads but far, far from actually automating any outputs or *inaudible* any machines around that it's really, again, still in that learning phase and validating what are some of the typical reasons for those figures not being the same and what do we do to actually deal with that as well as we go forward.

So they were kind of the main ones that I just wanted to point out in there before I go to a couple of other things. I'll come back to your question to Chris, if you don't mind. I just wanted to touch, just briefly before we do on the small employer transition. I've touched on it earlier in terms of the numbers of onboarding we're starting to see and this slide just really pulls out our approach

to that. We have got a webcast next week for tax practitioners on the 30th where we're actually really just starting to go through a bit more of a how to approach this for practitioners. But the previous work has focused on making sure that there's, particularly, no-cost or low-cost solutions for those with 1-4 employees and we're focused there because two thirds of those micro employers, from our data, don't use don't have a software solution for payroll. So, and, the importance there, we've also been busting some myths there about there is no ATO portal solution *inaudible* to report your STP. You do need an STP-enabled solution. We've created for now, that low-cost register but importantly, we've also brought up a full register of STP-enabled solutions on an api.gov.au, which you can get to from the STP section of our website. The link for that sits now with the low-cost register and the low-cost register's really is a subset of that full register of STP solutions. So we can start to point out that two employers who need an STP product and don't have one, here are your options and the new register that's come up enables a filtering and sorting by a range of different characteristics to help people refine that they're looking for in terms of STP. We've also got in there, in this slide, just the things around deferrals and exemptions that are available. There is a fair bit of flexibility, like there was for substantial employers. There's a years transition and on both the tax agent portal and the business portal there's now a form where people can apply for those deferrals and or exemptions and notify us, or notify us, that they will take up, they would like to apply for the transitional quarterly option, which is the last thing we offered there for, again, focused on 1-4 employees but those who are not at all digitally enabled and needed a lot of hands on assistance from their agent do have an option to apply to report quarterly through their agent but importantly still through an STP-enabled solution, not through the tax agent or business portal. It needs to be in a solution so they can transition off that at some stage as well. There is a couple of other things around closely held, family members for example, who are directors of a small business that employ themselves, they are actually exempt for the first year and then will come into an ongoing quarterly regime for reporting and for non-businesses employers, for example, those employers that become employers say through the NDIS scheme or employ say a nanny in their home. They are also exempt for the first year but will be expected to come into STP from next year as well. So there's a few different things for small but I just wanted to mention given we're on the cusp of that 1 July date we've actually said to all employers and tax agents that they have until the 30th of September this year to either start their reporting or actually come in and request a referral or exemption if they qualify for such as well. But we'll see a fair bit of flexibility over that, particularly that kind of next nine months in terms of when those employers will start given the large cohort that's got to start their reporting then.

Presenter - Chris Howard (ABSIA): This is, this is really good to see. I guess that you know this, this is part of the extension or expansion of what's next John. So with that in mind, what's in line for STP over the next year?

Guest Speaker - John Shepherd (ATO): So look, I'll touch on the budget announcement. I can probably talk a little bit more about that given that we're now through an election. We have been in caretaker period for a while, since the election was called, of course, we saw an outcome on the weekend. We are now moving forward in relation to that budget measure. The

budget measure essentially that was announced was around the extension of STP to be able to use the STP data to enhance outcomes in the welfare system, and in particular, look to remove some of the reporting burden from employers who currently are asked to provide income proof for a range of their employees who are subject to income tested payments from the welfare system essentially. So what we've been working on there and we've been working with a consultation group specifically from employers and software providers in the payroll industry on a high level design that would enable, as I said, the use of STP data to actually pre-fill the benefits statement for recipients. So you get the situation where you can actually say, provide a recipient of welfare with something that says this is what we believe your employers told us you've earned over the last period and this is what we therefore think your benefits should be, you can then tell us whether you think that's right or wrong but that's a very different thing from saying, you tell us when you work and what you work and then we'll calculate your entitlement instead and then use end of year payment summary data to come back and actually check that you got that right and then you'll potentially have to pay some money back. That's kind of the current system. Under this extension, we envisage that you actually remove the problem of those overpayments in the first place, so you stop the debts being created but importantly you start to provide some of those benefits from STP back to the employers who, you start to remove some of that burden of reporting to government from and, in particular, the nature of that reporting is quite ad hoc and you have to have a workforce essentially, or the owner of the business, who's actually providing those payslips or whatever it might be that DHS needs to be able to assess whether or not somebody's been paid the right amount. So that's quite exciting, some of those changes to come. There is further detailed design and co-design work to do on that. The time frames are out a little bit so it's around, there is, part of that is actually looking to go to slightly extend the STP data set but to do that in ways that make sense to an employer and to payroll and to data that already exists in payroll but then to be able to provide those experiences for recipients but really reduce some of the burdens on employers.

Some of the other future faced stuff that has been discussed before but no real policy position landed on yet is use of the data for things like the payroll taxes and, again, all of those things focused on reducing burden on employers reporting to government so now that we have this base from STP Phase 1 and we have a lot of employers implementing or about to implement the ability to then, as I said, leverage that to actually take away other burdens not just the provision of payment summaries but try to do some other things to actually make an employers life more streamlined in their interaction with government.

Presenter - Chris Howard (ABSIA): And you touched on the joint design sessions, I assume that that would be working with the software industry to jointly put together best cases and determining how to move forward with those ideas.

Guest Speaker - John Shepherd (ATO): Absolutely, so there's a high level design that's already been done with the industry and that's been done with a reasonably smallish group because of the need to move quickly and because it was part of, it was an announced policy but now that is already starting to take steam again of actually moving forward to just confirm the

detailed design based on those high-level requirements and benefits that *inaudible* agreed. So that will happen now quite quickly and we'll broaden that consultation over the next kind of four or five months but it will have to be landed then to enable the lead times back for the software industry to be able to meet those requirements and transition to the next version of STP.

Presenter - Chris Howard (ABSIA): Excellent. I don't have any further questions perhaps now is a good time to open up for any of the questions we might have received over the webinar.

Guest Speaker - John Shepherd (ATO): I will mention while we're doing that that we've got Angela Lehmann online as well and Angela's been involved in that work I just mentioned but of course across the *inaudible* of STP work and so Angela I think has been also looking to answer any of the questions, some of the questions that pop up online as well.

Presenter - Chris Howard (ABSIA): Excellent. Welcome Angela.

Guest Speaker - Angela Lehmann (ATO): Thanks Chris.

Guest Speaker - John Shepherd (ATO): Now she can talk, I can just hand all the questions to Angela. That's good.

Laughing and inaudible discussion.

Webinar Host - Maggie Leese (ABSIA): So we've one comment just about if you don't have a MyGov account, how do people get an income statement.

Guest Speaker - John Shepherd (ATO): Essentially they can establish a MyGov account or they can call our call centre and there's details on that on the website just through our standard numbers, they can get to someone who can provide it. So that's kind of our safety net.

Webinar Host - Maggie Leese (ABSIA): Chris did you want to have your question answered before about what software developers can do or has that been answered in the line of talking.

Presenter - Chris Howard (ABSIA): I think a little bit. We have touched on it in terms of the next steps but John is there anything else you'd like to ask the software development industry that may help us proceed better, faster, more efficiently or more collaboratively?

Guest Speaker - John Shepherd (ATO): Look, there's nothing that really comes to mind. I'm always interested to hear feedback from how the industry is seeing the implementation and whether there's some of the common errors or issues they're seeing that we haven't talked about as well, they can certainly flag those through here. We're always keen to get that intel. We are looking, actually, to create, we had a design working group in the early stages for quite a while, where we did all the design for the pay event through STP. That hasn't met for quite a while but we are actually looking to re-launch a bit of a broader engagement forum now to meet,

and not physically meet, but to have a webex or something every couple of months to really start to share from what's happening now in the implementation but also as we go through and start to use the data both in terms of identifying late payments etcetera but also being able to streamline those activity statement experience that I spoke about. So there will be an opportunity for those who are keen to be not read comms that come out in the software developers newsletter but want to hear updates, want to actually have input but don't want to be on one of our design or readiness groups to actually join those engagement forums and we will be writing out shortly and will go out to ABSIA Members as well to actually invite those who want to really be a bit closer to the loop on those things to join that broader engagement forum where we'll be able to share the broader updates on what's going on.

Webinar Host - Maggie Leese (ABSIA): We've just had another question come in and that's what plans do the ATO have in place to support software developers and ensure system stability over the end of year period?

Guest Speaker - John Shepherd (ATO): They're really ...

Guest Speaker - Angela Lehmann (ATO): Would you like me to jump in John?

Guest Speaker - John Shepherd (ATO): Yeah, you go Ange. People are sick of hearing from me.

Guest Speaker - Angela Lehmann (ATO): So there's been a lot of capacity planning that's been going on and that's based on, not only just the forward estimates for the amount of STP we're going to receive, but over all the services because obviously the June July period is also a tax return and a BAS period and there's a lot of peaks we expect and there's a lot of capacity planning around ATO systems and how they're sort of monitoring against all that forecasting. We have had, one of our largest files had about fifty thousand child records and that was processed approximately in an hour or so. So we know that we're doing really well in the turnaround time and we suspect that we will be able to take pretty good turnaround times in the peak season as well. So I mean, we do have the SLA that says we can take up to two hours but we have not seen that tested as yet. So we hope we won't need to use too much more of that SLA but it's been something that the entire tax office is focused on and doing a lot of work to ensure that the systems have the capability to manage everything that comes through at once.

Guest Speaker - John Shepherd (ATO): And of course, I'm always interested to hear back if there is extra things or things that software developers through this tax time period would like to see or hear from us to support them that aren't there now. Please let us know what they are and we will do what we can to actually support those things as well.

It is a pretty key period for the tax office and we really know that STP is becoming business as usual for the tax office when you have an intersect with tax time because tax time is, the ATO

lives and breathes tax time and we're now, STP really is a key part of that with that big crossover of employees now coming into STP and getting that data from STP.

I should say, also, a simple answer to that question about the person with no MyGov account getting their income statement. Well if they go to a tax agent of course, I think I might have said that earlier, the agent will get the pre-fill so the simple answer in a lot of cases is people don't really need an income statement unless of course a bank or someone's asked them for some proof of what they've earned over the full year and they're not satisfied by their payslips.

Webinar Host - Maggie Leese (ABSIA): Yeah I think that brings us almost to the close of this webinar Chris and John if you want to wrap it up.

Presenter - Chris Howard (ABSIA): Oh well, thank you for that Maggie.

Let me start the conclusion then just by saying to John and Angela thank you for joining us today, I think it's been very great to hear these updates and certainly appreciate your time and supporting us and doing this. For our listeners today, John is active on Twitter and LinkedIn and if you follow him you can certainly keep up to date on STP events and happenings. I'd also like to thank everyone joining us today on this webinar. The webinar recording will be available shortly for ABSIA Members. For more information on our Single Touch Payroll program, please head to the ATO's website. For more information about ABSIA, please feel free to contact ABSIA at the information listed on the screen and, again, thank you everyone for your time and attendance today. Have a great day, thank you.

Guest Speaker - John Shepherd (ATO): Thank you and thanks Chris for hosting us and having us online for this webinar.

Presenter - Chris Howard (ABSIA): No worries John thank you.

Guest Speaker - Angela Lehmann (ATO): Bye.