

Tax table for annuities



**FOR PAYMENTS MADE ON
OR AFTER 1 JULY 2009.**



This document is a withholding schedule made by the Commissioner of Taxation in accordance with sections 15-25 and 15-30 of Schedule 1 to the *Taxation Administration Act 1953*. It applies to withholding payments covered by paragraph 12-80 (b) of Schedule 1.



For more information visit www.ato.gov.au



WHO SHOULD USE THIS TABLE?

Use this table if you pay an annuity that is **not** a superannuation income stream. For superannuation income stream payments, refer to *PAYG withholding – Tax table for superannuation income streams* (NAT 70982).

TAX FILE NUMBER (TFN) DECLARATIONS

The answers payees provide on their *Tax file number declaration* (NAT 3092) primarily determine the amount to be withheld from payments.

A *Tax file number declaration* applies to payments made after the declaration is provided to the payer. A later declaration provided by a payee overrides an earlier declaration.

If a payee does not give you a valid *Tax file number declaration* within **14 days** of starting a payer/payee relationship, you must fill in a *Tax file number declaration* with all available details of the payee and send it to the Tax Office.

If you have *Employment declarations* that were valid at 30 June 2000, they will continue to be valid under PAYG.

NO TFN PROVIDED

You must withhold 46.5% for residents and 45% for foreign residents (ignoring any cents) if an annuity payment that is not a superannuation income stream is made and the payee **has not**:

- quoted their TFN
- claimed an exemption from quoting, or
- advised that they have applied for a TFN or have made an enquiry with the Tax Office.

If a payee states at question 1 of the *Tax file number declaration* that they have lodged a *Tax file number application or enquiry* with the Tax Office, the payee has **28 days** to give you their TFN.

If the payee has not provided their TFN within **28 days**, you must withhold 46.5% for residents and 45% for foreign residents from each annuity payment you make to the payee (ignoring any cents) unless the Tax Office tells you not to.

- ❗ Do not allow for tax offsets or Medicare levy adjustments. Do not add amounts for Higher Education Loan Program (HELP) or Student Financial Supplement Scheme (SFSS).

HOW TO WORK OUT WITHHOLDING AMOUNTS

Use the following steps to work out the amount to withhold from an annuity payment that is not a superannuation income stream.

- 1 Work out the amount to withhold from using the following formula:

$$\text{Annuity payment} - \left[\frac{\text{Deductible 27H amount}}{\text{Number of instalments}} \right]$$

In this formula:

- **deductible 27H amount** is the deductible amount in relation to the annuity calculated under section 27H of the *Income Tax Assessment Act 1936*.
- **number of instalments** is the number of instalments of the annuity payable in the income year.

- If you do not know the deductible 27H amount, we will calculate it for you. To make this request, the annuity recipient needs to send the information set out in *TaxPack 2009* at question D11 to the following address:

Australian Taxation Office
PO Box 3578
ALBURY NSW 2640.

- 2 Use the corresponding PAYG withholding tax table to find the withholding amount. The tax table you use depends on the period which the annuity is paid – that is, weekly, fortnightly or monthly.

- ❗ Some payees may be eligible to claim the senior Australians tax offset (SATO). If the payee gives you a *Withholding declaration* indicating that they wish to claim a SATO entitlement through PAYG withholding, use the *Special tax table – senior Australians* (NAT 4466) to determine the amount to be withheld from the amount calculated in step 1.

EXAMPLE 1

These examples use the PAYG withholding tax tables that apply from 1 July 2009.

Barbara has an annuity that is not a superannuation income stream that pays \$1,000 a week. The Tax Office has informed Barbara that her deductible 27H amount for the 2009–10 income year is \$5,200.

- 1 The amount to withhold from is:

$$\begin{aligned} \text{Annuity payment} &- \left[\frac{\text{Deductible 27H amount}}{\text{Number of instalments}} \right] \\ &= \$1,000 - \left[\frac{\$5,200}{52} \right] \\ &= \$1,000 - \$100 \\ &= \$900 \end{aligned}$$

- 2 Barbara's payer will then use the *PAYG withholding – Weekly tax table* (NAT 1005) to work out how much to withhold from \$900. Assuming Barbara is claiming the tax-free threshold with no leave loading, the amount to be withheld is \$160.

EXAMPLE 2

Kenneth will receive a monthly annuity that is not a superannuation income stream, paid on the 15th day of the month from 15 February 2010. For the remainder of the income year, the annuity will be \$1,200 per month. The annuity is indexed annually and the higher indexed amount is paid from 15 July 2010.

Kenneth has written to the Tax Office requesting that his deductible 27H amount be calculated. The Tax Office has informed Kenneth that his deductible 27H amount for a whole income year is \$2,400 and for the part of the current income year that he is to receive an annuity, his deductible amount is \$1,000.

For the current part of the income year, Kenneth will receive five annuity instalments.

1 The amount to withhold from is:

$$\begin{aligned} \text{Annuity payment} & - \left[\frac{\text{Deductible 27H amount}}{\text{Number of instalments}} \right] \\ & = \$1,200 - \left[\frac{\$1,000}{5} \right] \\ & = \$1,200 - \$200 \\ & = \$1,000 \end{aligned}$$

2 Kenneth's payer will then use the *PAYG withholding – Monthly tax table* (NAT 1007) to work out how much to withhold from \$1,000. Assuming Kenneth is claiming the tax-free threshold with no leave loading, the amount to be withheld is \$22.

ROUNDING OF WITHHOLDING AMOUNTS

Withholding amounts calculated as a result of applying the above formulas should be rounded to the nearest dollar. Values ending in 50 cents are rounded to the next higher dollar. Do this rounding directly – that is, do not make a preliminary rounding to the nearest cent.

❗ If a TFN is not provided, ignore cents when calculating withholding amounts.

PAYG WITHHOLDING PUBLICATIONS

All PAYG withholding tax tables and other PAYG publications can be accessed quickly and easily from www.ato.gov.au

Copies of weekly and fortnightly tax tables are available from most newsagents. Newsagents also hold copies of the *Tax file number declaration* (NAT 3092) and the *Withholding declaration* (NAT 3093).

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