



# PAYG withholding

How to calculate, manage and report PAYG withholding tax, including for selected types of workers and foreign residents.

## Payments you need to withhold from

Withholding amounts may be required for your workers, other businesses and other payees, and sent to us.

## How to pay and report PAYG withholding amounts to us

Due dates for paying and reporting PAYG withholding depends on your business size. You can request a date change.

## PAYG withholding payment summaries

Check what type of payment summary you need to give your payees for the financial year.

## PAYG withholding annual reports

You must lodge PAYG withholding annual reports at the end of each financial year.

## When a worker leaves

Meeting your tax, super and employment termination payment obligations when someone stops working for you.

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## **Improving payroll governance**



How to ensure your payroll governance measures are appropriate for your business type, size and complexity.

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## **In detail**



Detailed information about PAYG withholding.

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## **Pay as you go withholding**



Work out when and how to register for or how to cancel PAYG withholding.

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## **Single Touch Payroll (STP)**



Understand how using Single Touch Payroll streamlines employer reporting to us and other government agencies.

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## **Record keeping for business**



Keep accurate and complete records helps you meet your tax, superannuation and employer obligations.

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QC 27057

# **Payments you need to withhold from**

Withholding amounts may be required for your workers, other businesses and other payees, and sent to us.

## On this page

Withholding by employers

Other payments that may need tax withheld

## Withholding by employers

Your withholding obligations depend on whether your worker is an employee or independent contractor. If your worker is:

- an employee, you generally have to withhold amounts from payments you make to them
- an independent contractor, you generally don't withhold amounts from payments you make to them (unless they request withholding by entering into a voluntary agreement with you).

To check if your worker is an employee or independent contractor, you need to review the whole working arrangement. Our [employee or independent contractor](#) pages can help you determine the status of your worker.

The most common payments you withhold amounts from are those to:

- your employees
- your directors
- businesses that don't quote their ABN to you
- independent contractors who have a voluntary agreement with you.

If you operate your business as a sole trader or partnership and you draw amounts from the business, this is not a wage and you don't have to withhold from these drawings. You make some provision for your income tax liability through PAYG instalments.

## Other payments that may need tax withheld

Payments, other than income from employment, may also need tax withheld, including:

- investment income to someone who doesn't provide their TFN
- dividends, interest and royalties paid to non-residents of Australia
- payments to certain foreign residents for activities related to gaming, entertainment and sports, and construction
- payments to Australian residents working overseas
- super income streams and annuities
- payments made to beneficiaries of closely held trusts.

## **Payments to employees**



Tax file number declarations and withholding declarations help you work out the tax to withhold when paying employees.

## **Payments with special rules**



Special rules apply when calculating the amount of tax to withhold for certain employees.

## **Payments under a voluntary agreement**



Your independent contractors must meet their own tax obligations unless you make a voluntary agreement to withhold tax.

## **Labour-hire firms and their workers**



Labour-hire firms must withhold tax from payments to workers, whether they're an employee or independent contractor.

## **Compensation, sickness and accident payments**



You may need to withhold tax from compensation, sickness or accident payments you make to an individual.

## Withholding from investment income

Amounts must be withheld from investment income if a tax file number or Australian business number has not been quoted.

## Withholding from suppliers

If a business supplies you with goods or services, it should quote its Australian business number (ABN) to you.

QC 27059

# Payments to employees

Tax file number declarations and withholding declarations help you work out the tax to withhold when paying employees.

**Last updated** 27 November 2024

If you need to withhold amounts from payments to employees, including those who are overseas or foreign residents, you need to get them to complete a *Tax file number declaration*. In some cases they may also need to complete a *Withholding declaration*.

These declarations will help you to work out how much tax to withhold by indicating whether there are other factors you need to consider, such as withholding where employees:

- are under 18 years of age
- have study and training support loans such as Higher Education Loan Program (HELP), Australian Apprenticeship Support Loan (AASL) (previously known as Trade Support Loan (TSL)) or Financial Supplement debts
- are claiming tax offsets.

For more information see:

- Study and training support loans – compulsory repayments

## **Types of payments to employees**



You must withhold amounts from a number of payments you make to your employees.

## **Calculating amount to withhold**



The easiest way to work out how much tax to withhold is to use our online tax withheld calculator or the tax tables.

## **Tax file number and withholding declarations**



New employees must complete a tax file number (TFN) declaration. They may also complete a withholding declaration.

## **Withholding from leave payments for continuing employees**



Check when to withhold tax from advance annual or long service leave payments for continuing employees.

## **Allowances and reimbursements**



Payers need to know the correct withholding for allowances and the differences between allowances and reimbursements.

## **Variations**



A payee may request a variation to increase or decrease the

QC 27061

## Types of payments to employees

You must withhold amounts from a number of payments you make to your employees.

**Last updated** 29 August 2018

As well as wages and salary, you must withhold amounts from other payments to employees, such as:

- allowances
- back payments, commissions, bonuses and similar payments
- long service leave and holiday pay
- repayment of an overpayment
- payments when an employee leaves.

If you operate your business as a company or trust with a corporate trustee, it is likely you are either an employee or director of that business. If the company or corporate trustee pays you a wage or director's fees, there is the same responsibility to withhold amounts from these payments and send them to us.

### **See also:**

- Repayment of overpaid amounts
- PAYG withholding for external administrators and trustees of bankrupt estates

QC 27069

## Calculating amount to withhold

The easiest way to work out how much tax to withhold is to use our online tax withheld calculator or the tax tables.

**Last updated** 27 November 2024

You can use our online tax withheld calculator to work out how much tax to withhold. Alternatively, you can use the range of tax tables we produce.

These take into account the Medicare levy, study and training support loans, and tax-free threshold.

## Withholding more tax than you should

### Discovering your error early

If you withhold more tax than you should and you discover the error early, you must refund the extra amount you withheld to the payee, even if you have already paid the amount to us.

If you have already paid the amount to us, you can offset the amount against another withholding amount you are liable to pay us in the future for the relevant year. Remember to record this offset in your accounts.

### Discovering your error late

If you withhold more tax than you should and you discover the error later than 30 June after the end of the year in which the withheld amount relates, **don't refund the amounts to your payee** – if you do, we can't refund the amount to you. To rectify this:

- you will need to issue your payee with an amended payment summary as well as complete and forward us an amended **PAYG payment summary statement (NAT 3447)**
- your payee will need to request an **income tax amendment** if they have already lodged their income tax return for that financial year.

If you have already paid the amount to us and you're not liable to pay us any further withholding amounts for the relevant year, you need to lodge a revised activity statement.

You can revise an activity statement:

- using Online services for business – if you are a registered user

- by contacting us on **13 72 26**.

For more information see:

- PAYG withholding annual reports
- How to pay and report PAYG withholding amounts to us
- Tax withheld calculator
- Tax tables
- Medicare and private health insurance

QC 27065

## Tax file number and withholding declarations

New employees must complete a tax file number (TFN) declaration. They may also complete a withholding declaration.

**Last updated** 27 November 2024

### On this page

TFN declaration

Withholding declaration

Employee commencement forms

TFN not provided or incorrect

## TFN declaration

Each of your employees should complete a *Tax file number declaration*. This allows you to work out the amount you withhold from payments to the employee.

You must lodge TFN declaration details with us, unless your employee has completed the employee commencement forms in ATO Online Services.

Lodging TFN declaration data online is a quick and secure way to meet your reporting obligations.

## Withholding declaration

A valid TFN declaration must be in place before your employee can authorise you to vary their withholding by providing a **Withholding declaration**.

They must give you a completed *Withholding declaration* if they want to:

- claim an entitlement to a tax offset by having a reduced amount withheld from payments made to them
- advise you of changes to their
  - tax-free threshold
  - residency status
  - HELP, Australian Apprenticeship Support Loan (previously known as Trade Support Loan) or Financial Supplement debt.

A withholding declaration takes effect from the first payment you make after the employee has provided the declaration.

**Don't** send completed withholding declarations to us – keep the declarations with your employee records.

## Employee commencement forms

Employee commencement forms are an alternative to your employee completing a paper *Tax file number declaration* and *Withholding declaration*.

Your employees can access the commencement forms, either:

- directly through ATO online services
- through a link to ATO online services sent from your software – ask your software provider if this service is offered.

If your employee directly accesses the online forms:

- their information is sent directly to us
- they must print out the employee tax details summary and give it to you
- **don't** send the printed form to us
- input the information into your business systems and they're ready to go.

If your employee accesses the online forms through a link from your software:

- their information is sent directly to us
- your payroll software will request the information from us once the form is submitted.

## TFN not provided or incorrect

You must withhold at the top rate of tax plus Medicare from any payment you make to an employee if they have neither:

- supplied their TFN
- claimed an exemption from quoting their TFN
- advised you that they have applied for a TFN or have made an enquiry with us about this.

If the employee has lodged a *Tax file number – application or enquiry for individuals* (NAT 1432) with us, they have 28 days to provide you with their TFN. If they still haven't given you their TFN within 28 days, you must withhold at the top tax rate plus Medicare.

If you are advised by either us or your software that the employee has quoted an incorrect TFN on their TFN declaration, you will also need to withhold at the top tax rate for resident payees until the employee has provided a correct TFN.

## TFN code

One of the following code numbers must be used in place of the TFN when a payee either:

- hasn't completed a TFN declaration

- isn't required to quote a TFN
- has chosen not to quote a TFN
- has provided an invalid TFN.

### TFN code numbers and when to use them

TFN code number	When to use code number
000000000	Use if the payee hasn't provided a TFN or fails to provide one within 14 days.
111111111	<p>Use if a payee doesn't provide a valid TFN or you receive a declaration from the payee which says they have applied for a TFN.</p> <p>This code should be updated with the payee's TFN, or, with the no TFN quoted code when the payee fails to provide the TFN to the payer within the 28-day period allowed.</p>
333333333	<p>Use if a payee is under 18 years old and claims the general exemption because they don't earn enough for tax to be deducted.</p> <p>If circumstances change and the payee subsequently earns a level of income that attracts tax, a TFN will be required to be provided at that time.</p>
444444444	Use if the payee is a recipient of a social security or service pension or benefit (other than Newstart, sickness allowance, special benefits or partner allowance) and an exemption from quoting a TFN may be claimed.

### Employee is under 18 years old

The amount you need to withhold from payments to the employee is nil if all of the following 3 conditions are satisfied:

1. The individual is under 18 years of age.

2. The individual hasn't provided you with a TFN declaration (NAT 3092).

3. The amounts you pay to the individual don't exceed

- \$350 where you pay the individual weekly
- \$700 where you pay the individual fortnightly
- \$1,517 where you pay the individual monthly.

Note: If you are making a single (one off) payment to the employee under 18 years old, apply the monthly threshold.

QC 27062

## Withholding from leave payments for continuing employees

Check when to withhold tax from advance annual or long service leave payments for continuing employees.

**Last updated** 27 November 2024

### On this page

When to withhold tax

Annual or long service leave payments

Leave loading

## When to withhold tax

You may need to withhold tax if you make advance payments of annual leave, long service leave and leave loading to employees who are continuing in your employment.

## Annual or long service leave payments

If you are paying an employee annual leave or long service leave for a period greater than one pay period, you can use the online tax calculator or appropriate tax table to calculate the PAYG withholding amount.

The amount to withhold from an advanced leave payment is based on the amount of leave taken.

## Leave loading

Any leave loading attracted by annual leave in an advance leave payment is to be added to the total leave payment when calculating the withholding.

### Example: leave in advance with leave loading

Your employee:

- is paid weekly
- claims the tax-free threshold
- earns \$1,410 a week, and
- is taking 8 weeks leave – 4 weeks annual leave and 4 weeks long service leave.

They will receive a leave payment of \$11,280 for the 8 weeks leave.

The annual leave attracts leave loading at the rate of 17.5% per day, which increases the total leave payment by \$987 to \$12,267.

Step 1: Divide the total leave payment by the number of weeks leave to give the average weekly earnings:  $\$12,267 \div 8 = \$1,533$

Step 2: Calculate the amount of withholding from the average weekly earnings, ensuring the calculation takes into account the tax-free threshold. The withholding amount for the average weekly earnings of \$1,533 is \$367.00.

Step 3: Multiply the withholding amount by the number of weeks leave:  $\$367 \times 8 = \$2,936.00$

The total amount to withhold from the full leave payment of \$12,267 is \$2,936.00.

This example uses the weekly tax table for payments made on or after 1 October 2016. Ensure that you use the tax table that applies to that employee's normal earnings when calculating the amount to withhold.

If a continuing employee receives a payment for unused leave, with or without leave loading, use **Tax table for back payments, commissions, bonuses and similar payments**.

If an employee ceases working for you, use **Tax table for unused leave payments on termination of employment**.

For more information see:

- [Tax tables](#)
- [Tax withheld calculator](#)

QC 16601

## Allowances and reimbursements

Payers need to know the correct withholding for allowances and the differences between allowances and reimbursements.

**Last updated** 27 November 2024

### On this page

[Allowances](#)

[Reimbursements](#)

[Super obligations when paying allowances](#)

## Allowances

Allowances are separately identified payments made to an employee for:

- working conditions – for example, danger, height or dirt
- qualifications or special duties – for example, first aid certificate or safety officer
- expenses that can't be claimed as a tax deduction by the employee – for example, normal travel between home and work
- work related expenses that may be claimed as a tax deduction by the employee – for example, travel between work sites.

Allowances that have been folded in to normal salary or wages aren't treated separately for withholding.

## Reimbursements

Reimbursements are payments made to a worker for actual expenses already incurred, and the employer may be subject to fringe benefits tax (FBT). If the reimbursement is covered by FBT, the amount is not assessable income to the employee, and the employee can't claim a deduction for the expense.

## Super obligations when paying allowances

You must pay super on an employee's ordinary time earnings.

Super obligations apply to:

- 'on call' allowances paid for ordinary hours of work, such as an 'on call' loading.

Super obligations don't apply to:

- expense allowances and reimbursements – these are not 'salary or wages' and therefore aren't ordinary time earnings
- 'on call' allowances paid when employees are required to make themselves available during hours they aren't otherwise working – these are excluded from ordinary times earnings.

For more information see:

- **Taxation Ruling TR 92/15** *Income tax and fringe benefits tax: the difference between an allowance and a reimbursement*

- Superannuation Guarantee Ruling SGR 2009/2A1 *Superannuation guarantee: meaning of the terms 'ordinary time earnings' and 'salary or wages'*
- List of payments that are ordinary time earnings

## Withholding for allowances



Work out the withholding treatment and payment summary or STP Phase 1 reporting requirements for allowances.

## Travel allowances



Check what the PAYG withholding implications are on travel allowances.

QC 51679

# Withholding for allowances

Work out the withholding treatment and payment summary or STP Phase 1 reporting requirements for allowances.

**Last updated** 27 November 2024

### On this page

Overview of allowance types

Types of allowances and how they're treated

STP Phase 1 pay event requirements

Allowances subject to a varied rate of withholding

## Overview of allowance types

The correct withholding treatments and reporting requirements for various allowance types are listed in the following tables. The tables address the requirements for both:

- Single Touch Payroll (STP) Phase 1 pay event reporting
- payment summaries.

You must follow the relevant withholding and reporting requirements to allow your employees to correctly complete their income tax return.

For reporting of allowances in STP Phase 2, go to [STP Phase 2 employer reporting guidelines](#).

## Types of allowances and how they're treated

Table 1a lists types of allowances an employee might receive and describes how they are treated. You need to **withhold for these allowances**. The table indicates:

- which allowances are part of ordinary time earnings (OTE)
- whether super guarantee (SG) applies to each allowance.

The employee is expected to incur expenses that may be claimed as a tax deduction at least equal to the amount of the allowance. The amount and nature of the allowance is shown separately in the accounting records of the employer.

**Table 1a – Types of allowances an employee might receive**

<b>Allowance type</b>	<b>Examples</b>	<b>Include on payment summary?</b>	<b>Part of OTE? Does SG apply?</b>
<b>Working conditions, qualifications or special duties</b>	<ul style="list-style-type: none"><li>• Crib, danger, dirt, height, site, shift or travelling time</li><li>• Trade, first aid certificate or</li></ul>	Yes (include total allowance in gross payment)	Yes

	safety officer		
<b>Non-deductible expenses</b>	<ul style="list-style-type: none"> <li>• Part-day travel (no overnight absence from employee's ordinary place of residence)</li> <li>• Meals (not award overtime meal allowance or overnight travel allowance)</li> <li>• Motor vehicle for non-deductible travel – for example, home to work, including cents per kilometre payments</li> </ul>	Yes (include total allowance in gross payment)	Yes
<b>Deductible expenses</b>	<ul style="list-style-type: none"> <li>• Tools</li> <li>• Compulsory uniform or dry cleaning</li> <li>• Motor vehicle for work-related travel, including cents per kilometre payments in excess of ATO rate</li> <li>• Overseas accommodation for deductible travel</li> </ul>	Yes (show total allowance separately in the allowance box with an explanation)	No
<b>On-call allowance (ordinary hours)</b>	n/a	Yes (include total allowance in gross payment)	Yes

<b>On-call allowance (outside ordinary hours)</b>	n/a	Yes (include total allowance in gross payment)	No
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## STP Phase 1 pay event requirements

Table 1b lists the STP Phase 1 pay event requirements for types of allowances an employee might receive.

The allowance type examples in Table 1b are the same as the examples in Table 1a.

**Table 1b - STP Phase 1 pay events for types of allowances employee might receive**

<b>Allowance type</b>	<b>Include in gross payment?</b>	<b>Include in PAYGW for gross income type?</b>	<b>Include in allowance tuple?</b>	<b>STP field</b>
<b>Working conditions, qualifications or special duties</b>	Yes	Yes	No	Gross PAYI
<b>Non-deductible expenses</b>	Yes	Yes	No	Gross PAYI
<b>Deductible expenses</b>	No	Yes	Yes	Other PAYI
<b>On-call allowance</b>	Yes	Yes	No	Gross PAYI

(ordinary hours)				
On-call allowance (outside ordinary hours)	Yes	Yes	No	Gross PAYE

## Allowances subject to a varied rate of withholding

Tables 2 to 6 list allowances that are subject to a varied rate of withholding.

**Table 2a – Cents per kilometre car expense payments using the approved rate**

Allowance type	Are you required to withhold?	Include on payment summary?
<b>Payments made by applying the approved (or a lower) rate to the number of kilometres travelled up to 5,000 business kilometres</b>	No	Yes (show total allowance separately in the allowance box with an explanation).
<b>Payments made by applying the approved (or a lower) rate to the number of kilometres travelled in excess of 5,000</b>	Yes (from payments for the excess over 5,000 kilometres)	Yes (show total allowance separately in the allowance box with an explanation)

<b>business kilometres</b>		
<b>Payments made at a rate above the approved rate for distances travelled up to 5,000 business kilometres</b>	Yes (from the amount which relates to the excess over the approved rate)	Yes (show total allowance separately in the allowance box with an explanation)

The allowance types in Table 2a are not considered OTE and SG doesn't apply.

**Table 2b – STP Phase 1 pay event for cents per kilometre c  
expense payments using the approved rate**

<b>Allowance type</b>	<b>Include in gross payment?</b>	<b>Include in PAYGW for gross income type?</b>	<b>Include in allowance tuple?</b>	<b>STP Phase ' Field</b>
<b>Payments made by applying the approved (or a lower) rate to the number of kilometres travelled up to 5,000 business kilometres</b>	No	Yes	Yes	Car
<b>Payments made by</b>	No	Yes	Yes	Car

applying the approved (or a lower) rate to the number of kilometres travelled in excess of 5,000 business kilometres				
<b>Payments made at a rate above the approved rate for distances travelled up to 5,000 business kilometres</b>	No	Yes	Yes	Car

See an example and more information about the cents per kilometre method.

**Table 3a – Award transport payments**

<b>Allowance type</b>	<b>Are you required to withhold?</b>	<b>Include on payment summary?</b>	<b>Part of OTE? Does SG apply?</b>
<b>Award transport payments that are deductible</b>	No	Yes (show total allowance separately in the allowance box with an explanation)	No

<b>transport expenses</b>			
<b>Award transport payments that are non-deductible transport expenses</b>	Yes (from total payment)	Yes (include total allowance in gross payment))	Yes

**Table 3b - STP Phase 1 pay event for award transport payr**

<b>Allowance type</b>	<b>Include in gross payment?</b>	<b>Include in PAYGW for gross income type?</b>	<b>Include in allowance tuple?</b>	<b>STP Ph Field</b>
<b>Award transport payments that are deductible transport expenses</b>	No	Yes	Yes	Transpo
<b>Award transport payments that are non-deductible transport expenses</b>	Yes	Yes	No	Gross PAYEVM

See examples and more information about award transport payments.

**Table 4a – Laundry (not dry cleaning) allowance for deductible clothing**

<b>Allowance type</b>	<b>Are you required to withhold?</b>	<b>Include on payment summary?</b>
<b>Up to the threshold amount</b>	No	Yes (show total allowance separately in the allowance box with an explanation)
<b>Over the threshold amount</b>	Yes (from the excess over the threshold amount)	Yes (show total allowance separately in the allowance box with an explanation)

The allowance types in Table 4a are not considered OTE and SG doesn't apply.

**Table 4b - STP Phase 1 pay event for laundry (not dry cleaning) allowance for deductible clothing**

<b>Allowance type</b>	<b>Include in gross payment?</b>	<b>Include in PAYGW for gross income type?</b>	<b>Include in allowance tuple?</b>	<b>STP Phase 1 Field</b>
<b>Up to the threshold amount</b>	No	Yes	Yes	Laundry
<b>Over the threshold amount</b>	No	Yes	Yes	Laundry

Work out costs you can claim for clothing, laundry and dry cleaning expenses.

**Table 5a – Award overtime meal allowances**

<b>Allowance type</b>	<b>Are you required to withhold?</b>	<b>Include on payment summary?</b>
<b>Up to reasonable allowances amount</b>	No	No
<b>Over reasonable allowances amount (allowance must be paid under an industrial instrument in connection with overtime worked)</b>	Yes (from the excess over reasonable allowances amount)	Yes (show total allowance separately in the allowance box with an explanation)

The allowance types in Table 5a are not considered OTE and SG doesn't apply.

**Table 5b - STP Phase 1 pay event for award overtime meal allowances**

<b>Allowance type</b>	<b>Include in gross payment?</b>	<b>Include in PAYGW for gross income type?</b>	<b>Include in allowance tuple?</b>	<b>STP Phase Field</b>
<b>Up to reasonable allowances amount</b>	No	No	No	n/a
<b>Over reasonable allowances amount</b>	No	Yes	Yes	Meals

<b>(allowance must be paid under an industrial instrument in connection with overtime worked)</b>				
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See examples and more information about overtime meal allowances.

**Table 6a – Domestic or overseas travel allowance involving an overnight absence from employee's ordinary place of residence**

<b>Allowance type</b>	<b>Are you required to withhold?</b>	<b>Include on payment summary?</b>
<b>Up to reasonable allowances amount</b>	No	No
<b>Over reasonable allowances amount</b>	Yes (from the excess over reasonable allowances amount)	Yes (show total allowance separately in the allowance box with an explanation)
<b>Overseas accommodation</b>	Yes	Yes (show total allowance separately in the allowance box with an explanation)

The allowance types in Table 6a are not considered OTE and SG doesn't apply.

**Table 6b - STP Phase 1 pay event for domestic or overseas allowance involving an overnight absence from employee's**

## ordinary place of residence

Allowance type	Include in GROSS PAYMENT?	Include in PAYGW for gross income type?	Include in allowance tuple?	
Up to reasonable allowances amount	No	No	No	
Over reasonable allowances amount	No	Yes	Yes	
Overseas accommodation	No	Yes	Yes	

Work out if the exception applies and what is covered in travel allowances.

Labour-hire workers who receive **living-away-from-home allowance** (LAFHA) can't access Fringe Benefits Tax (FBT) concessions. LAFHA is considered ordinary income and withholding applies.

FBT rules exclude labour-hire arrangements from the concessions as the labour-hire firm is not the employer of the worker.

For more information and examples of allowances, see:

- TD 2021/6 *Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2021–22 income year?*
- TR 2021/1 *Income tax: when are deductions allowed for employees' transport expenses?*
- TR 2020/1 *Income tax: employees: deductions for work expenses under section 8-1 of the Income Tax Assessment Act 1997*

- *TR 98/5 Income tax: calculating and claiming a deduction for laundry expenses*

QC 51680

## Travel allowances

Check what the PAYG withholding implications are on travel allowances.

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Travel allowance is a payment made to an employee to cover accommodation, food, drink or incidental expenses they incur when they travel away from their home overnight in the course of their duties.

Allowances folded into your employee's salary or wages are taxed as salary and wages and tax has to be withheld, unless an exception applies.

You include the amount of the travel allowance in the allowance box on your employee's payment summary.

The exception applies if:

- you expect your employee to spend all of the travel allowance you pay them on accommodation, food, drink or incidental expenses
- you show the amount and nature of the travel allowance separately in your accounting records
- the travel allowance is not for overseas accommodation
- the amount of travel allowance you pay your employee is less than, or equal to the reasonable travel allowance rate.

If the exception applies, you:

- don't withhold tax from the travel allowance you pay your employee
- don't include the amount of the travel allowance in the allowance box on your employee's payment summary
- only include the allowance on their payslip.

If the first 2 exception conditions are met but you pay your employee a travel allowance over the reasonable travel allowance rate, you're required to withhold tax from the amount that exceeds the reasonable travel allowance rate. You also need to include the total amount of the travel allowance in the allowance box on your employee's payment summary.

You are always required to withhold tax from a travel allowance for overseas accommodation and include the amount of the travel allowance in the allowance box on your employee's payment summary.

Check the relevant Single Touch Payroll (STP) employer reporting guidelines to see how to report these payments through STP:

- STP Phase 1 employer reporting guidelines – allowances
- STP Phase 2 employer reporting guidelines – allowances

## Reasonable travel allowance rate

Each year we publish the amounts we consider reasonable for claims for domestic and overseas travel allowance expenses.

For more information see:

- *TD 2021/6 Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2021–22 income year?*
- *TD 2020/5 Income tax: what are the reasonable travel and overtime meal allowance expense amounts for the 2020–21 income year?*
- *TR 2004/6 Income tax: substantiation exception for reasonable travel and overtime meal allowance expenses*
- Keeping travel expense records
- Tax return – allowances
- Tax return – work-related travel expenses

QC 18645

## Withholding variations

A payee may request a variation to increase or decrease the amount of tax you withhold from payments you make to them.

**Last updated** 27 November 2024

### **On this page**

Payee circumstances

Upward variation

Downward variation

Medicare adjustments

Increased number of pay periods in a year

## **Payee circumstances**

Each payee's circumstances are different, and some payees may find that the amount withheld using the tax tables is either too much or too little when compared to their actual end-of-year tax liability.

Your payee may want to vary the rate of withholding so that they don't:

- have too much tax withheld
- receive a large tax bill at the end of the year.

## **Upward variation**

A payee may ask you to increase the amount you withhold from payments to them – for example, to cover tax they will be liable to pay on investment income.

If you agree to this, both you and your payee will enter into a written agreement (in any form that suits your business) to have additional tax withheld. No additional records are required.

Where your payee has an upward variation in place and it applies to payments that become non-assessable, the variation ceases to have effect.

For more information, see **Schedule 14 – Tax table for additional amounts to withhold as a result of an agreement to increase withholding.**

## **Downward variation**


Your payee must get our approval to reduce the amount you would normally withhold by completing a *PAYG Withholding variation application*.

This usually happens only in special circumstances where your employee can show that the withholding rate will result in them having more tax withheld than is required to cover the total tax they will need to pay in the year. For example, they might expect to have tax deductible expenses which will reduce their taxable income

You can't vary the withholding rate until you receive an official variation notice from us.

A variation notice can only be withdrawn by us. If your payee wants their variation notice withdrawn before the expiry date, tell them to write to us at the address on their approval letter.

## **How to lodge a downward variation**

To lodge online for individuals, sign in to [myGov](#)  and select:

1. ATO
2. Tax
3. Manage
4. PAYG withholding variation

To lodge online for tax agents, go to **Online services for agents** and select:

1. Lodgments
2. Client forms
3. PAYG withholding variation.

If you can't lodge online, you will need to order a paper application by either:

- visiting **online ordering** and searching for NAT 2036 (or NAT 2036NI if you're a Norfolk Island resident)
- phoning our automated self-help ordering service on **13 28 65** and asking for the NAT number you need.

## Starting and finishing dates

If we approve a downwards variation, the varied rate or amount of withholding will start from the next available payday after you receive the notice of withholding variation from us.

The variation finishes on the date shown on the letter you receive from us. To continue to have varied or reduced tax withheld from payments after this date, another variation application must be lodged at least 6 weeks before the expiry date.

If you receive more than one variation notice for an employee, the most recent notice supersedes all previous notices. Keep a copy of the variation notice with your business records for 5 years. For more information, see **PAYG withholding – varying your PAYG withholding**

**Note:** Salary sacrifice amounts are not subject to the varied tax rate.

## Class variations

If a group of your payees want an identical variation, you can apply for a class variation on their behalf. For example, your payees' withholding may be too high if they are paid an allowance and it is reasonably expected that their expenses in relation to that allowance will be deductible in their tax returns.

You may apply for a class variation if all of the following apply:

- the allowance can reasonably be expected to be spent for the intended purpose
- the payees can reasonably be expected to spend an amount at least equal to the amount of allowance paid
- the expenses relating to the allowance can reasonably be expected to be deductible on assessment at the end of the financial year
- it is for 6 or more employees.

You need to ensure that the information you give us is correct on behalf of all the payees included in the request.

If there are fewer than 6 payees, each payee must apply for the variation on their own behalf using the **PAYG withholding variation short application** (NAT 5425).

## How to lodge a class variation

You can submit the request for a class variation by letter, displayed on your company letterhead.

You must include the following information:

- the nature or type of business undertaken by the organisation
- the type of allowance payment being made and the expense the payment is intended to cover
- the amount of allowance to be paid to each payee
- a declaration stating the proportion of the allowance that is expended as business use
- list of payee names and tax file numbers
- basis of employment or contract for each of the payees
- duties of the payees
- the number of payees the application intends to cover.

Send the letter to:

**Australian Taxation Office**  
**PO Box 3010**  
**PENRITH NSW 2740**

## What to do when you receive a variation notice

If you receive a notice from us, you need to ensure the notice is correctly addressed to you and correctly identifies the payee.

You may receive one of the following and will need to act accordingly:

- **Notice approving the downward variation**
  - from the payee's next available payday after you receive the notice of withholding variation from us , apply the varied or reduced rate of tax to the correct payment type until the expiry date.
- **Withdrawal notice**

- stop applying the varied rate of tax from the payee's next available payday after you receive the withdrawal notice from us and revert to withholding in accordance with the relevant tax tables.

### **Example 1: class variation notice for all workers**

You receive a class variation notice for all the workers of ABC Pty Ltd, and the prescribed rate of withholding has been varied to 15% of the gross payments listed as salary and wages.

John, one of your payees, is paid a salary of \$1,500 fortnightly.

Applying the varied rate on the notice would result in a fortnightly withholding of \$225 ( $\$1,500 \times 0.15 = \$225$ ).

### **Example 2: variation notice for one employee**

You receive a variation notice for Tim, one of your payees. The rate of withholding has been varied to 18% of the gross payments listed as salary and overtime. He is paid fortnightly.

In a single pay period, Tim received a bonus payment of \$1,000, salary of \$5,000 and overtime of \$189. The bonus payment isn't covered by the variation notice (only salary and overtime), so you will need to calculate the amount to withhold from the bonus payment separately using the **Tax table for back payments, commissions, bonuses and similar payments**.

Calculation of withholding:

- Salary:  $\$5,000 \times 18\% = \$900$  (varied rate)
- Overtime:  $\$189 \times 18\% = \$34$  (varied rate)
- Bonus:  $\$1,000 \times 38.5\% = \$384$  (normal scheduled rate)

**Total withholding = \$1,318**

## **Medicare adjustments**

If your employee advises you that they are liable for Medicare levy surcharge or entitled to a reduction in or exemption from the Medicare levy, they will need to complete the **Medicare levy variation declaration**. You will then need to adjust the amount you withhold from payments to the employee to take into account this change.

## **Increased number of pay periods in a year**

In some financial years, payees who are paid:

- fortnightly will have 27 paydays for the year instead of the usual 26
- weekly will have 53 paydays for the year instead of the usual 52.

As the calculations for withholding tax are based on the normal number of pays in a year, the extra pay may result in insufficient amounts being withheld. You should let your payees know when this happens so they can ask you to withhold an additional amount. Such a request should be in writing, in any format that suits your business.

If any of your payees want to further increase the amounts withheld, they will need to request an upward variation.

Details of the additional amounts to withhold are included in the **tax tables**.

For more information, see:

- **Schedule 1 – Statement of formulas for calculating amounts to be withheld**
- **Tax withheld calculator**

QC 27068

## **Payments with special rules**

Special rules apply when calculating the amount of tax to withhold for certain employees.

## On this page

Aboriginal and Torres Strait Islander artists who live or work in isolated areas

Employees who work in a foreign country

Foreign resident withholding

Non-cash payments

Personal services income

Payees in certain industries and occupations

## Aboriginal and Torres Strait Islander artists who live or work in isolated areas

If your business pays an Aboriginal or Torres Strait Islander artist for artistic works, the artist is not required to quote an Australian business number (ABN) if they work or live in an isolated area, known as a special or ordinary zone A geographic regions.

You won't be required to withhold tax, even though the artist hasn't quoted an ABN.

Artistic works include:

- graphic work, photography, sculpture, painting or collage
- a work of artistic craftsmanship
- the performance or presentation by a person, or participation by a person in a musical performance, play, dance, entertainment, display, exhibition or similar activity of a cultural nature.

## Employees who work in a foreign country

If you make payments to Australian employees working overseas, you have the same tax obligations as if they were working in Australia.

Some payments for foreign services that relate to certain development projects, charitable activities or government activities are **exempt from**

tax. You don't have to withhold amounts from these payments.

For more information, see [Employees who work in a foreign country](#).

Learn more about the [PAYG payment summary for foreign employment](#).

## Foreign resident withholding

A foreign resident is not an Australian resident for tax purposes. This can include individuals, companies, partnerships and trusts. Learn more about [withholding from a foreign resident](#).

To work out the tax you need to withhold from payments to employees and other workers, including working holiday makers and PALM visa holders, use the [tax withheld calculator](#).

Learn more about rates that apply to individuals who are [foreign residents for tax purposes](#).

## Foreign resident entertainment, sports, construction and casino gaming activities

Payers are required to withhold prescribed amounts from specific payments made to foreign resident payees who work or take part in:

- entertainment or sports activities
- construction and related activities
- casino gaming junket activities.

Foreign resident payees include all foreign individual and non-individual entities (for example, companies, partnerships, trusts, government organisations and superannuation funds).

These special rules don't apply to payments made to foreign residents if:

- they are engaged as employees
- the payment is interest, dividends and royalties.

Find out more about [foreign resident entertainment, sports, construction and casino gaming activities](#).

## Non-cash payments

If you provide a non-cash payment including property or services in any form except money – you will still be required to meet your withholding obligations. The withholding provisions ensure that a similar outcome is achieved for payments made in cash or non-cash payment. There is no requirement to withhold under pay as you go (PAYG) withholding if the payment is a **fringe benefit** or a share or right under the **employee share scheme**.

The amount you are required to withhold and send to us is the amount you would have been required to withhold if the payment had been in the form of money. You will need to **calculate the amount** according to the current market value of the non-payment when the payment is provided.

You will need to use the relevant **tax withholding rates** applicable to your payee depending on whether they are an employee or contractor, as well as whether the payee has provided an ABN.

## **When to withhold**

You must withhold and pay to us an amount before providing a non-cash payment in the same way as if the payment was in the form of money.

### **Example: non-cash benefit provisions**

Nick is a building contractor who has entered into a voluntary agreement with Mike. Nick proposes to give Mike his old utility van as payment for work Mike has completed for him over a fortnight.

If the payment had been made in the form of money, Nick would be required to withhold an amount from the payment and send it to us. Under the non-cash benefit provisions, Nick is required to withhold an amount and send it to us before the benefit (the utility van) is provided to Mike.

Nick can recover the amount of withholding paid to us as a debt from Mike. Nick would be required to provide Mike with a payment summary and Mike will receive a credit for the amount that Nick has forwarded to us.

Nick may also offset the whole or part of Mike's debt (the amount of withholding paid by Nick to us) against any amount

that is, or becomes, due and payable by Nick to Mike. This right to offset will assist to recover an amount owed by Nick that has been paid to us.

### **Example: no ABN withholding**

Your business agrees to do cleaning worth \$1,000 for an advertising business in exchange for \$1,000 worth of advertising. If the advertising business doesn't quote their ABN to you, you must pay a withholding amount to us before you deliver the services or goods.

In this situation, you would become a supplier to the advertising business. Unless you have an ABN and quote it to them, they would also need to pay a withholding amount to us before they supply the advertising to you.

For more information, visit [Withholding if ABN not provided](#).

## **Personal services income**

Personal services income (PSI) is earned mainly by your personal efforts and skills.

If you operate a company, partnership or trust that does not pass the tests for a personal services business, some income your employees earn may be PSI.

When the PSI rules apply, your business will have additional PAYG obligations for the amount belonging to each individual who performed the services.

For more information, see [Personal services income](#).

## **Payees in certain industries and occupations**

Some industries and occupations may have different rules or conditions when calculating the amount to withhold. For more information that is applicable to your circumstances go to:

- Seasonal Worker Programme and Pacific Labour Scheme
- Employers of Pacific Australia Labour Mobility scheme workers
- Tax table for individuals employed in the horticultural or shearing industry
- Withholding from payments to household employees
- Performing artists contracted to perform promotional activity
- Religious practitioners

QC 27071

## Payments under a voluntary agreement

Your independent contractors must meet their own tax obligations unless you make a voluntary agreement to withhold tax.

**Last updated** 27 November 2024

### On this page

Overview of payments made to independent contractors

How to make a voluntary agreement

How much to withhold

How long the voluntary agreement lasts

GST

## Overview of payments made to independent contractors

Usually you don't have to withhold amounts for payments you make to independent contractors. However, you and a contract worker (payee) can enter into a voluntary agreement to withhold an amount of tax from each payment you make to them. It's a good way to help independent contractors meet their tax obligations.

Voluntary agreements can't be used where the payment is already covered by another PAYG withholding category, such as payments to employees or under labour hire arrangements. A voluntary agreement can cover a specific task or apply to successive arrangements between you and the worker. Either you or the independent contractor can end a voluntary agreement at any time by notifying the other in writing.

## How to make a voluntary agreement

We have a Voluntary agreement for PAYG withholding form that you can use to make an agreement with a worker.

Alternatively you can use any form of written agreement, including electronic, as long as all the information contained in the form is included, as well as:

- a statement that the payments made under the arrangement are subject to a voluntary agreement under section 12-55 of Schedule 1, Part 2-5 of the *Taxation Administration Act 1953*
- whether you are entitled to a full GST credit or not.

If an electronic agreement is used (for example, an email), you must have adequate computer system controls in place to ensure the security and accuracy of the agreement.

You don't need to send a copy of the voluntary agreement to us, however you and the worker should each keep a copy for your records for 5 years after the last payment is made under the agreement.

## How much to withhold

The amount you must withhold under a voluntary agreement is either:

- the contractor's PAYG instalment rate, called the Commissioner's instalment rate (CIR) , as notified by us

- a flat rate of 20% (if the instalment rate is not known or is less than 20%).

To work out how much to withhold, you subtract any goods and services tax (GST) charged from the invoiced amount payable and multiply the result by the withholding rate specified in the voluntary agreement.

The payee is advised of their CIR after the lodgment of their most recent income tax return and they must disclose it to you or state that they don't have one.

## How long the voluntary agreement lasts

A voluntary agreement can cover a specific task or apply to successive arrangements between you and the payee.

When the payee is first advised of their CIR, or advised of a new CIR, you may need to enter into a new agreement after considering the withholding rate.

You and the payee can each end a voluntary agreement at any time by notifying the other party in writing. We don't need to be notified of the cancellation of the agreement or any changes made to the voluntary agreement.

## GST

If a payee isn't registered for GST, they can't include GST in the price of the goods or services they supply, nor are they entitled to GST credits.

However, if the payee is registered for GST, they can claim GST credits for any GST paid on items they buy and use in performing the work under the voluntary agreement.

The payee can only charge GST on any goods or services they supply under a voluntary agreement if the payer isn't entitled to a full GST credit. If the payer is normally entitled to a full GST credit, the payee can't charge GST.

**Example: payer entitled to full GST credit**

Tony is a self-employed bricklayer, registered for GST. He wins a contract with Housebuilders Inc. to complete all of the bricklaying for them in relation to their current property development. Tony and Housebuilders Inc. agree to enter into a voluntary agreement so that Housebuilders Inc. withholds amounts from Tony's payments.

As Housebuilders Inc. is entitled to a full GST credit, Tony:

- can't include GST in the price he charges for the bricklaying services
- can claim GST credits for any GST paid on goods or services he buys or uses in performing the work.

### **Example: payer not entitled to full GST credit**

Jim runs a computer programming business and contracts with Big Bank Inc. to help develop an internet banking program. Jim and Big Bank Inc. agree to enter into a voluntary agreement so that Big Bank Inc. withholds amounts from Jim's payments.

As Big Bank Inc. makes financial supplies it is not entitled to claim GST credits for the things it buys, including Jim's services, that relate to the supply of financial services.

Jim is registered for GST and:

- must include GST in the price he charges Big Bank Inc
- can claim GST credits for any GST paid on goods or services he buys or uses in performing the work.

QC 27073

## **Labour-hire firms and their workers**

Labour-hire firms must withhold tax from payments to workers, whether they're an employee or independent contractor.

**Last updated** 27 November 2024

### **On this page**

About labour-hire firms

Amount to withhold

Employee or independent contractor

Voluntary agreements

Personal services income

## **About labour-hire firms**

You operate a labour-hire firm if:

- you arrange for workers to perform work or services directly for clients
- the client pays you for this service
- you pay the worker for the performed work or services provided to the client
- the worker isn't an employee of the client
- you may or may not employ the worker.

Labour-hire can be called different names, including:

- on-hire
- employment agent or agency
- contract management
- recruitment services
- group training organisations (where your business is referred to as the host employer).

Regardless of how the activity is described, if you supply workers to another business or individual, you must withhold from payments you make to individual workers.

## **Amount to withhold**

It's important to remember that you need to withhold tax from individual workers under a labour-hire arrangement whether they are an employee or independent contractor.

All your workers need to provide you with their tax file number (TFN), regardless of whether they also have an Australian business number (ABN) (which they may have because of other unrelated activities) or an instalment rate to vary the rate of tax. You can use our tax calculator or tables to work out how much to withhold, which will depend on whether your worker provides you with their TFN. Any requests from your worker to vary the withholding rate will need to be lodged with us.

## **Withholding provisions for payment types**

There are priority rules for working out which withholding provisions you apply to a certain payment:

- payments for work or services (for example payment of salary or wages to an employee) will take priority over payments under a labour-hire arrangement
- retirement payments, employment termination payments (ETPs) or annuities will take priority over payments under a labour-hire arrangement
- payments under a labour-hire arrangement will take priority over payments under a voluntary withholding agreement.

## **Employee or independent contractor**

You must withhold an amount from payments made to individual workers who perform work or services directly for your clients, regardless of whether the individual worker is an:

- employee
- independent contractor.

To determine the correct classification of your worker for tax and super purposes, we have provided some helpful information on our **Employee or independent contractor** page. If you withhold from withholding payments, you must provide payment summaries to workers and lodge annual withholding reports to us.

## Employees

If your worker is an employee, you must withhold tax from salary and wages payments, and pay the withheld amounts to us.

## Independent contractor

If your worker is an independent contractor, you withhold tax from payments if your business wholly or partially involves arranging people to perform work or services for your clients.

Workers who are independent contractors:

- don't need to quote an ABN
- aren't entitled to register for GST as they do not meet the definition of enterprise.

You don't report the payments you made to independent contractors in the *Taxable payments annual report*.

### **Example: labour-hire arrangement subject to withholding**

Staffprovider Ltd keeps a database of skilled people willing to provide their services to third parties. Corporate Pty Ltd asks Staffprovider for a computer programmer. Staffprovider contracts Jane to provide her services to Corporate.

Staffprovider contracts Corporate to provide programming staff (Jane).

There is no contract between Jane and Corporate. Staffprovider pays and withholds tax from Jane's payments for her services to Corporate.

### **Example: activities incidental to your other business activities not subject to withholding**

A solicitor arranging for a barrister to perform work for the solicitor's client would be incidental to the solicitor's other business activities. Withholding would not be required in relation to the payments the solicitor makes to the barrister.

### **Example: payments by a primary contractor to a subcontractor not subject to withholding under the labour-hire provisions**

Paul is a builder and contracts with Susan to build her a house. Paul has contracted to perform the work for Susan and to produce a finished house – he hasn't contracted to provide her with the services or the labour of others.

Paul subcontracts Bruce to do the plumbing work on Susan's house.

No withholding is required unless Bruce doesn't provide an ABN.

It's not a labour-hire arrangement as Paul has contracted to do the work for Susan, not just to provide her with the services or labour of others.

## **Worker contracts through an interposed entity**

An interposed entity is a third-party (individual, company, partnership or trust) that contracts with the labour-hire firm on behalf of the worker.

If your work contracts through a third-party, you don't need to withhold tax, unless they don't quote an ABN on an invoice or other documents relating to the supply of work or service.

If the interposed entity is registered for GST, they will charge GST on taxable supplies made to you.

## **Voluntary agreements**

Workers aren't able to enter into voluntary agreements when working under labour-hire arrangements. Withholding under voluntary agreements only applies if there are no withholding provisions.

## Personal services income

Personal services income (PSI) rules don't affect your obligation to withhold from payments to individual workers. However, they do affect how a worker reports their income in their own tax returns and the deductions they can claim.

QC 27074

## Compensation, sickness and accident payments

You may need to withhold tax from compensation, sickness or accident payments you make to an individual.

**Last updated** 27 November 2024

You need to withhold tax if it is both:

- made because of that individual's or another person's incapacity for paid work
- calculated at a periodical rate.

Withholding doesn't apply to payments made by an insurer to the owner of a relevant policy.

Withholding applies if, for example:

- weekly compensation payments are made by you to an injured employee
- weekly payments are made by you to the spouse of an injured employee
- a lump sum payment is made by you or your insurer, covering an employee for 4 weeks absence from work at the legislated or insured rate, calculated on a per week basis

- weekly compensation payments are made by an insurer to an injured worker made under a policy held by you
- weekly payments are made to cover loss of earnings for a worker who is unable to attend work due to injuries suffered in a local cricket match, when the amount is paid directly by the worker's cricket club or by an insurer under a policy held by the club.

Withholding doesn't apply if, for example:

- a lump sum compensation payment is made by you or an insurer for pain and suffering
- a lump sum compensation payment is made by you or an insurer following the death of an employee
- weekly compensation payments are made by an insurer to an injured self-employed worker, made under a policy held by that worker.

## **Working out the withholding amount**

You can use our online tax withheld calculator or tax tables to work out how much to withhold. If you are making any payments arrears or back pay, tax will also need to be withheld.

For more information see

- [Tax withheld calculator](#)
- [Tax tables](#)
- [Tax table for back payments, commissions, bonuses and similar payments \(Schedule 5\)](#)

QC 50695

## **Withholding from investment income**

Amounts must be withheld from investment income if a tax file number or Australian business number has not been quoted.

**Last updated** 27 November 2024

### On this page

Overview of withholding from investment income

Investors deemed not to have quoted a TFN or ABN

Joint accounts

Tax deferred distributions (capital)

Exemptions for investors

## Overview of withholding from investment income

Withholding is required from investment income for which the investor hasn't:

- quoted a tax file number (TFN) or Australian business number (ABN) before the payment became payable
- informed the investment body that they are exempt from quoting (either a TFN or ABN).

If an investment is held in a business capacity, the business may quote either a TFN or ABN in connection with the investment.

Investment bodies are required to report withheld amounts in the *Annual investment income report* (AIIR).

The withholding provisions don't apply if the:

- payment is a fully franked dividend from a public company
- income paid for the whole financial year is less than the withholding threshold.

Investors who are exempt from the Medicare levy can claim that exemption on their tax return. Exemption from the Medicare levy is not

a matter for investment bodies to consider when withholding amounts from investment income.

## **Investors deemed not to have quoted a TFN or ABN**

If we can't find the TFN or ABN quoted for an investor on our client register, the investor is 'deemed not to have quoted'.

In this situation the investment body is required to withhold at the top rate of tax from future payments of investment income that are subject to withholding. This rate applies to all investors, including companies.

The amount to be withheld and reported in the AIR is the whole dollar amount – don't include cents. If cents have been withheld incorrectly, the cents need to be included in the AIR.

We contact investors who are deemed not to have quoted and advise them to quote their correct TFN or ABN to the investment body to avoid having withholding imposed.

## **Investor quotes TFN or ABN after withholding**

If the investor either quotes a TFN or ABN in relation to the investment or claims an exemption from quoting, the withholding will cease. If amounts have been withheld, don't repay them to the investor – they can claim a credit for amounts withheld in their income tax return.

## **Franked dividends**

Don't withhold from fully franked dividends from public companies, even if the investor has failed to provide a TFN or ABN or claim an exemption.

If a dividend is partly franked and the income is unattributed, you should withhold from the unfranked portion of the dividend using the calculation:

$$(\text{Amount of payment} - \text{franked amount}) \times \text{top tax rate}$$

Unit trusts that pass franked dividends from investments in companies onto their unit holders should withhold from the total income payment made where a TFN or ABN hasn't been quoted, regardless of franking credits.

## Joint accounts

If 2 or more people hold an investment jointly, at least 2 of the investors must either:

- quote a TFN or ABN
- claim an exemption.

If an account is held jointly by a resident and non-resident:

- the TFN or ABN withholding provisions apply to the total amount of interest or dividends payable to the joint account if the resident doesn't quote a TFN or ABN or claim an exemption
- non-resident withholding applies to the total amount of interest or dividends paid if the resident satisfies their TFN/ABN obligations.

## Tax deferred distributions (capital)

TFN or ABN withholding isn't required if the distribution consists only of tax deferred amounts, even if the investor didn't quote their TFN or ABN or claim an exemption.

However, withholding is required if the payment consists not only of tax deferred amounts but also of ordinary or statutory income (and the investor hasn't quoted their TFN or ABN or claimed an exemption).

For more information see:

- Annual investment income report
- Investments and assets

## Exemptions for investors

In some circumstances an investor isn't required to quote, or may choose not to quote, a tax file number (TFN) or Australian business number (ABN).

Details of investors who have claimed an exemption from quoting a TFN or ABN for an investment must be included in the *Annual investment income report* (AIIR), together with the relevant income information.

## Types of exemptions

Investors may claim one of the following exemptions from quoting a TFN or ABN:

- [Children under 16](#)
- [Interest bearing accounts and interest bearing deposits](#)
- [Entities not required to lodge an income tax return](#)
- [Non-resident investors](#)
- [Pension and benefit recipients](#)

## **Children under 16**

Investment bodies aren't required to withhold tax where a TFN or ABN hasn't been provided for investments (other than shares in a public company) held by children under 16 years of age, provided that the:

- investment body has records indicating that the investor was under 16 years of age on 1 January before the date on which the payment is made
- payment is less than \$420 for the financial year (if the payment isn't for the whole financial year, the \$420 threshold is pro-rated).

## **Interest bearing accounts and interest bearing deposits**

Investment bodies aren't required to withhold from interest bearing deposits and accounts with a financial institution where a TFN or ABN hasn't been quoted, provided that the payment is less than \$120 for the financial year (if the payment isn't for the whole financial year, the \$120 threshold is pro-rated).

For more information see:

- Children's savings accounts.

## **Entities not required to lodge an income tax return**

An entity that doesn't have a TFN because it's not required to lodge an income tax return won't have tax withheld providing an eligible representative supplies the investment body with the name and address of the entity and the reason why the entity doesn't have to lodge an income tax return.

In these circumstances the entity is treated as if it had quoted a TFN to the investment body.

An entity may be:

- a body corporate
- an unincorporated association
- a charitable, social and other non-profit organisations
- a non-profit companies earning small amounts of income.

## **Non-resident investors**

Non-resident investors will generally have non-resident withholding tax withheld from their investment income. This is a final tax, and if this is the non-resident investor's only assessable income, they won't need to lodge an income tax return and won't need a TFN.

In these instances, the non-resident investor is treated as if they quoted a TFN for the investment. This will ensure only the non-resident withholding tax rate will be applied to their income, not the top rate of tax.

Non-residents who become residents of Australia must advise the investment body within a month of becoming a resident and the non-resident exemption ceases to apply.

For more information see:

- Investment income and royalties paid to foreign residents.

## **Pension and benefit recipients**

Investment bodies aren't required to withhold amounts held by recipients of certain payments, provided the applicable exemption code is quoted. These payments are:

- age pension
- disability support pension
- wife pension
- carer payment
- widow B pension
- parenting payment single
- special benefit
- special needs pension

- age, invalidity or partner service pension from Veterans' Affairs
- Defence Force income support allowance from Veterans' Affairs.

New start allowance and sickness allowance aren't eligible benefits for exemption purposes.

An investor who receives a superannuation pension isn't exempt unless they also receive one of these payments.

## Codes to help complete your AIRR

**Complete your AIRR using one of the following codes in place of the TFN:**

Type	Code to report
Investor under 16	333333333  The date of birth must also be reported.
Investor is a pensioner receiving a Centrelink (age or disability support) or Service (veteran's) pension	444444441
Investor is a recipient of another eligible Centrelink pension or benefit, such as parenting payment or widow allowance	444444442
Entity not required to lodge an income tax return	555555555
Investors in the business of providing consumer or business finance	666666666
Non-residents	888888888
Quoted TFN contains alphabetic characters or has more than 9 characters (and is not an ABN)	987654321

If the investor hasn't quoted a TFN nor claimed an exemption from quoting, or has quoted an ABN at the *Investor Australian business number* field, then this field must be zero filled.

For more information see:

- Annual investment income report.

QC 18524

## Withholding from suppliers

If a business supplies you with goods or services, it should quote its Australian business number (ABN) to you.

**Last updated** 27 November 2024

If a business doesn't quote its ABN you generally:

- withhold the top rate of tax from the payment you make to them
- send the withheld amount to us.

For more information see:

- Checking an ABN.

### Documents quoting supplier's ABN



Suppliers with an Australian business number should quote it to you to avoid having tax withheld from payments.

### Withholding if ABN is not provided



If a supplier doesn't provide an ABN, you generally withhold the top rate of tax from the payment and pay it to us.

### Payments you don't withhold from



You don't have to withhold tax from some payments from suppliers regardless of whether an ABN is provided or not.

QC 27075

## Documents quoting supplier's ABN

Suppliers with an Australian business number should quote it to you to avoid having tax withheld from payments.

**Last updated** 27 November 2024

### On this page

[Quoting an ABN](#)

[Phone orders](#)

[Internet orders](#)

[Overseas order](#)

[Regular suppliers](#)

[Corporate group](#)

## Quoting an ABN

Suppliers can provide you with invoices but other electronic or paper documents that quote an ABN and relate to the supply are acceptable.

You can also record a supplier's ABN if it is displayed on their website and keep it with your record of the transaction.

## Phone orders

If you order supplies by credit card over the phone, before placing the order ask the supplier for their ABN. If they don't have an ABN, don't authorise the supplier to charge the whole amount to your credit card as you will need to withhold tax from the payment.

## Internet orders

If the supplier:

- is based in Australia, you will need their ABN, otherwise you will have to withhold
- isn't carrying on an enterprise in Australia, they won't need to quote an ABN and you won't need to withhold from payments you make to them
- hasn't provided an ABN, and
- the website URL doesn't identify the supplier as having an Australian connection, the supplier may not have a permanent establishment in Australia, so you won't need to withhold. You should retain a record of the reason for not withholding.

For more information, see

- [Enterprise](#)
- [Permanent establishments](#)

## Overseas order

Foreign resident suppliers generally don't need to provide you with an ABN unless they are carrying on an enterprise in Australia which includes an agent or a branch office in Australia.

### Example: ordering goods from overseas

John orders goods for his business from an overseas business. The supplier doesn't need an ABN and John doesn't need to withhold. John may need to pay GST and customs duty when the goods are imported into Australia.

John also orders goods for his business from a different overseas business. The goods are delivered and John is invoiced by their agent in Australia. If the agent doesn't quote their ABN on the invoice or any other document, John will need to withhold.

## Regular suppliers

Regular suppliers can periodically quote their ABN to you to cover all the supplies they make to your business for a specified period, such as a financial year.

You must keep records that can verify the supplier, the supplier's ABN and the payments made in relation to the supplies.

At least once a year, you should check that the ABN quotation is correct and up to date.

If a regular supplier provides you with an ABN that is different from one previously quoted, check with the supplier – they may have accidentally quoted the wrong ABN. Alternatively, you can check the ABN's validity.

## Corporate group

If you are part of a corporate group, you don't have to get or quote an ABN every time you pay or charge another group member for supplies as long as every member of the group:

- keeps a register of the ABN of all the other members that supply it
- is able to link each transaction to the correct ABN.

For more information, see [Checking an ABN](#).

QC 51681

## Withholding if ABN is not provided

If a supplier doesn't provide an ABN, you generally withhold the top rate of tax from the payment and pay it to us.

**Last updated** 27 November 2024

### On this page

Overview of withholding if ABN is not provided

## Payment summary

### Paying a supplier with goods or services

## Overview of withholding if ABN is not provided

If the supplier doesn't provide an ABN and the total payment for goods and services is more than \$75 (excluding GST) you generally withhold the top rate of tax from the payment and pay it to us.

If a supplier has applied for an ABN you can offer to hold payment until they have obtained and quoted their ABN. This is a matter for you and your supplier to work out. However you must not make full payment to the supplier on the understanding that an ABN will be quoted later.

As you can't claim the GST input tax credit for payments you have withheld from, you should keep records of these transactions separate from other payment records.

There are some payments from suppliers that you don't have to withhold tax from, regardless of whether an ABN is provided or not. However you must have sufficient records to show the reason for not withholding.

## Payment summary

If you withhold tax from a supplier's payment you must complete a payment summary and give it to them at the same time you pay them the net amount or as soon as possible after.

You can get *PAYG payment summary – withholding where ABN not quoted* forms from our online ordering service, or create your own as long as it contains the same content.

Keep a copy of the payment summary to help prepare your annual report for PAYG withholding where no ABN is quoted.

## Paying a supplier with goods or services

If you agree to provide a supplier with goods or services instead of paying money, withholding will still apply if no ABN is provided.

For more information see:

- PAYG withholding payment summaries
- PAYG withholding annual reports
- PAYG withholding where ABN not quoted – annual report
- TR 2002/9 *Income tax: withholding from payments where recipient does not quote ABN*
- Non-cash payments

QC 51682

## Payments you don't withhold from

You don't have to withhold tax from some payments from suppliers regardless of whether an ABN is provided or not.

**Last updated** 27 November 2024

### On this page

Overview of payments you don't withhold from

Total payment is \$75 or less

Supply isn't a business transaction

Entire payment is exempt income for the supplier

The supplier is not carrying on an enterprise

Other conditions

## Overview of payments you don't withhold from

There are some payments from suppliers that you don't have to withhold tax from, regardless of whether an ABN is provided or not.

However you must have sufficient records to show the reason for not withholding.

If you are unsure if any of the following conditions apply, ask the supplier to give you a written statement that the supply of goods or services is excluded. The supplier may use the *Statement by a supplier* form, or create a statement containing the same information. You must keep their statement for 5 years.

If you have reason to believe the statement is false or misleading you must withhold the top tax rate from the total payment.

## Total payment is \$75 or less

When the payment for the full supply is \$75 or less, exclusive of GST, you don't have to get an invoice with an ABN, a tax invoice or withhold tax. However, you should have evidence to support claims for input tax credits relating to these supplies.

You can't avoid having to withhold by breaking down a larger supply into \$75 amounts, but a series of small supplies of under \$75 wouldn't require withholding where no ABN was quoted.

### Example : total payment \$75 or less

Ana has her shop sign painted. The painter invoices her for \$150 and doesn't have an ABN. Ana can't turn this into two \$75 transactions and avoid withholding.

Ana has flowers delivered for the counter once a week and she is invoiced \$40 each time. As these are separate transactions, Ana wouldn't need to withhold if the florist doesn't quote an ABN.

## Supply isn't a business transaction

A supply isn't considered a business transaction (and therefore you don't need to withhold tax) if:

- the supplier is an individual (not in business as a partnership, company or trust)

- for the supplier, it is a private or domestic supply, for example, when another business person sells your business a second-hand computer that has only been used at home for private purposes and isn't part of their trading stock or business equipment
- the supply is made as part of a private recreational pursuit or hobby, for example, when you buy a picture to hang in your public business office from an artist who paints as a hobby.

The supplier should provide you with a written statement. A *statement by a supplier* form is available from our website or suppliers can create their own as long as it includes the same information.

The statement can be on the invoice. If it is separate, you must be able to link it to your transaction records so that you can show why you didn't withhold.

If your business is a partnership, company or trust, and the supply is made through your business, this exception won't apply. You will have to withhold if the supplier doesn't quote their ABN.

## **Entire payment is exempt income for the supplier**

You don't have to withhold from payments to suppliers whose income is exempt from tax, whether they provide an ABN or not. Common types of bodies exempt from income tax include:

- religious institutions
- schools, pre-schools, colleges, universities and other public educational institutions
- community service organisations, such as sports clubs, community centres, youth groups, community arts or theatres and other associations that have community service purposes
- public hospitals and non-profit private hospitals
- charities, whose income is exempt.

The supplier should provide you with a *Statement by a supplier* form available from our website or suppliers can create their own as long as it contains the same information, including:

- a statement that its income is exempt from tax under subdivision 50A of the *Income Tax Assessment Act 1997*.

The statement can be on the invoice. If separate, keep the statement with your transaction records so you can show why you didn't withhold.

The supplier doesn't need to provide proof of the income tax exempt status of the payment. You can accept the statement unless you have reasonable grounds to believe it is false, in which case you must withhold if no ABN is quoted.

## **The supplier is not carrying on an enterprise**

If your supplier claims that they are not carrying on an enterprise and don't need or isn't entitled to an ABN, you don't have to withhold tax.

The definition of enterprise is very broad and most activities would be enterprises if they are not:

- private or domestic
- private recreational pursuits
- hobbies.

However, some activities may not be considered to be an enterprise and the operator would not be entitled to an ABN. Such activities are usually quite small and may be operated from home.

### **Example: owner provides services for a body corporate**

#### **No enterprise carried on**

Daphne is a pensioner who, each month, tends the front garden of the unit complex in which she owns a unit. For this work, the body corporate gives Daphne a \$100 discount off her levies. Daphne doesn't have an ABN. She would be considered to be making the supplies of her services in the course of a hobby or private recreational pursuit. The body corporate would, therefore, not be required to withhold from the discount given to Daphne.

### **Enterprise carried on**

Patrick carries on a gardening business. He is asked by the body corporate to perform garden maintenance services for the body corporate, of which he is a member. Patrick invoices the body corporate for \$250 but doesn't quote his ABN. The body corporate must withhold the top rate of tax from the payment to Patrick.

## **Other conditions**

- The supplier is an individual under 18 years of age and your payments to that person are \$350 or less each week.
- The goods or services are supplied through an agent who has quoted their ABN on an invoice or some other document relating to the supply.
- The goods or services supplied are wholly input taxed under GST.

For more information, see **Statement by a supplier not quoting an ABN**.

QC 51683

## **How to pay and report PAYG withholding amounts to us**

Due dates for paying and reporting PAYG withholding depends on your business size. You can request a date change.

**Last updated** 19 August 2021

If you have withheld tax amounts from payments you make to your payees, you need to:

- provide the withheld amounts to us
- report those amounts to us regularly on activity statements

- lodge an annual report confirming your total withholding
- provide payment summaries detailing total payments and withholding to each of your payees.

You won't need to do payment summaries for amounts you reported and finalised through Single Touch Payroll (STP).

**Find out about:**

- When to pay and report on activity statements
- Changing a withholding cycle

**See also:**

- Annual reporting
- PAYG payment summaries
- Single Touch Payroll Phase 1 - what you need to report
- Single Touch Payroll Phase 2 - Tax that has been withheld or paid.

## Changing a withholding cycle



This information will help you understand the pay as you go (PAYG) withholding cycle changes.

## When to pay and report on activity statements



You need to pay amounts withheld to us and report those amounts on activity statements.

QC 27076

# Changing a withholding cycle

This information will help you understand the pay as you go (PAYG) withholding cycle changes.

## On this page

PAYG withholding cycle

Requesting a change

Cycle change as a result of compliance activity

ATO annual review

Request to remain on a lower withholding cycle

## PAYG withholding cycle

The pay as you go (PAYG) withholding cycle determines how often you need to report and pay the withholding amounts to us.

Where an employer's annual withholding amount is:

- \$25,000 or less (small withholder status) – you are required to notify and pay quarterly
- more than \$25,000 and up to \$1 million (medium withholder status) – you are required to notify and pay monthly
- more than \$1 million (large withholder status) – you are required to pay electronically within six to eight days of a withholding event taking place, such as when staff are paid. Large withholders are also issued with a unique payment reference number (PRN).

The quickest way to change a withholding cycle is to make the request online through Online services for business or Online services for agents.

## Requesting a change

You or your registered tax or BAS agent can request a change to your withholding cycle if your annual withholding amounts change. You can:

- send your request online through the Online services for business or Online services for agents secure mail options:
  - select **Communication, Secure mail** then **new**

- select **Pay as you go** from the topic list
- select the relevant subject
- phone us so we can discuss your circumstances with you.

If you don't have access to our online services, you can apply in writing, giving detailed reasons to support the request, and send it to

**Australian Taxation Office**

**PO Box 3373**

**PENRITH NSW 2740**

When you write to us we will consider your request and send you a notice advising you of the outcome of your request.

If your request is not approved, you can **object** to this decision.

## **Cycle change as a result of compliance activity**

We may change your withholding cycle as a result of an audit or other compliance activity.

We consider the following matters when making a determination:

- the total amounts you are likely to withhold in the next 12 months.
- the extent, if any, to which you make or receive withholding payments that were previously made or received by another entity.
- any failure to comply with obligations under the withholding rules.
- any other matter considered relevant.

If we make a determination to upgrade your withholding cycle, we will issue a written notice advising you of the change and the date it will come into effect.

If you do not agree, you can **object** to the determination to upgrade your withholding cycle.

## **ATO annual review**

We will review your withholding payments each financial year to check if your withholding cycle needs to be changed.

We will write to you to upgrade your withholding cycle if your annual withholding payments have increased. Your new withholding cycle will be determined by your new [withholder status](#) (medium or large).

We will allow time for you to change to the new payment cycle before your first payment is due for the new financial year.

You can't object to this notice. However, if you disagree with our decision to upgrade your cycle, you can ask to stay on your existing cycle if you estimate your future year's withholding amount to be within your withholding status threshold.

You or your registered agent need to send your request to us within 21 days of receiving our letter.

### Next steps

- Download [Request to remain on a lower withholding cycle \(ATO initiated PAYG withholding cycle change\) form \(NAT 75075\) \(PDF, 127KB\)](#) [📄](#).
- Complete the form and ensure that you provide:
  - reason for your request (specify in detail, why you are requesting to remain on a lower withholding cycle).
- Provide further information that supports your request.
- State your estimated PAYG withholding amount for next financial year.
- Declaration including signature and date.

Submit your request online through Online services for business or Online services for agents secure mail options:

- select **Communication** then **Secure mail**
- select the **Pay as you go** topic
- select the subject **Withholding – ATO cycle change letter received – request to remain on current cycle**
- complete the relevant fields and attach the completed *Request to remain on a lower withholding cycle (ATO initiated PAYG withholding cycle change)* form.

If you don't have access to our online services you can:

- fax your completed form to **1300 730 298**

- apply in writing and send it to

**Australian Taxation Office**

**PO Box 1129**

**PENRITH NSW 2740**

**Note:** When you apply in writing or fax, the form must be placed as the front page.

**See also**

- Object to an ATO decision
- Phone us

## **Request to remain on a lower withholding cycle**

We may approve a request to remain on a lower withholding cycle if you meet any of these circumstances. Ensure you include further explanation in detail to support your request. If this is not provided it may not be considered.

You:

- are a not-for-profit organisation with limited resources, such as a small parish within a religious institution
- are involved in seasonal work, for example, fishing or farming activities that only occur for part of each year
- will cease trading during the next financial year
- only make withholding payments for part of the year, and for the majority of the year you have nil withholding amounts to notify and pay
- have fluctuations in income due to uncertainty of contracts in certain industries
- need to make a one-off royalty payment for the year under consideration
- are currently affected by a natural disaster.

We will not approve a request to remain on a lower withholding due to:

- the remote locality of the business

- cash flow difficulties caused by the change to a more frequent reporting and payment cycle
- additional costs for administration, including set-up costs and ongoing costs
- you only having one payee
- the person that completes the activity statement travelling frequently
- computer or systems incompatibility.

These reasons are not considered sufficient to allow you to remain on a lower withholding cycle.

If you experience difficulty lodging your activity statement or paying amounts by the due date, you should **contact us** immediately to discuss your options.

For more information see [Help with paying](#).

QC 17220

## When to pay and report on activity statements

You need to pay amounts withheld to us and report those amounts on activity statements.

**Last updated** 12 June 2018

### On this page

[Small withholders](#)

[Medium withholders](#)

[Large withholders](#)

Due dates for paying and reporting withheld amounts depend on whether you are a small, medium or large withholder.

The withholding cycle is the period of time that you have to notify and pay us amounts withheld (for example, monthly, quarterly). It is determined by the actual or estimated annual withholding amount.

The activity statements received by small and medium withholders will show the date the completed form and payment is due to us.

For more information, see [How to pay](#).

## **Small withholders**

- withholds \$25,000 or less a year
- pays withholding amounts to us each quarter
- reports withholding on activity statements received each quarter
- can arrange to receive monthly activity statements by contacting our extended-hours business service.

## **Medium withholders**

- withholds \$25,001 to \$1 million a year
- pays withholding amounts to us each month
- reports withholding on activity statements received each month.

## **Large withholders**

- an individual or business that withheld amounts totalling more than \$1 million in a previous financial year, or is part of a company group that has withheld more than \$1 million in a previous financial year
- amounts withheld are paid, and sent electronically to us, twice a week
- date for payment depends upon the day withholding took place:

## **Withholding dates for payment**

<b>If you withhold an amount on:</b>	<b>You must pay the withheld amount to us on:</b>
Monday or Tuesday	the following Monday
Wednesday	second Thursday after that day
Thursday or Friday	the following Thursday
Saturday or Sunday	second Monday after that day

**Note:** When the due date is a public holiday, you may pay on the next working day.

## **Large withholder's discretionary extensions to payments**

From time to time, you may make payments of small amounts outside your regular payment cycle.

You may delay payment to us until the next regular payment date if the amount is the lesser of either:

- 0.5% of the amount you withheld in the previous financial year
- \$50,000.

If the total amount is more, the total amount must be paid by the relevant due date, unless you apply to the Commissioner in writing to extend the due date for payment of an amount that exceeds the threshold.

The request needs to state the reasons why the extension should be allowed. It will be assessed on its own merits, however these requests will only be granted in rare circumstances.

For more information see, [Dedicated contact services](#).

## **Large withholders that are unable to pay withheld amounts**

If you are unable to pay the withheld amount to us you must phone us on **1300 728 060**.

For each withheld amount that you are unable to pay, we need to know the:

- amount owed
- date the withholding applies to
- reason you are unable to pay that amount by the due date.

## **Large withholders may offset a net GST credit against a PAYG withholding liability**

If you have a net GST credit for a tax period, it can be offset against your PAYG withholding liability. GST credits can only be offset against one withholding liability in any GST reporting period.

To ensure your entitlement to GST credits is recorded on your account, you must:

- complete a *PAYG withholding liability notification* form (NAT 3302), telling us how much withholding you will be liable to pay one working day before your withholding due date
- lodge the form at least 48 hours before lodging your BAS by either
  - faxing it to us at **1300 134 791**
  - emailing it to us at [largeDAN@ato.gov.au](mailto:largeDAN@ato.gov.au)
- lodge your BAS on or before the due date - it will establish your entitlement to a GST credit.
- pay the amount owing to us by the due date. If any credit remains after the offset, it will be offset against other tax liabilities or refunded to you. We cannot refund any amount unless you have lodged all required activity statements.

Our large business specialists can provide you with further information or assistance, including enquiries about debt and lodgment obligations.

### **Next step**

- **PAYG withholding liability notification**

For more information, see [Large business specialists](#).

# PAYG withholding payment summaries

Check what type of payment summary you need to give your payees for the financial year.

**Last updated** 1 October 2024

## On this page

End of financial year payments to employees

Types of payment summaries

You must give each of your payees a payment summary showing how much you paid them for the financial year and how much you withheld from the payments.

You may have to complete various types of payment summaries depending on the types of payments you've made throughout the financial year.

You do not need to provide your employees with payment summaries for information you report and finalise through Single Touch Payroll.

## See also

- End-of-year finalisation through STP

## End of financial year payments to employees

If salary and wages are accrued in the current financial year (prior to 30 June) but paid in the following financial year (on or after 1 July), the full amount of the payment will be taxed at the following financial year's tax rates and included in the following financial year's payment summary.

### Example 1

XYZ Company pays their employees each Thursday. The final payment for the 2014–15 financial year is on 25 June 2015. The amount that is accrued following this date will be paid to the employees on 2 July 2015 and be included in the 2015–16 payment summary. Withholding on the whole amount will be at the rates that apply for the 2015–16 financial year.

## Electronic payments

When payments are made electronically, the payment date is either the date stipulated in the electronic transaction or, if no date is stipulated, the date on which the payment is intended to be made into that bank account.

### Example 2

ABC Company instructs their bank to pay their employees' salary by EFT on 30 June 2008. The company specifies that the payments should be credited to the employees' bank account on 1 July. As the payment is instructed to be made on 1 July, these payments must be included in the 2008–09 payment summary and withholding on the whole amount will be at the rates that apply for that year.

## Types of payment summaries

The type of payment summary you give each of your payees will be determined by the type of payment you made as well as when it was paid.

### Find out about

- [Payment summaries for workers](#)
- [Payment summaries where no ABN was quoted](#)
- [Electronic payment summaries](#)
- [Part-year payment summaries](#)

- [Paper payment summaries](#)

## Payment summaries for workers

Generally, you must give each of your workers a payment summary by 14 July each year, even if the withheld amount is nil.

Some of the most common payment summaries used for workers are:

- PAYG payment summary – individual non-business (NAT 0046)
- PAYG payment summary – business and personal services income (NAT 72545)
- PAYG payment summary – superannuation lump sum (NAT 70947)

The payment summary should show each payee how much you paid them in the financial year, and how much you withheld from the payments.

If you have paid an employment termination payment (ETP) to a worker you must give them a **PAYG payment summary – employment termination payment** (NAT 70868) within 14 days of making the payment.

You may have to complete various types of payment summaries depending on the types of payments you've made throughout the financial year.

## Payment summaries where no ABN was quoted

If you have withheld tax from a payment because another business didn't quote an ABN to you, you must give them a payment summary showing details of the payment.

You can use our form *PAYG payment summary – withholding where ABN not quoted* or prepare your own, as long as you include all the necessary details.

You need to provide this payment summary at the time you make the payment or as soon as practicable afterwards.

### See also

- PAYG payment summary – withholding where ABN not quoted
- Withholding from suppliers

## Electronic payment summaries

If you lodge your PAYG withholding reports online, you can give your workers their payment summaries electronically. They must be:

- non-editable
- able to be printed in high quality so they are easy to read.

You will need to:

- give your payees the option to receive either an electronic or paper payment summary
- tell your payees when the payment summaries are available and ensure they know how to access and print them
- ensure the method you choose to distribute electronic payment summaries is secure enough to protect their tax file numbers and other personal information.

You can provide the following payment summaries electronically:

- PAYG payment summary – individual non-business (NAT 0046)
- PAYG payment summary – foreign employment (NAT 73297)
- PAYG payment summary – business and personal services income (NAT 72545)
- PAYG payment summary – employment termination payment (NAT 70868)
- PAYG payment summary – superannuation lump sum (NAT 70947)
- PAYG payment summary – superannuation income stream (NAT 70987)
- PAYG payment summary – where ABN not quoted (NAT 3283).

You can also print the individual payment summaries and provide them to your employees. However, do not send printed copies of your employee's electronic payment summaries to us. Our systems cannot process payment summaries printed in this format.

You can find out more about the requirements for producing self-print and electronic payment summaries, by accessing our software developers site.

**See also**

- [Software developers – electronic reporting specifications summary](#) 

## Part-year payment summaries

A worker can ask for a part-year payment summary. It must be in writing and made before 9 June (21 days before the end of the financial year).

You must provide your worker with a copy of their payment summary within 14 days of their request unless the worker has received a reportable fringe benefits tax (which can only be calculated at the end of the fringe benefits tax year).

Part-year payment summaries provide details of withholding payments made from either:

- 1 July of that financial year to the date of issue of the payment summary
- The date of issue of any previous part-year payment summary to the date of issue of the current one.

If you have provided a worker with a part-year payment summary, their end of financial year payment summary should only include details for the period from the date of issue of the last part-year payment summary to 30 June.

### See also

- PAYG payment summaries: forms and guidelines
- Fringe benefits tax (FBT)

## Paper payment summaries

You can order paper payment summaries from us using our online publication ordering service for business. These are triplicate forms – you give one copy to each worker, keep a copy for your records and send the ATO original to us as part of your annual reporting.

### See also

- [Online publication ordering service for business](#) 

# PAYG withholding annual reports

You must lodge PAYG withholding annual reports at the end of each financial year.

**Last updated** 27 September 2021

## About annual reports

At the end of each financial year you must lodge a PAYG withholding annual report for all payments not reported and finalised through Single Touch Payroll (STP).

The report must include:

- all non-STP reported payments you made to payees during the financial year
- the amounts you withheld from those payments.

### See also:

- [End-of-year finalisation through STP](#)

Lodge your PAYG withholding payment summary annual report as soon as you provide payment summaries to your employees. This makes it easier for them to lodge their tax returns. We use the information you provide to pre-fill their tax returns.

The pre-filling service is available to:

- people who prepare their tax returns online
- tax agents.

You may have to lodge more than one annual report type. This table shows what payments you need to report on and when they are required to be lodged with us.

## Payments you need to report on

What to report	Annual report type	Report by
Wages, salaries and other work-related payments you paid	<b>PAYG payment summary annual report</b> <i>– able to lodge online using our Online services for business</i>	14 August
Payments to and amounts withheld from businesses that did not quote their ABN to you	<b>PAYG withholding where ABN not quoted – annual report (NAT 3448)</b> <i>– able to lodge online using the Online services for business Secure mail</i>	By 31 October each year
Interest, dividend and royalty payments to non-residents, and amounts withheld from those payments	<b>PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report (NAT 7187)</b> <i>– able to lodge online using the Online services for business Secure mail.</i>	
Payments to foreign residents, and amounts withheld from those payments	<b>PAYG withholding annual report – payments to foreign residents (NAT 12413)</b>	
Information about payments you made and amounts withheld from an investment where a payee did not quote their TFN (or in some cases, their ABN)	<b>Annual Investment Income Report (AIIR)</b>	

Information and amounts withheld from super payments paid to a temporary resident, permanently departing Australia	Departing Australia superannuation payment – withholding and reporting
Information about payments you made and amounts withheld from natural resource payments to foreign residents	Natural resource payments

**See also:**

- [How to lodge your payment summary annual report](#)
- [Taxable payments annual report](#)

## How to lodge your payment summary annual report



Information about how to lodge your pay as you go (PAYG) withholding annual reports online.

QC 27086

## How to lodge your payment summary annual report

Information about how to lodge your pay as you go (PAYG) withholding annual reports online.

**Last updated** 9 August 2021

### On this page

Reporting online

Reporting using paper forms

Lodge amended payment summary annual report online

You can lodge your payment summary annual report electronically or using paper forms.

You do not need to lodge a payment summary annual report for amounts you report and finalise through Single Touch Payroll. See [End-of-year finalisation through STP](#).

## Reporting online

If your payroll software meets our specifications, you can lodge specific payment summary annual reports online using:

- Online services for agents
- Online services for business – select **Lodgments** and then **File transfer**.
- Standard Business Reporting enabled software – secure online lodgment direct from your financial accounting or payroll software. To check whether your software is able to lodge online, view the [SBR Product Register](#) [↗](#) or talk to your digital service provider.

To lodge online, you must use a file format that is supported by our systems.

You **cannot** lodge files with the extensions .pdf, .doc, .xls, .jpg or tif.

## Common errors


Some common errors that may occur when lodging online include:

- The annual report file can't be found on the hard drive (EMPDUPE, NOABN or FRW) – You must use a complying payroll software product to generate the annual report file.
- Income amount fields with invalid characters – Remove blanks or non-numeric characters.
- Tax withheld amount not accepted – The tax withheld amount must be less than or equal to the sum of the income fields.

- Amendment indicator – The Amendment indicator field must contain either **A** or **O**.
- Supplier contact details – These are the details of the person lodging the report. The supplier contact name and contact phone number fields must be completed. Refer to the manual for your software product to find out where to enter the supplier information into the payroll product.

If you still can't fix the error, contact your digital service provider and give them the full error report.

### See also

- [SBR Product Register](#) 
- File transfer
- PAYG payment summaries

## Reporting using paper forms

Your *PAYG payment summary annual report* is made up of:

- the *PAYG payment summary statement*
- the 'ATO original' copies of all the payment summaries you issued for the financial year.

Your payment summary statement must include the total amount of all **payments made** and all **amounts withheld** for all your workers, including:

- employees
- contractors under voluntary agreements
- workers under labour-hire arrangements
- employment termination payments (ETP)
- personal services income (PSI) you have attributed.


Your *PAYG payment summary* for the year ending 30 June generally needs to reach us by 14 August.

Make sure you keep a copy of your records for at least five years.

Do not send us payment summaries printed from your payroll software – we cannot process summaries in this format.

## How to get this form

To get a printed copy of the form:

- download the form and print in A4 size – [PAYG payment summary statement \(NAT 3447, PDF, 168KB\)](#) 
- use our automated self-help **Publications ordering service** at any time – you need to know the full title of the publication to use this service
- phone our Publications ordering service on **1300 720 092** between 8:00 am and 6:00 pm Monday to Friday. Before you phone, check whether there are other publications you may need – this will save you time and help us. You need the full title for each publication you order.

### See also

- PAYG payment summaries: forms and guidelines
- PAYG withholding payment summary statement
- Incorrect type of PAYG payment summary form

## Lodge amended payment summary annual report online

If your original report was lodged online and your payroll product is able to generate amended files, you can lodge an amended payment summary annual report online.

For more information, see [Lodging your amendments](#).

QC 51684

## When a worker leaves

## Meeting your tax, super and employment termination payment obligations when someone stops working for you.

**Last updated** 25 August 2021

When someone stops working for you, you may need to:

- make employment termination payments
- report those payments to us
- meet superannuation obligations
- meet fringe benefits tax (FBT) obligations.

### **Find out about:**

- [Death of an employee](#)

### **See also:**

- Your workers
- Tax table for employment termination payments
- Taxation of termination payments
- Single Touch Payroll Phase 1 – finalising your STP data
- Single Touch Payroll Phase 2 – when an employee transfers or leaves
- PAYG payment summaries: forms and guidelines
- Super for employers
- Fringe benefits tax (FBT)

## **Death of an employee**

Generally, you should not withhold amounts from salary or wages paid after the death of an employee. This applies to income that was earned prior to death, but paid after the death of the employee.

Similarly, you should not withhold amounts from payments for unused annual leave or unused long service leave paid after the death of the employee.

You may need to withhold from a death benefit employment termination payment (death benefit ETP). This means any amount that

would have been an ETP if the employee was alive at the time of payment.

Examples include:

- unused sick leave
- unused rostered days off
- a payment for redundancy or retirement (a 'golden handshake').

## Payer guide

The following table provides a step-by-step guide for payments made to a deceased employee.

If you report through Single Touch Payroll, you can choose whether to provide a payment summary.

### See also:

- Single Touch Payroll Phase 1 – death benefit ETP
- Single Touch Payroll Phase 2 – paying an ETP to a death beneficiary

## Guide for payments made to a deceased employee

Step	Action
1	Prepare a payment summary for payments made to the employee in the current financial year, showing gross payments and amounts withheld before the date of death.
2	<p>Prepare the employee's entitlement including:</p> <ul style="list-style-type: none"><li>• payments for work or services, including retrospective pay and bonus or commission payments, accrued before the death of the employee but not paid prior to the date of death<ul style="list-style-type: none"><li>– these payments <b>are included</b> in assessable income if an estate tax return is required</li></ul></li><li>• payments for unused annual and long service leave which are tax-free and <b>not included</b> in assessable income if an estate tax return is required.</li></ul> <p><b>Do not:</b></p>

	<ul style="list-style-type: none"> <li>• withhold an amount from the payment</li> <li>• include details of these payments in the employee's payment summary.</li> </ul>
<b>3</b>	Calculate the amount of death benefit ETP and withhold the required amount as listed in <b>Schedule 11 – Tax table for employment termination payments</b> .
<b>4</b>	<p>Payments for work or services made after the death of the employee are made to either the:</p> <ul style="list-style-type: none"> <li>• estate of the deceased employee</li> <li>• person entitled to the money under the relevant law, industrial award or agreement.</li> </ul> <p>These amounts must not be shown on the deceased employee's payment summary. However, the payer may wish to provide the estate, trustee or executor of the deceased employee with a statement about these payments to assist in completion of the income tax return for the deceased person's estate.</p>

**See also:**

- Death benefit ETPs
- Deceased estates

QC 27088

## Improving payroll governance

How to ensure your payroll governance measures are appropriate for your business type, size and complexity.

**Last updated** 13 December 2022

### On this page

How to meet your employer obligations



Understand your employer obligations

Common issues with payroll governance

## How to meet your employer obligations

We want to help you ensure your entity's payroll governance measures are designed effectively and fit for purpose. This means they are appropriate for the entity's structure, size, complexity and industry.

To meet your payroll obligations, you should ensure:

- a formal payroll framework is documented that includes descriptions of roles and responsibilities to implement policies and procedures
- systems and controls are in place and periodically reviewed to ensure accurate reporting of:
  - Single Touch Payroll (STP)
  - pay as you go (PAYG) withholding
  - fringe benefits tax (FBT)
  - super.
- appropriate processes and procedures are in place to support your obligations and identify, assess and mitigate risks such as employee fraud and cybercrime
- key payroll and accounting staff have the skills and knowledge to perform their role – if they are in different departments, they should each be aware of the scope of their function and responsibilities
- good record-keeping practices are in place.

## Understand your employer obligations

When starting a business, ensure all remuneration arrangements including PAYG withholding, FBT and super guarantee (SG) are:

- set up correctly in your payroll software
- comply with payroll administration requirements.

Routinely review your policies and procedures for any changes that impact your business. For example:

- Operating without required registrations and failing to report or lodge on time may attract our attention and incur interest and penalties.
- Understand **PAYG withholding** thresholds that may change your payer status from a small-medium withholder to a large withholder because this determines the frequency and method of reporting and paying.

## **Common issues with payroll governance**

We have observed these common issues with payroll and governance. We encourage you to review your existing frameworks, practices and processes with these points in mind.

### **STP reporting and its relationship to BAS W2 and PRN EFT 70**

You must report payroll information through your STP-enabled software. This gives us visibility of your payroll data. It does not raise your PAYG withholding liability to account.

If you are a small-medium withholder, you must:

- lodge your STP reports
- continue to notify your PAYG withholding amounts at BAS label **W2**.

If you are a large withholder, you must:

- lodge your STP reports
- continue to notify your PAYG withholding amounts using your Payment Reference Number (PRN) / Electronic Funds Transfer (EFT) code 70.

### **Payment Reference Numbers (PRN), Australian Business Number (ABN) and branch numbers**

Ensure you report your PAYG withholding amounts correctly based on your business structure, including:

- ABN

- branch
- PRNs.

When consolidated groups are restructured or government entities are grouped, the responsibility for payroll often passes from one related entity to another. It is important to update your payroll software with the new entity's ABN and PRN. This ensures PAYG withholding payments are correctly applied.

When an employer's withholding threshold requires a transition into the large withholder system, reporting and payment are done via a unique PRN. Update your payroll software with this PRN and use it every time a PAYG withholding amount is remitted. This ensures it is correctly applied and not against another tax type or account.

## **Discrepancies between PAYG withholding amounts paid and reported**

STP data provides us with a near real-time indicator of what your PAYG withholding obligations should be. There are often significant discrepancies between lodged STP reports and PAYG withholding amounts paid. This suggests a potential for PAYG withholding shortfall.

Where PAYG withholding is unpaid over several years:

- manually raised backdated PAYG withholding amounts can be significant
- it attracts general interest charge (GIC).

You should routinely undertake a reconciliation of payroll totals to compare PAYG withholding amounts paid against reported year to date STP data and BAS W2 totals.

A year-end reconciliation will verify if your PAYG withholding amounts paid during the year equal the reported STP finalisation declaration. This is extremely important because these STP totals are prefilled into your payee's individual income tax returns.

## **Payroll Service Providers (PSP) issues**

If you use a third-party provider to submit your payroll data, regularly communicate with them to ensure all your obligations are being met.

We see a lack of communication between employers and their PSPs can cause issues, including when PSPs:

- report and pay PAYG withholding late without letting their employer client know
- incorrectly report under their own ABN and not the employer's – this causes significant discrepancies.

Ensure roles and responsibilities are clearly defined and it is understood who is accountable for payroll administration.

QC 71079

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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