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QC 67960

Before you hire your first worker

Check the registrations you need and how to set up your business before hiring your first worker.

Last updated 24 July 2025

Media: Tax basics for small business - Before a worker starts https://tv.ato.gov.au/ato-tv/media?v=bi9or7ornzkwex (**Duration:** 3:00)

Set up Online services for business

Most of your employee or payee reporting and transactions can be completed online through our Online services for business.

If you're new to our online services, you'll need to set up your Digital ID, such as myID first. You can then link your Digital ID to your business using Relationship Authorisation Manager (RAM).

Find out how to do this in Accessing online services with Digital ID and RAM.

Confirm you have STP-enabled software

All employers should be reporting payroll information through Single Touch Payroll (STP).

Check that your business software is STP-enabled, so you can report your employees' payroll information to us each time you pay them. Payroll information includes salary and wages, pay as you go (PAYG) withholding and super.

If you already use STP, take a look at STP reporting issues and errors. This information will help you report correctly.

Register for pay as you go (PAYG) withholding

If you employ workers, you must register for PAYG withholding. You must register before your first payment that is a payment you need to withhold from. This applies even if you don't withhold any amount from a payment made.

Set up your business to pay super

As an employer, you need to set up your business to pay super on behalf of your eligible workers. This includes selecting a default super fund and choosing an approved method to make payments.

Employers must pay workers' superannuation guarantee contributions to super funds through SuperStream.

Register for fringe benefits tax

If you'll be providing fringe benefits to your employees or their associates, and have a fringe benefits tax (FBT) liability, you must register for FBT.

State and territory payroll tax

You may also need to register for state and territory payroll tax – see business.gov.au. You'll only need to do this if your total payments to employees and certain contractors exceed the threshold. Thresholds and tax rates vary between states and territories.

QC 67961

Hiring a new worker

How to determine whether your worker is an employee or independent contractor, and forms for new employees to complete.

Last updated 27 June 2026

Determine your worker's classification

You must firstly determine whether your worker is an employee or independent contractor.

It's important to do this as it affects:

- your tax, super and other obligations (such as worker's compensation insurance)
- your worker's entitlements.

To classify your workers, you need to consider the whole working relationship. Some key things to remember include:

- An employee works for you in your business, while an independent contractor is running their own business.
- Apprentices, trainees, labourers and trade assistants are always employees, never independent contractors.

- You may still have to pay super for independent contractors if their contract is principally for labour.
- It's against the law to wrongly treat an employee as an independent contractor, so you need to check that you've got it right.

When determining a worker's classification, you also need to consider other key differences between employees and independent contractors.

Confirm they can work in Australia

You'll need to confirm that your new worker is legally allowed to work in Australia. Australian citizens, permanent residents and New Zealand citizens are legally allowed to work in Australia.

If you believe your worker is a foreign national (other than a New Zealander), you must confirm they have a visa with permission to work. More information about employing overseas workers is on the Department of Home Affairs website.

Working holiday makers

If you're hiring someone on a working holiday visa (subclass 417 or 462), you must also register as an employer of working holiday makers. You need to do this before paying them.

Tax and super obligations

When inducting your new employee, you need to ask them to complete the following forms:

- Online commencement forms
- Tax file number declaration
- Standard choice super form

This will allow you to work out how much tax to withhold, and how much super to pay them.

Online commencement forms

New employees can complete their online commencement forms by logging in to ATO online services (linked to their **myGov** account),

selecting the **Employment** menu, then **New Employment.**

This is an alternative to your employee completing a *Tax file number declaration* and *Superannuation standard choice form* to obtain their details.

Your employee must complete their online commencement forms within 28 days of starting. Once submitted, the information is sent directly to us.

Your employee will need to print out the employee tax and super details summary and give it to you. You **don't** send the printed form to us. Instead, you simply input the information into your payroll software, so they're set up and ready to be paid.

Tax file number declaration

Your employee's *Tax file number declaration* tells you:

- their tax file number (TFN)
- their residency status
- whether they have any government study loan debts
- whether they are claiming the tax-free threshold.

You'll need these details to work out how much tax to withhold from payments you make to them.

Your employee can complete a *Tax file number declaration*:

- through Online services
  - your employee will need to print the employee tax details summary and return it to you
  - you keep the printed copy and don't send it to us
- on paper by ordering the Tax file number declaration – if you don't use STP Phase 2-enabled software, you must lodge the *Tax file number declaration* to us within 14 days after it is signed by your employee or completed by you.

If your employee doesn't provide their TFN and doesn't claim a valid exemption from quoting their TFN, you must withhold at the top rate of tax (plus Medicare).

Superannuation standard choice form

Most employees and some independent contractors are entitled to choose their own super fund for their super guarantee payments.

To enable them to do this, you'll need to provide them with a Superannuation standard choice form (NAT 13080).

If your new employee doesn't choose a super fund, you may need to ask us to provide details of their stapled super fund.

If your employee gives you their TFN, you must provide it to their super fund. You need to do this the next time you make a payment for them, or within 14 days of receiving it, whichever is later.

Hiring through a labour firm

As an employer, it's your responsibility to protect the welfare of your workers. This includes a worker you engage through a labour hire firm.

If your business has a contract with a labour hire firm, then they're responsible for pay as you go (PAYG) withholding, super guarantee contributions and fringe benefits tax obligations.

See more information on the Fair Work Ombudsman website.

Other support when hiring workers

When hiring workers for the first time, you can also use tools and checklists available at business.gov.au:

- Hiring employees checklist
- Employment contract tool

Media: Before a worker starts https://tv.ato.gov.au/ato-tv/media?v=bi9or7ornzkwex (**Duration:** 0:55)

Employers of working holiday makers (WHMs)

Obligations of employers of WHMs (backpackers) holding a Working Holiday visa or Work and Holiday visa.

QC 67962

Employers of working holiday makers (WHMs)

Obligations of employers of WHMs (backpackers) holding a Working Holiday visa or Work and Holiday visa.

Last updated 24 July 2025

Working holiday makers (WHMs) are temporary visitors to Australia who hold a Working Holiday visa (subclass 417) or Work and Holiday visa (subclass 462).

Register as an employer of working holiday makers

Employers of WHMs must register with us to withhold tax at a special rate.

Register as an employer of working holiday makers provides information about:

- what you must do before you can register
- when and how to register
- checking your registration
- cancelling your registration.

Penalties may apply if you fail to register.

Check a worker has permission to work in Australia

You should only employ or pay someone for work if they have permission to work in Australia. Check a worker's visa status using the Visa Entitlement Verification Online service.

Tax rates for working holiday makers

A special tax rate applies when you employ a WHM. A person will advise you that they are a WHM on their Tax file number declaration. The form asks workers to declare if they're a WHM, Australian resident, or foreign resident for tax purposes.

You should use the working holiday maker tax table to work out how much tax to withhold from payments you make to a worker who holds a visa subclass 417 or 462. However, if you receive a PAYG variation notice from us to vary the rate to withhold from payments made for an employee, you would then withhold at the varied amount.

Registered employers

If you're registered with us as an employer of WHMs, you should withhold tax at the WHM tax rate of 15% from the first dollar your WHM earns up to $45,000. Tax rates change for amounts above $45,000.

Use the tax table for working holiday makers to calculate the tax on **all** payments made to WHMs, including:

- salary or wages
- termination payments
- unused leave
- back payments, commissions, bonuses and similar payments
- payments to actors and entertainers.

WHMs must provide their tax file number (TFN). If they don't, you need to withhold tax at the top rate.

You should continue to withhold amounts based on the tax table for WHMs, unless you receive a PAYG variation notice from us for a particular WHM.

If a WHM questions you about the tax treatment of their payments, you may refer them to guidance available on our website via Working holiday makers.

Unregistered employers

If you're not registered with us as an employer of WHMs, you must withhold tax at 30% from every dollar earned up to $135,000. For income over $135,000, you need to apply foreign resident withholding rates.

Penalties may apply if you employ someone with a visa subclass 417 or 462, but don't register as an employer of WHMs.

Superannuation

Like other employees, WHMs are entitled to super and their employer must provide an option to choose a super fund.

WHMs can apply to have this super paid back to them as a Departing Australia superannuation payment (DASP) when they leave Australia.

Employing working holiday makers as independent contractors

Make sure you understand the differences between employees and independent contractors for tax and super purposes. Penalties and charges could apply if you incorrectly treat an employee as an independent contractor.

If your arrangement with your WHM means they're an employee, you must tax them using the tax table for working holiday makers even if they provide you with an ABN.

Payment summaries

Unless you report using Single Touch Payroll, you're required to give a payment summary to every WHM you employ.

All payments to a WHM must be shown in the gross income section of the payment summary and identified using **H** in the **gross payment type** box.

If your payment summary doesn't have this box, then put the letter **H** next to the income earned by the WHM. This is to help your worker to prepare their income tax return.

If an employee, who has been a WHM, advises you they are no longer on a working holiday visa, you'll need to withhold tax at a different rate and provide two payment summaries for the financial year:

- one payment summary while they worked using visa subclass 417 or 462
- one payment summary for the period they were not.

Ensure the employment dates you put on the payment summary are accurate.

High Court decision

On 3 November 2021, the High Court handed down its decision (in the matter of Addy v Commissioner of Taxation) in favour of the taxpayer.

It was decided that a British citizen who held a working holiday visa and was found to be an Australian resident was entitled to be taxed on the same basis as a resident Australian national, and not the WHM rates of 15% that normally apply. This was due to the operation of a non-discrimination article in the Australia-UK Double Tax Treaty. This only applies when a WHM is a national of certain countries and is a resident of Australia for tax purposes. Most WHMs are **not** residents for tax purposes.

This decision does not have any impact on employers.

If the worker is eligible to be taxed on the same basis as a resident Australian national, they can apply to vary their PAYG withholding. If their variation application is approved, we will inform you, as their employer, by sending you a PAYG variation notice.

If a WHM questions the taxation of their payments, you may refer them to guidance available on our website via Working holiday makers.

QC 50741

Obligations when people work for you

Work out how much tax and super you need to pay on behalf of a worker, and how to report and lodge.

Last updated 24 July 2025

Media: Employers: resources to help you meet your obligations https://tv.ato.gov.au/ato-tv/media?v=bi9or7od3sesj7 (**Duration:** 00:48)

Single Touch Payroll

Each time you pay your employees, you'll need to report their tax and super information to us through Single Touch Payroll (STP) enabled payroll software.

The includes:

- salaries and wages
- amounts withheld
- super guarantee liability information.

STP was expanded from 1 January 2022. Unless your digital service provider has informed you they've been granted a deferral or you've applied to us for a delayed transition, you should be reporting expanded information through STP Phase 2 enabled software. For more information, see Employer STP Phase 2 checklist.

By 14 July each year, you'll also need to check your information is correct and make an end-of-year finalisation declaration through STP. This is important so your employees can access their information to complete their income tax return.

How you report your payroll information to the ATO depends on your situation and the payroll software you use. Our STP Get ready checklist will guide you through the steps so you'll be ready to start reporting to help you send your first STP report to us successfully.

Be aware that even if you report PAYG withholding through STP, you still need to report the same amounts on your activity statements and pay the amount owed.

Small employers – closely held (related) employees

If you are a small employer (19 or fewer employees) with closely held (related) employees you can choose to report in any of the following ways:

- actual amounts paid to closely held employees on or before the date of payment
- actual payments made to closely held payees quarterly
- a reasonable estimate of the amounts quarterly.

You must still report the amounts paid to other employees (also known as arm's length employees) on or before each payday.

If you have both closely held and arm's length employees you'll need to make an end-of-year finalisation declaration through STP:

- by 14 July for your arm's length employees
- by 30 September for closely held employees.

If you only have closely held payees, you have until the due date of the closely held payee's individual income tax return to make a finalisation declaration for a closely held payee. This is usually 31 October.

Worker classification

When hiring a worker, you must determine if they are an Employee or independent contractor.

It's important because:

- it affects your tax (PAYG withholding), super and other obligations
- penalties and charges may apply if you get it wrong.

Independent contractors working for you

If your worker is an independent contractor, you'll have different obligations than if they were an employee.

You must:

- withhold tax from payments you make to independent contractors if they either
  - don't quote their ABN to you
  - have a voluntary agreement with you to withhold tax from their payments.
- pay super guarantee for independent contractors if they meet the extended definition of 'employee'. For these independent contractors, even if they provide you with their ABN, you will need to pay super guarantee.

Independent contractors and end of financial year

If you withhold tax from payments to independent contractors because they didn't quote their ABN to you, at the end of the financial year you'll need to:

- advise them of the amount you withheld by completing a PAYG payment summary – withholding where ABN not quoted form by 14 July
- include the payments in your PAYG withholding where ABN not quoted – annual report and lodge the report with us by 31 October.

If you withhold tax from payments to independent contractors because they have a voluntary agreement to withhold tax, you can voluntarily report those payments through STP.

If you choose not to report those payments through STP, at the end of the financial year you'll need to:

- advise them of the amount you withheld by completing a PAYG payment summary - business and personal services income form by 14 July
- include the payments in your PAYG withholding payment summary annual report and lodge the report with us by 14 August.

If your worker is an independent contractor, you may also need to lodge a taxable payments annual report (TPAR) each year. This report details the payments you've made to them for their services.

Australian residents who work overseas

If you employ Australian residents who work overseas continuously for 91 days or more, you need to understand your specific tax or super obligations for them. Learn more about Employing Australian residents who work overseas.

Withholding amounts from payments

Each time you pay your worker, you're required to withhold a portion of their pay for tax. This is called pay as you go (PAYG) withholding.

By withholding tax, you're helping your worker meet their end-of-year tax liabilities.

You'll need to pay the amount withheld and report the amount withheld to us through both your:

- STP-enabled payroll software
- business activity statement (BAS)

How often you need to pay and report on activity statements depend on whether you're a:

- small withholder
- medium withholder
- large withholder

You'll need to collect PAYG withholding amounts from payments you make to a worker, including if they're:

- an employee (this includes if they're a director)
- an independent contractor with a voluntary agreement or who don't quote their Australian business number (ABN).

The amount of tax you withhold will depend on your worker's individual circumstances.

For example, there are different withholding rates for:

- working holiday makers
- workers hired under the Seasonal Worker Programme or Pacific Labour Scheme.

It's important to withhold the right amount of tax from payments you make to your worker.

To do this, use:

- accounting or payroll software
- the details on your employee's completed *Tax file number declaration*
- our tax tables
- our online tax withheld calculator.

Super guarantee

This information is only for employee earnings paid up to 30 June 2026.

For employee earnings paid from 1 July 2026, the new Payday Super rules apply.

You need to calculate and pay Super guarantee (SG) for your eligible workers at least 4 times a year at the correct rate. Payment due dates occur quarterly on 28 October, 28 January, 28 April and 28 July.

Super is not another tax or government revenue – it is your workers' entitlements. Paying super is an important part of being an employer, as it provides for your workers in their retirement.

Our Super guarantee compliance snapshot 2022–23 factsheet, (PDF, 533KB) demonstrates that we recognise the importance of super and the role it plays.

Most employees are eligible for super. You must also pay super for independent contractors who meet additional eligibility requirements. You'll need to consider your employment contract and working arrangement for each worker and work out if you have to pay super.

You'll also need to know the amount of super to pay and when, and how and where to start paying super contributions. It's important to:

- offer eligible workers their choice of super fund. In some situations you may need to request their stapled fund details from us.
- keep your payroll and accounting systems are up to date. This is to make sure they use the correct rate to correctly calculate the amount of super you need to pay.

It's important to pay super for your workers on time.

If you miss a due date

By law, we can't extend the due date to pay. If you don't pay the right amount of super for your workers on time and to the right fund, you'll need to lodge a super guarantee charge (SGC) statement and pay the SGC to us.

The SGC is more than the super contribution you would have otherwise paid to the employee's fund and is not tax deductible. You

may also face additional penalties, which can be up to 200% of the SGC. See The super guarantee charge for more information.

Calculating how much super you need to pay

The minimum superannuation you must pay for each eligible employee is the SG rate applied to their ordinary time earnings (OTE). You need to be aware of what the SG rate is at the time of the quarter you are paying for.

Make sure you know what payments are counted as OTE.

We have provided examples to help you work out how much super to pay. You can also use the SG contributions calculator.

Learn more about super guarantee

To understand the importance of super guarantee and how to meet your super obligations, complete the Super guarantee employer obligations – online course.

Fringe benefits tax

Fringe benefits tax (FBT) is a tax you pay on certain benefits you provide to an employee, including their family or other associates. It's separate from income tax and is calculated on the taxable value of the fringe benefit.

There are different types of fringe benefits that you can provide to your employee. Some common examples include:

- allowing an employee to use a work car for private purposes
- providing an employee car parking
- paying an employee's gym membership
- reimbursing an expense incurred by an employee, such as school fees.

When providing fringe benefits to your employee, you'll need to self-assess your FBT liability for the FBT year (that is, 1 April to 31 March).

If you have an FBT liability, you must lodge an FBT return and pay the amount of FBT you owe for the FBT year. If you prepare your own FBT return, your lodgment and payment due date will be 21 May. If you use a tax agent, the due date may differ.

If the due date falls on a weekend or public holiday, you can lodge and make payment on the next business day.

If you provide an employee certain fringe benefits exceeding $2,000 in an FBT year, you must report the grossed-up taxable value of those benefits, known as reportable fringe benefits, on their payment summary or through STP.

Calculating FBT

To work out how much FBT you have to pay, you 'gross-up' the taxable value of the benefits you've provided. This reflects the gross salary your employees would have to earn, at the highest marginal tax rate (including Medicare levy), to buy the benefits themselves. The FBT you owe is the grossed-up amount multiplied by the FBT rate.

Make sure you are aware of what FBT exemptions and concessions you can use to reduce your FBT liability.

If you were required to pay FBT of $3,000 or more in the past financial year, then you need to lodge your BAS and pay quarterly FBT instalments. This will reduce the amount you have to pay when your lodge your FBT return. If you overpay, you will receive a credit.

When a worker leaves

When an employee or an independent contractor stops working for you, you still have obligations and may need to:

- make employment termination payments
- report those payments to us
- meet SG obligations
- meet FBT obligations.

Find out more at When a worker leaves your business.

Key dates

It's important you stay on top of your reporting, lodgment and payment due dates. If you don't, it could cost you money in penalties.

To easily see when your lodgments and payments are due and to action them seamlessly, use the ATO app.

If you're a small business, our calendar of key dates will help you lodge and pay on time – see these in the Small business newsroom.

You can also visit Due dates for lodging and paying. We recommend adding these dates into your calendar.

Note: Even if you report PAYG withholding through STP, you still need to report the same amounts on your activity statements and pay the amount owed.

If you miss a due date

We understand that unexpected life events can make it hard to meet your employer obligations, and so we have support available to help you.

For example, we offer eligible businesses and not-for-profits:

- an extra 2 weeks to lodge and pay their quarterly activity statements, and to receive and lodge them online
- payment plans – depending on the amount owing, you can propose a payment plan through our online services.

If you're experiencing financial difficulties, see support for your situation.

By law, we're unable to extend the payment due date for your employee's super. If you miss the quarterly due date, you'll become liable for the super guarantee charge (SGC).

This means you'll need to:

- lodge an SGC statement to us within a month of the quarterly due date
- pay the SGC to us.

By lodging an SGC statement by the due date, you'll avoid additional penalties. If you can't pay in full, we'll work with you to set up a payment plan.

Firmer action will be taken for those unwilling to meet their super obligations. We will raise an additional penalty, known as a 'Part 7 penalty' which can be up to 200% of the SGC payable amount, if you **don't**:

- lodge the SGC statement by the due date, or

- engage with us.

Penalties for directors

Directors must ensure their company complies with tax and super obligations. If they don't, they will be personally liable. Find out more at Director penalties.

Resources for employers

A good knowledge of your obligations as an employer is essential for getting your tax and super right.

For a summary of the information on this page, see our Employer obligations factsheet (PDF, 161KB).

Learn about the services a tax practitioner can provide you to assist with meeting your employer obligations on the Tax Practitioner's Board website.

Subscribe to our channels

We have different ways to communicate to you depending on what type of business you are. You should subscribe to our newsrooms and follow us on social media to make sure you are kept informed.

Join our webinars

We regularly hold webinars to help you understand your obligations as an employer. Watch recordings of previous webinars and other informational videos on our atoTV webinar channel.

Keep up to date with changes

Changes to legislation happen often and, in some cases, can take effect retrospectively. To make sure you are on top of your obligations, it's important to keep your payroll and accounting systems up to date and have regular discussions with your tax professional.

Keep good records

Keeping employment and contractor records is an essential part of running your business and helps you to claim all your deductions.

Records will vary depending on whether your worker is an employee or an independent contractor, so it's important you know the difference before you hire.

For more information, see Employment and payroll records for business.

Authorised by the Australian Government, Canberra.

QC 67963

Employing Australian residents who work overseas

Tax and super obligations to Australian resident employees who work overseas continuously for 91 days or more.

Last updated 24 July 2025

Approved overseas projects

Employees working in a foreign country on an Austrade 'approved overseas project', may be exempt from Australian income tax.

Class variation for employees

If you have a number of Australian resident employees working overseas, you can request a class variation to withhold less Australian tax in anticipation that your employees will have nil or very little Australian tax to pay.

You may apply for a variation based on your employees' particular circumstances, for example, the country they work in and the rate of foreign tax they pay in that country. The variation should reflect your employees' actual end-of-year tax liability.

Based on the information you provide, we will work out how much you can reduce the Australian withholding rate by for these employees. See PAYG withholding variations for payers.

Employment categories

Exemption from income tax on foreign employment income is only available when directly attributable to any of the following:

- your delivery of Australian official development assistance, except when your employer is an Australian Government agency
- your activities in operating one of the following
  - a public fund declared by the Treasurer to be a developing country relief fund
  - a public fund established and maintained to provide monetary relief to people in a developed foreign country that has experienced a disaster
- as a prescribed charitable or religious institution that is exempt from Australian income tax because the prescribed institution is located or pursuing objectives outside Australia
- a deployment outside Australia as a member of a disciplined force and you are part of, or an authority of, the Australian Government
- an activity specified in the regulations.

See Exempt foreign employment income for more information.

Foreign resident employers paying for Australian resident employees working overseas

In 2011, we published a taxation determination (TD 2011/1) to explain the withholding and FBT obligations a foreign resident employer may have when paying an Australian resident for work performed overseas.

The determination provides guidance and an interpretation of the statutory obligations for foreign resident employers.

See TD 2011/11 *Income tax and fringe benefits tax: can a non-resident entity be:*
(a) required to withhold amounts from salary and wages paid to an Australian resident employee for work performed overseas under section 12-35 of Schedule 1 to the Taxation Administration Act 1953?
(b) subject to obligations under the Fringe Benefits Tax Assessment

Act 1986 in relation to benefits provided to an Australian resident employee in relation to work performed overseas?

FBT liability

You may have an FBT liability if you provide a fringe benefit to an employee or associate. An obligation to pay FBT will only arise if there is an obligation to withhold from payments made to an employee under PAYG Withholding legislation.

If an employee's individual fringe benefits amount is more than $2,000, you must report the grossed-up value of that amount on the employee's payment summary. This amount is known as your reportable fringe benefits amount.

Grossing up means increasing the taxable value of benefits you provide to reflect the gross salary employees would have to earn at the highest marginal tax rate, including Medicare levy, to buy the benefits after paying tax.

See Fringe benefits tax – a guide for employers (NAT 1054).

FBT exemption for fly-in/fly-out arrangements

In some circumstances, you can apply the FBT exemption for travel you provided to employees under a fly-in/fly-out arrangement. This exemption is available if all these conditions are met:

- an employee's usual place of employment is
  - on an oil rig, or other installation, at sea
  - at a location in a state or internal territory but not in, or adjacent to, an eligible urban area, or
  - at a remote location that is not in a state or internal territory.
- you provide the employee with accommodation at or near the worksite on working days.
- you provide transport so employees can return to their usual place of residence on their days off.
- it would be unreasonable to expect the employees to travel to and from work on a daily basis.

FBT living-away-from-home provisions

Provided your employee is required to live away from their usual place of residence in order to perform their employment-related duties and the other requirements of the living-away-from-home (LAFH) provisions are satisfied, the LAFH provisions can apply to your employees if they are living overseas. See Working overseas and Fringe benefits tax – a guide for employers (NAT 1054) for more information.

Income tax

There are limited exemptions from income tax. In 2009 and 2016, changes to the *Income Tax Assessment Act 1936* took effect that limited exemptions for foreign employment income to certain types of employment. Foreign employment income that is not exempt may be subject to Australian income tax.

These changes meant Australian government employees who earn foreign income while delivering Australian official development assistance won't be exempt from Australian income tax on their foreign employment income. Learn more at Foreign employment income and section 23AG – employees.

However, members of a disciplined force, such as the Australian Defence Force and Australian Federal Police, delivering official development assistance are eligible for exemption from Australian income tax on their foreign employment income. See Foreign deployment as a member of a disciplined force.

If your employee's income is not exempt, you need to:

- withhold from payments of foreign income you make to your employees according to the Australian pay as you go (PAYG) withholding rules (see Employees who work in a foreign country)
- issue a PAYG payment summary – foreign employment (NAT 73297) for the foreign income
- meet any FBT obligations for any benefits you provide to your employee.

PAYG withholding

If you employ an Australian resident who works overseas, you need to complete a PAYG payment summary – foreign employment (NAT 73297).

On this form you provide details of payments you made and amounts you withheld. The details you provide include the foreign tax you withheld and paid to a foreign government, from foreign employment income. This includes income earned for work in the Joint Petroleum Development Area paid to an Australian resident.

Registering for PAYG withholding in Australia

If you make a withholding payment to a payee, you are required to register for PAYG withholding in Australia.

If you do not have an Australian business number (ABN), you will need to apply for one. You can do this online at abr.gov.au.

You should apply for PAYG withholding registration as part of this process.

If you already have an ABN, you can register for PAYG withholding by phoning us on:

- **13 28 66**
- **+61 2 6216 1111** (for overseas callers).

You will need to be the authorised contact to make this request.

If you are not eligible for an ABN, you will need to obtain a withholding payer number. You will need to complete Application to register a PAYG withholding account (NAT 3377) and lodge it with us.

Applying for a withholding variation if you are an employee

An employee may seek an individual variation to their withholding liability from us. We will tell you the amount to withhold if your employee applies for a variation. The amount will be calculated based on Schedule 1 – Statement of formulas for calculating amounts to be withheld (NAT 1004).

Varying PAYG withholding amounts for employees

You may reduce the Australian PAYG withholding on certain payments by the amount of the foreign tax withheld and paid to the foreign

government for that payment.

You can only vary your employee's Australian withholding amount based on the amount of foreign tax you withheld and paid to a foreign government, and you have a withholding obligation in the foreign country.

Example: Varying PAYG withholding amounts

Norman is an Australian resident working in Papua New Guinea (PNG) for four months from July 2017. His Australian employer pays him in PNG kina (K). He earns K3,850 weekly and pays K462 of this in tax in PNG.

In this case, Norman:

- has claimed the tax-free threshold for his Australian employment
- is not eligible for any tax offsets
- does not have a Higher Education Loan Program or Student Financial Supplement Scheme debt
- is not entitled to leave loading.

In this example, the exchange rate for converting PNG kina to Australian dollars is 2.36.

You convert the earnings in K to AU$:

K3,850 ÷ 2.36 = $1,631.36

You work out the Australian amount to be withheld from this amount according to the relevant PAYG withholding tax table:

Amount to be withheld from $1,631.36 = $401

You reduce this amount by the amount to be withheld and paid to the PNG government:

Amount to be withheld and paid to foreign country = K462

Convert this amount to AU$ = K462 ÷ 2.36 = $195.76

Amount to be withheld = $401 − $195.76 = $205.24

Rounded to the nearest dollar = $205

The amount to be withheld for Australian PAYG withholding purposes from the payment of K3,850 is AU$205.

See also

- PAYG withholding variations for payers
- Tax tables

Super guarantee

You have a super guarantee obligation if you pay your employee a salary or wage, unless the income or form of employment is exempt.

If you are:

- **not** an Australian resident employer, you're **not liable** for the super guarantee for the period your Australian resident employee is employed outside Australia
- an Australian resident employer, you're **not exempt** from the super guarantee, even where your Australian resident employee is employed outside Australia.

If you do not meet your super guarantee obligations, you must lodge and pay the super guarantee charge and may have to pay penalties and a general interest charge. See Super for employers for more information.

QC 27232

When a worker leaves your business

Work out a worker's final pay and entitlements when they leave your business.

Last updated 9 June 2026

Media: Tax basics for small business - When a worker leaves - ATOtv https://tv.ato.gov.au/ato-tv/media?v=bi9or7od9jsurx (**Duration:** 1:32)

Payments made on termination

When your employees leave your business, they can be paid several types of 'lump sums' that are taxed and reported differently to normal income. These may include:

- employment termination payments
- unused leave payments
- tax-free and genuine redundancy payments.

Fringe benefits tax (FBT)

If you've provided an employee with fringe benefits and they are leaving your business, you'll need to:

- calculate your FBT provided to your employees, and
- include it in your FBT return at the end of each FBT year (1 April to 31 March).

Super guarantee

You'll need to calculate and pay super guarantee on any final salary and wage payments that form part of your employee's:

- ordinary time earnings for quarterly periods up to 30 June 2026
- qualifying earnings from 1 July 2026.

To avoid paying the super guarantee charge you'll need to pay and make sure these super guarantee contributions reach your employee's super fund by the due dates. For information on due dates, see:

- Super payment due dates for quarters ending on or before 30 June 2026
- Payment deadlines for Payday Super from 1 July 2026.

Employment termination payments and unused leave payments don't form part of an employee's ordinary time earnings or qualifying earnings. So you don't need to calculate and pay super guarantee on these amounts.

Finalising STP data

Let us know your STP reporting for an employee is complete by finalising your STP data.

You can finalise an employee's STP information any time throughout the year. You will be exempt from issuing a payment summary for amounts reported and finalised through STP.

Your employees can access their 'tax ready' income statements in **ATO online services**, through **myGov**, when preparing to lodge their tax return.

Taxation of termination payments

How to calculate and report the tax on payments an employee may receive when their employment is terminated.

QC 67964

When you're no longer hiring workers

Once you stop hiring workers, you need to make sure you've met all of your final payment and reporting obligations.

Last updated 24 April 2026

If you stop hiring workers, you'll need to finalise all of your employer tax and super obligations, including making any payments to us. Director penalties can apply for unpaid super guarantee charge and PAYG withholding liabilities your business has incurred.

Your obligations may vary when workers leave your business. This depends on whether the worker is an employee or an independent contractor.

You'll need to work out your worker's final payment and pay within 7 days of the employment ending. These may include entitlement payments, employment termination payments and employee tax payments.

Once you've finalised your worker's entitlements, you should:

- cancel your PAYG withholding registration
- finalise your FBT obligations by completing either a:
  - final fringe benefits tax return – if you need to pay FBT or if you've paid FBT instalments for the current year
  - fringe benefits tax – notice of non-lodgment – if there are no payments to be made or instalments to be refunded.

There are no special requirements for your super guarantee obligations.

You'll also have other responsibilities to your employees, including providing notice and finalising payments. A range of information to help you manage employees when you sell or close your business is available at business.gov.au.

There are other obligations you may need to consider when Changing, selling or closing your business.

QC 67965

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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