



# Schedule 7 – Tax table for unused leave payments on termination of employment

This schedule applied to payments made from 13 October 2020 to 30 June 2024.

**Last updated** 13 October 2020

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This withholding schedule is made by the Commissioner of Taxation in accordance with sections 15-25 and 15-30 of Schedule 1 to the *Taxation Administration Act 1953* (TAA). It applies to withholding payments covered by section 12-90 of Schedule 1 to the TAA.

## Using this schedule

**This schedule applies to payments made from 13 October 2020.**

You should use this schedule if you pay an amount to an employee for unused leave on the termination of their employment or office.

Unused leave payments on termination of employment or office include:

- annual leave

- holiday pay
- leave loading
- leave bonuses
- long service leave.

Before calculating the amount to be withheld, you must work out if the payments are being made as a result of a genuine redundancy, invalidity or an early retirement scheme.

For more information, refer to **Withholding from unused leave payments on termination of employment**.

If you employ individuals under a working holiday makers visa, you must use the **Tax table for working holiday makers** for all payments made to them, including unused leave payments on termination of employment.

## Working out the withholding amount

### When a TFN is provided

The amount to withhold is calculated using the table below.

If the post-17 August 1993 lump sum payment from normal termination is less than \$300, you must withhold the lesser of the following:

- the amount worked out using the table below
- 32% of the payment.

### Withholding amounts for long service leave, annual leave and leave loading

Payment type	Reason	Accrual dates	Withholding rates	Pa su la ec in
Long service leave	Normal termination (e.g.	Pre-16August	5% of total at marginal rates	

	voluntary resignation, employment terminated due to inefficiency, retirement)	1978		
		16 August 1978 to 17 August 1993	32%	
		Post-17 August 1993	Marginal rates	Increase
	Termination because of genuine redundancy, invalidity or early retirement scheme	Pre-16 August 1978	5% of total at marginal rates	
		16 August 1978 to 17 August 1993	32%	
		Post-17 August 1993	32%	
Annual leave	Normal termination (e.g. voluntary resignation, employment terminated due to inefficiency, retirement)	Pre-18 August 1993	32%	
		Post-17 August 1993	Marginal rates	Increase
	Termination because of	Any date	32%	

	<b>genuine redundancy, invalidity or early retirement scheme</b>			
<b>Annual leave loading</b>	<b>Normal termination (e.g. voluntary resignation, employment terminated due to inefficiency, retirement)</b>	<b>Pre-18 August 1993</b>	32%	
		<b>Post-17 August 1993</b>	Marginal rates	In sa
	<b>Termination because of genuine redundancy, invalidity or early retirement scheme</b>	<b>Any date</b>	32%	

## Rounding of withholding amounts

Withholding amounts calculated using this table are rounded to the nearest dollar. Results ending in 50 cents or higher are rounded upwards. If a TFN is not provided, ignore cents when calculating withholding amounts.

## Marginal rate calculation

To work out the marginal rate, you must:

1. Using the relevant PAYG withholding tax table, work out the amount to withhold from your employee's normal gross earnings for a regular pay period.
2. Divide the amount of the payment by the number of normal pay periods in 12 months (12 monthly payments, 26 fortnightly payments or 52 weekly payments).

3. Ignore any cents.
4. Add the amount at step 3 to the normal gross earnings for a single pay period.
5. Use the same PAYG withholding tax tables used at step 1 to work out the amount to withhold for the amount at step 4.
6. Subtract the amount at step 1 from the amount at step 5.
7. Multiply the amount obtained at step 6 by the number of normal pay periods in 12 months (12 monthly payments, 26 fortnightly payments or 52 weekly payments).

Do not withhold any amount for study and training support loans.

### **Normal gross earnings**

Normal gross earnings are all payments, except those relating to termination payments, received in the last full pay period of employment. This includes taxable allowances, overtime and bonuses. Therefore, your employee's normal gross earnings should be taken to be the earnings relating to the last full pay period worked.

Where your employee's pay fluctuates significantly over a number of pay periods, we will accept an average of gross taxable earnings for the financial year to date over the number of pays received.

The following example uses the *Weekly tax table* (NAT 1005) effective from 13 October 2020.

#### **Example**

Beth retires on 31 December 2020. She qualified for long service leave after 10 years of service, with further leave accruing on each completed year of service.

She is not leaving because of genuine redundancy, invalidity or under an early retirement scheme.

This week Beth also receives her normal weekly earnings of \$1,155. She has quoted her TFN and has claimed the tax-free threshold. Therefore, the amount withheld is calculated using column 2 of the *Weekly tax table*.

#### **Details of payment for long service leave:**

- Pre-16 August 1978 component = \$3,690.00
- 16 August 1978 to 17 August 1993 component = \$7,700.00
- Post-17 August 1993 component = \$10,890.00

**Amounts to be withheld:**

- Pre-16 August 1978 component subject to withholding
  - = \$3,690.00 × 5% = \$184.50

The marginal rate calculation is used to work out the amount to be withheld from the pre-16 August 1978 component.

- 16 August 1978 to 17 August 1993 component
  - = \$7,700.00 × 32% = \$2,464.00

The post-17 August 1993 component of \$10,890.00 is also to be withheld at the marginal rate. To simplify the marginal rate calculation for this employee, the pre-16 August 1978 component and the post-17 August 1993 component are added together first: \$184.50 + \$10,890.00 = \$11,074.50

Now apply the marginal rate calculation to the sum of the two components.

**Marginal rate calculation**

Step	Instruction	Result
1	Amounts to be withheld from normal gross earnings (\$1,155)	\$216
2	Divide the amount of the payment by the number of normal pay periods in 12 months (\$11,074.50 ÷ 52)	\$212.97
3	Disregard any cents	\$212
4	Add the amount at step 3 to normal gross earnings for a single pay period (\$1,155 + \$212)	\$1,367
5	Work out the amount to be withheld	\$289

	from the amount at step 4 (\$1,367)	
6	Subtract the amount at step 1 from the amount at step 5 (\$289 – \$216)	\$73
7	Multiply the amount at step 6 by the number of normal pay periods in 12 months (\$73 × 52)	\$3,796

The amount to be withheld from the three components of Beth's unused long service leave payments is \$6,260 (\$2,464 + \$3,796). See [Rounding of withholding amounts](#).

The total amount to be withheld is then \$6,476 (\$216 withholding from normal earnings plus \$6,260 withholding from long service leave).

## Withholding variations

If an employee has a withholding variation in effect when unused leave payments are made, the rate specified on the variation notice will only apply to the unused leave payments if the notice includes unused leave payments. Otherwise, the rates in this tax table apply. This includes using the regular tax table per pay period for the marginal rate calculation, and not the varied withholding rate.

## When a TFN has not been provided

If your employee who is receiving the unused leave payments has not provided you with their TFN before the payment is made, you must withhold 47% from the payment.

If your employee is a foreign resident who has not provided you with their TFN, you must withhold 45% from the payment.

If your employee believes that for their circumstances the amount you withhold will be too much, they may apply for a variation to reduce the amount of withholding.

For more information refer to [Varying your PAYG withholding](#).

## Tax file number declaration

Any **Tax file number declaration** your employee provides while they were working for you will only be effective:

- for the period that they were working for you
- 12 months after you make the last payment.

## **PAYG withholding publications**

You can access all PAYG withholding tax tables and other PAYG withholding publications at:

- Tax tables
- PAYG withholding.

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