Working as an employee

Check what tax applies to your different employee payments and what to do when you leave your job or the workforce.

Tax for employees

How tax works on employee income, including how to set up your super and what your employer must do.

Salary sacrificing for employees

Find out what salary sacrificing is, how to set up an effective arrangement and the tax implications of an arrangement.

Reportable fringe benefits for employees

Find out if fringe benefits you receive are reportable and may affect your obligations and government benefits.

Income statements

Find out how to access your end of year income statement and what to do if its missing, incorrect, or not tax ready.

Leaving your job

Find out about payments made to you when you leave your job, including redundancy and employment termination payments.

Leaving the workforce

If you're leaving the workforce because you are retiring, there are

Receiving cash for work you do

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Workplace giving programs for employees

Find out what a workplace giving program is, how to donate, and responsibilities your employer has.

Worker entitlement funds

If you are a member of a worker entitlement fund, you need to be aware of the tax treatment of payments from the fund.

QC 43436

Tax for employees

How tax works on employee income, including how to set up your super and what your employer must do.

Published 18 March 2025

On this page

Starting your job

When you start a job, you need to make sure that you:

- have or **apply for a tax file number** (TFN) – without a TFN you pay more tax on your income

- complete a **TFN declaration**
- **choose a super fund** where your employer can pay your super contributions.

When you're working as an employee, you must pay income tax on payments you receive from your employer. Your employer deducts tax from your pay and sends those amounts to us.

We produce tax tables and calculators to help your employer work out how much to withhold from your payments. You can also use the Tax withheld calculator to check how much tax should be withheld from your pay.

At the end of the income year, most employees need to lodge a tax return. When you lodge a tax return you include how much money you earn (income) and any **expenses you can claim as a deduction**.

You may receive a refund after claiming any deductible expenses.

What your employer must do

Your employer withholds tax on your behalf from your salary or wages and, in most cases, pays super into your super account. Your employer uses your TFN declaration to work out how much tax to withhold from your pay.

Most employers now report your income, tax and super information at the same time they pay you. This reporting is called **Single Touch Payroll (STP)**.

Your **income statement** will include the tax and super information your employer reports to us. Most employers have until 14 July to finalise their data, they will let you know if there are any delays in the finalisation of your income statement.

You need to **link your myGov account to the ATO** to access your income statement. If you don't have a myGov account you will be able to contact us for a copy.

Some employees receive fringe benefits as part of a **salary sacrifice arrangement**. Fringe benefits are a non-cash benefit either you or an associate, such as your spouse or children, receive because of your employment. Your employer usually provides these benefits or sometimes your employer's associate or a third party under an arrangement with your employer provide the benefit.

Your employer should provide a workplace free of unlawful discrimination and promote diversity. If you're a working parent, have carer responsibilities or a disability, you should discuss ways your employer can support you. To find out more about these responsibilities, see Australian Human Rights Commission.

Paying tax on your income

You pay income tax on most sources of income including:

- your salary and wages
- most Centrelink payments
- investment income you receive from rent, bank interest or dividends
- profits from selling shares, property or crypto assets
- income from your business.

The amount of income tax and the tax rate you pay depends on your circumstances and how much you earn. The more you earn, the higher your rate of tax.

Your employer and other payers use the information you provide on your tax file number declaration to work out how much tax to withhold.

A simple way of working out how much tax should be withheld from your pay is to use the Tax withheld calculator.

You can also use the **PAYG withholding tax tables** to calculate the amount that should be withheld from your pay.

If you're an Australian resident, the first $18,200 you earn is usually tax free. You can choose to **claim the tax-free threshold** when you complete your TFN declaration.

If you earn income from more than one source (for example, from a second job or a taxable pension) you need to tell your second payer to withhold tax at the higher rate. You can tell the payer by selecting the 'no tax-free threshold' rate on the TFN declaration. If you don’t have tax withheld at the higher rate you might have a tax debt (bill) to pay when you lodge your tax return.

If you want to know the amount of tax you will be liable for over the full year, see **Tax rates – Australian residents**.

Australian residents may also pay the Medicare levy. This is generally 2% of your taxable income in addition to the tax withheld from your income. The Medicare levy helps fund some of the costs of Australia's public health system known as Medicare.

You also need to include on your TFN declaration if you have a debt for a:

- Higher Education Loan Program (HELP)
- Student Start-up Loan (SSL)
- Australian Apprenticeship Support Loan (AASL)
- VET Student Loan (VSL)

- Student Financial Supplement Scheme (SFSS).

Depending on how much you earn, you may have to make repayments on this debt as part of your income tax payment.

Super contributions

Your employer may also need to pay super contributions into your super account for you.

When you start working you should:

- choose a super fund where your employer can pay your super contributions
- make sure that your super fund has your TFN, this will
  - minimise the tax you pay on your super contributions
  - ensure they accept the contribution payments
  - make it easier for you and them to keep track of your super accounts.

If you're eligible to choose a super fund, you can do so using the **Superannuation (super) standard choice form**. Your employer may give you this form when you start employment.

From 1 November 2021, your employer may have an extra step to take to comply with choice of fund rules if you don't choose a super fund. They may need to request details of a 'stapled super fund' from the ATO.

A stapled super fund is an existing super account which is linked, or 'stapled', to an individual employee so that it follows them as they change jobs.

If you change jobs or have more than one job, be sure to **keep track of your super**. Having multiple super accounts could mean you are paying fees you are unaware of, which could reduce your retirement savings.

Use the **YourSuper Comparison Tool** to compare super products and choose a super fund that meets your needs.

QC 103969

Salary sacrificing for employees

Find out what salary sacrificing is, how to set up an effective arrangement and the tax implications of an arrangement.

Last updated 11 June 2024

What is salary sacrificing?

Salary sacrificing is also known as salary packaging or total remuneration packaging. You and your employer agree for you to receive less income before tax and in return your employer pays for certain benefits of similar value for you. This means you pay less tax on your income.

A salary sacrifice arrangement reduces your taxable income, meaning you may pay less tax on your income.

We don't provide advice on entering or rejecting a salary sacrifice arrangement. You should seek financial advice before entering into a salary sacrifice arrangement.

Benefits you can include in the arrangement

There is no restriction on the types of benefits you can include in a salary sacrifice arrangement. The important thing is that these benefits form part of your remuneration. The benefits replace what you would otherwise receive as salary.

Fringe benefits

Some of the benefits you can include in a salary sacrifice arrangement are fringe benefits. Your employer will have to pay FBT on the value of the benefit they provide you. If your employer has to pay FBT, they may ask you to make an employee contribution to reduce the FBT they have to pay.

Common fringe benefits include:

- cars

- goods
- shares
- payment of your expenses for loan repayments, school fees and childcare costs.

Example: Salary sacrifice of a motor vehicle

Sam earns $65,000 a year and is considering entering into an effective salary sacrifice arrangement.

Under this arrangement, his employer will provide the use of a $35,000 car and pay all the associated running expenses of $11,500. The $11,500 running expenses includes registration, which is GST-free.

The GST-exclusive value of the car expenses is $10,509. A flat statutory rate of 20% applies for FBT purposes, regardless of the distance travelled.

The salary packaging provider calculates that:

- the taxable value of the car fringe benefit will be $7,000 (which is the cost of the car multiplied by the statutory rate, in this case $35,000 × 0.20 = $7,000) and
- Sam will sacrifice
  - $17,353 if no employee contributions are made
  - $4,145 if employee contributions of $7,000 are made.

The following table illustrates how salary sacrificing and employee contributions work, by comparing the net disposable income for Sam in 3 scenarios for 2023–24:

1. no salary sacrifice arrangement
2. a salary sacrifice arrangement without any employee contributions
3. a salary sacrifice arrangement where employee contributions are provided.

Comparing net disposable income for 3 salary sacrifice scenarios

Calculation	1. Salary only (no packaging)	2. Salary + car (without employee contributions)	3. Salary + c (with emplo contribution
Annual	$65,000.00	$65,000.00	$65,000

remuneration			
Less salary sacrifice	nil	$17,353.00	$4,14
Taxable income	$65,000.00	$47,647.00	$60,85
Less income tax (2023–24 rates)	$11,592.00	$5,952.28	$10,24
Less 2% Medicare	$1,300.00	$952.94	$1,21
Income after tax and salary sacrifice amount	$52,108.00	$40,741.78	$49,39
Less employee contribution	nil	nil	$7,00
Less car expenses	$11,500.00	nil	
Net disposable income	$40,608.00	$40,741.78	$42,39
Reportable fringe benefits amount for employee's income statement or payment summary	nil	$13,207.60 (car fringe benefit taxable value of $7,000 × 1.8868)	

Exempt benefits

Your employer won't have to pay FBT on exempt benefits, such as:

- a portable electronic device
- computer software
- protective clothing
- a briefcase
- a tool of trade.

Super

Salary sacrificed super contributions under an effective salary sacrifice arrangement are considered to be employer contributions. These are not fringe benefits if your employer pays them to a complying super fund.

Entering an effective salary sacrifice arrangement

We don't provide advice on entering or rejecting a salary sacrifice arrangement. You should seek financial advice before entering a salary sacrifice arrangement.

To have an effective salary sacrifice arrangement, you must:

- enter the arrangement before you perform the work
- have an agreement between you and your employer
- have no access to the sacrificed salary.

An effective salary sacrifice arrangement can't include salary and wages, leave entitlements, bonuses or commissions that you accrue before you enter an arrangement.

Expenses paid with direct debits from your pay are not salary sacrificed.

If the arrangement doesn't meet the requirements of an effective salary sacrifice arrangement, you pay tax on the benefits as assessable (or taxable) income at the time you receive the benefit.

The Fair Work Commission regulates employment agreements and conditions.

Agreement between you and your employer

There should be an agreement between you and your employer. The contract is usually in writing but may be verbal.

Subject to the terms of any contract of employment or industrial agreement, you can renegotiate a salary sacrifice arrangement at any time.

Your contract of employment should detail your remuneration, including any salary sacrifice arrangement.

No access to sacrificed salary

You can't access the salary amount you sacrifice for the period of your arrangement. If you don't receive a fringe benefit and it is cashed out, the amount becomes salary and you pay tax on the amount as normal income.

How salary sacrifice affects tax, super and government benefits

Under a salary sacrifice arrangement, you should pay less tax than you would have without an arrangement. However, before entering into a salary sacrifice arrangement you should consider impacts and associated costs. This includes either:

- the amount to be sacrificed and any surcharges
- having the benefits reported on your income statement in myGov or payment summary.

A salary sacrifice arrangement may affect:

- the Medicare levy surcharge
- study and training support loan compulsory repayments
- some tax offsets
- child support payments
- some government benefits.

Your **salary sacrificed super** contributions are additional to your super guarantee entitlements. Your employer must still pay your full super guarantee entitlements as though there was no salary sacrifice.

You will not be able to claim a tax deduction for an expense your employer pays for as part of your salary package.

QC 27113

Reportable fringe benefits for employees

Find out if fringe benefits you receive are reportable and may affect your obligations and government benefits.

Last updated 11 June 2024

On this page

What are reportable fringe benefits?

If you receive fringe benefits with a total taxable value of more than $2,000 in a fringe benefits tax (FBT) year (1 April to 31 March), your employer will report this amount to us.

Some benefits don't have to be reported to us.

To find out which benefits are excluded, and how your employer calculates the amount to report, see **Reportable fringe benefits**.

Reportable fringe benefits amount

The amount your employer reports is known as your reportable fringe benefits amount (RFBA).

Your RFBA is 'grossed-up' to reflect the pre-tax income you would have had to earn, at the highest marginal tax rate (plus the Medicare levy), to buy the benefits yourself.

You aren't taxed on your RFBA. It is included in income tests for some **government benefits and obligations**.

Your RFBA will be shown on either your:

- income statement in ATO online services through myGov
- payment summary.

Completing your tax return

If you lodge your tax return through a tax agent or online through myTax, you generally don't have to do anything. Your pre-filled tax return should include any RFBA.

If you lodge a paper tax return, you include your RFBA at label **IT1**.

Reducing your reportable fringe benefits amount

You can reduce your reportable fringe benefits by:

- cashing out benefits – arranging with your employer to replace your fringe benefits with cash salary
- making employee contributions out of your after-tax income towards the cost of the benefits – for example, you can make an employee contribution towards a car fringe benefit by paying for some of the operating costs
- changing the benefits you receive to things that are **exempt from FBT**, such as work-related items.

Employment finished between 1 April and 30 June

If you finish employment between 1 April and 30 June, and receive fringe benefits during this time, your employer will report your RFBA for the income tax year ending on 30 June in the following year.

Consequences of having a reportable fringe benefits amount

How your reportable fringe benefits amount affects eligibility and income tests for government benefits and obligations.

QC 58427

Consequences of having a reportable fringe benefits amount

How your reportable fringe benefits amount affects eligibility and income tests for government benefits and obligations.

Last updated 11 June 2024

> Employees of FBT-exempt organisations

How the reportable fringe benefits amount is used

Your **reportable fringe benefits amount (RFBA)** is the 'grossed up' value of fringe benefits you received from your employer (or employers).

You aren't taxed on your RFBA. However, it is used to determine:

- your liability for the Medicare levy surcharge
- your child's adjusted taxable income, which affects whether they are considered a dependant for Medicare levy purposes
- your entitlement to the private health insurance rebate
- whether you are liable for **Division 293 tax** for superannuation contributions
- your eligibility for the government co-contribution for personal super co-contributions you made
- your eligibility for the low-income super tax offset for **concessional** (before tax) super contributions that you or your employer pay into your super fund
- whether you can offset your business loss against other income (non-commercial losses)
- if you are entitled to reduce your employee share scheme discount
- the amount you must repay against your debt for
  - Higher Education Loan Program (HELP)
  - VET Student Loans (VSL)
  - Student Financial Supplement Scheme (SFSS)
  - Student Start-up Loan (SSL)
  - ABSTUDY Student Start-up Loan (ABSTUDY SSL)
  - Australian Apprenticeship Support Loans (AASL) (formerly Trade Support Loans (TSL))
- your entitlement to a tax offset for
  - contributions you made to your spouse's super
  - invalid and invalid carer
  - zone or overseas forces

- Medicare levy surcharge (lump sum payment in arrears)
- seniors and pensioners

- your eligibility for family assistance payments, including
  - Family Tax Benefit Part A and Part B
  - Child Care Subsidy (from 2 July 2018)
  - Child Care Benefit for approved care (prior to 2 July 2018)
  - Parental Leave Pay
  - Dad and Partner Pay
- your child support obligations.

Example: RFBA used to work out the amount of HELP to repay

Olivia has a Higher Education Loan Program (HELP) debt of $10,000.

Olivia estimates her taxable income will be $60,000 in 2023–24. Based on this taxable income, Olivia would have a compulsory HELP repayment of $1,200.

However, in 2023–24 Olivia also expects to receive fringe benefits from her employer with a reportable fringe benefit amount (RFBA) of $17,000. The RFBA isn't taxable, but it is added to Olivia's taxable income to determine her 'repayment income', which is the amount used to work out how much Olivia will need to repay towards her HELP debt.

If Olivia receives an RFBA of $17,000, then her HELP compulsory repayment estimate is worked out as:

Taxable income + RFBA

$60,000 + $17,000 = $77,000

This means Olivia would have a HELP **compulsory repayment** of $3,080 for 2023–24.

Example: RFBA used by Services Australia for Child Care Subsidy

Elijah's taxable income is $100,000 for the 2023–24 income year. Elijah's employer provides him with a car fringe benefit with a taxable value of $3,500. Elijah also receives a housing fringe benefit with a taxable value of $1,000. These fringe benefits are both reportable.

The taxable value of Elijah's fringe benefits is $3,500 + $1,000 = $4,500. The grossed-up taxable value of these benefits is $8,490 ($4,500 × 1.8868 (the lower gross-up rate for 2024)).

This means Elijah has a reportable fringe benefits amount (RFBA) of $8,490.

Elijah receives the Child Care Subsidy from Services Australia. When Services Australia works out how much Elijah is entitled to, they include both his taxable income and his RFBA:

> $100,000 + $8,490 = $108,490

Services Australia will use the income amount of $108,490 to work out Elijah's CCS entitlement.

Employees of FBT-exempt organisations

If you're an employee of one of the following organisations, 53% of your RFBA is taken into account to determine your eligibility for family assistance and youth income support payments:

- public benevolent institution
- health promotion charity
- public or not-for-profit hospital
- public ambulance service.

The full amount of your RFBA is used to determine your eligibility for other payments.

QC 58436

Receiving cash for work you do

If you're paid in cash, check you are getting the correct amounts and that your employer is paying super.

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On this page

What you need to do

Your employer may pay your wages to you in cash (or with a cash cheque), rather than into your bank account. Paying wages in cash is legal.

Some businesses deliberately use cash transactions (for example, pay their employees 'cash-in-hand') to avoid meeting their tax and employee responsibilities.

If your employer is paying you cash, you:

- must declare the cash as income when you lodge your tax return
- should still receive a payslip showing all your earnings and the amount of tax your employer takes out (withholds)
- should receive an income statement at the end of the income year that shows your full earnings and the amount of tax your employer takes out
- should check your employer is making super contributions
- should check your employer is paying (at least) the correct award wages – refer to Fair Work Ombudsman
- should check your employer is taking tax out of your pay – this helps to make sure you don't end up with a large tax bill
- should check your employer's workers compensation insurance covers you in case of an accident.

Use our:

- **Tax withheld calculator** to help you work out if your employer is taking enough tax from your pay
- **Am I entitled to super?** tool to work out if you should get super contributions.

Declare your tips

Cash tips are income, regardless of how you receive them. It makes no difference if tips come from your employer or direct from customers.

You may share tips between employees that come from a collection by all workers (like in a tip jar).

If you receive cash tips, you must declare them in your tax return at **Allowances, earnings, tips, directors fees etc.**

QC 27111

Workplace giving programs for employees

Find out what a workplace giving program is, how to donate, and responsibilities your employer has.

Last updated 11 June 2024

On this page

What is a workplace giving program

A workplace giving program is a simple way to regularly donate to charities or organisations eligible to receive tax deductible donations. These organisations have a deductible gift recipient (DGR) status.

Your employer must ensure the participating charities or other organisations have ongoing DGR status. You can check the DGR status of an organisation at ABN Look-up: Deductible gift recipients.

If your employer offers workplace giving, you can choose your preferred charities from a selection and the amount to donate. Your employer then pays the donation directly to the charities each payday.

What happens if you get involved

To be involved both you and your employer must agree to participate. Your employer will then start collecting the donation amount from your pay each payday.

The workplace giving program does not affect the way your gross income, super guarantee payments or fringe benefits are worked out.

There is no minimum or maximum contribution required to participate. However, you must claim the total through your tax return. This is regardless of whether you have been getting payday tax benefits for your donations.

You claim a deduction for workplace giving donations in the same way you claim **gifts and donations** you make directly to DGR charities in your tax return. If you donate on a regular basis, you can **estimate the tax savings**.

Example: employee workplace giving

Jane works in the advertising industry and earns $65,000 per annum.

Through a recent marketing campaign, Jane becomes interested in donating to a local animal shelter. She looks into entering a workplace giving program her employee has set up with the shelter. However, she is unsure of the tax implications.

Jane's fortnightly income is $2,492. She wants to make a regular fortnightly donation of $15. Under workplace giving, her employer will take this out of her pay and reduce the amount of tax taken out each fortnight.

Jane estimates that this will reduce her tax payable by $4 a fortnight or $104 per annum. She also won't have to worry about keeping receipts and can simply claim a tax deduction equal to the amount of donations in her payment summary.

Your employer's responsibilities

Your employer may ask if you want to participate in their **workplace giving program**. They should provide you with:

- a list of the charities involved in your workplace giving program
- whether there will be a minimum donation amount per pay
- details of whether they will reduce the amount of tax withheld from your pay to account for the amount donated each pay.

At the end of the income year, your employer will include the total amount you donated to charities in your income statement, payment summary, a letter or an email.

QC 27123

Worker entitlement funds

If you are a member of a worker entitlement fund, you need to be aware of the tax treatment of payments from the fund.

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On this page

How worker entitlement funds operate

Worker entitlement funds recognise the transitory nature of employment in certain industries, for example, the building and construction industry. If you are a member of a worker entitlement fund, you need to be aware of the tax treatment of payments from the fund.

These funds provide benefits to employees who would normally receive benefits on termination of employment under the terms and conditions of their employment. Many awards and enterprise agreements recognise the use of the funds.

Employers contribute to the funds to assist in satisfying their obligations when employees leave their employment. Typically, employers contribute to the funds at some point in each pay cycle. When you terminate your employment with your employer, the fund makes a payment to you. The amount you receive from the fund is offset against the amount your employer pays you under your employment agreement or industrial award.

Approved worker entitlement funds meet certain criteria under fringe benefits tax (FBT) legislation and receive concessional FBT treatment. For more guidance, see **FBT guide: 20.9 Worker entitlement contributions.**

Payments from worker entitlement funds

Awards and industrial agreements requiring employers to make periodic payments into worker entitlement funds establish entitlements for employees.

By entering into employment arrangements, it is the employer's obligation to make contributions. Subject to the conditions of the fund being met, employees can access the benefits. In general, the entitlements exist independent of whether termination is due to voluntary termination, dismissal or dismissal because of genuine redundancy.

For tax purposes, certain criteria must be met before we consider a payment made upon termination of employment as a **genuine redundancy payment**. If the amount is a genuine redundancy payment, the amount for concessional treatment is the excess of what the employee could receive in consequence of a voluntary termination.

It is unlikely payments from worker entitlement funds meet the criteria for genuine redundancy payments under the tax laws. This is because entitlements aren't necessarily contingent on dismissal due to genuine redundancy. It is also unlikely the payment the employee receives is over or above what they would receive due to voluntary termination. Where the criteria aren't met, the concessional treatment given to genuine redundancy payments can't apply.

Payments from worker entitlement funds usually receive concessional treatment as **employment termination payments** as termination of employment is generally a condition. This occurs so long as the criteria for those payments are met.

You need to ensure you complete your tax return correctly so that payments from worker entitlement funds receive the appropriate tax treatment.

For more redundancy payment information, see:

- TR 2009/2 *Income tax: genuine redundancy payments*
- CR 2010/40 *Income tax: payments from Redundancy Payment Central Fund No 2 and Redundancy Payment Approved Worker Entitlement Fund 2*

QC 27307

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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