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Schedule 5 - Tax table for back payments, commissions, bonuses and similar payments

This schedule applied to payments made from 1 July 2025 to 30 June 2026.

Last updated 10 June 2025

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About this schedule

Calculating amounts to be withheldwithhold from back payments, commissions or bonuses and similar payments.

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Using this schedule

This schedule applies to payments made from 1 July 2025.

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 certain withholding payments paid as a lump sum that are covered by Subdivisions 12-B (except sections 12-50 and 12-55), 12-C (except sections 12-85 and 12-90) and 12-D of Schedule 1 to the TAA.

Use this schedule if you make a payment of salary or wages which is a:

- back payment (including lump sum payments in arrears)
- commission
- bonus or similar payment.

If you employ individuals under a working holiday makers visa you must use Schedule 15 – Tax table for working holiday makers for all payments made to them. This includes back payments, commissions and bonuses or similar payments.

Other payments you should use this schedule for

Also use this schedule for back payments made to payees for:

- compensation or sickness or accident payments for an incapacity for work that are not tax exempt
- Australian Government education or training payments – for example, Austudy or ABSTUDY
- assessable pensions, benefits and allowances under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*, or similar payments made under a law of a foreign country, state or province.

Back payments (including lump sums in arrears)

A back payment is a payment that was meant to have been made in a prior period. For example:

- an employee's wages were underpaid due to an error or oversight
- an allowance you were due to pay in July was overlooked and you made the payment in December.

A back payment is distinct from a bonus, which is a payment made for recognition of performance including past performance. A bonus (or similar payment) can only be considered a back payment if you paid the bonus later than the time that it should have been paid.

If you normally process payments in a pay period later than when the work is performed – for example, overtime payments made with a time lag of one pay period – they are not considered back payments. These payments are treated as part of the normal pay cycle when paid and withholding is calculated on total earnings for that period. An overtime payment is only considered a back payment if it was meant to have been made in a prior pay period.

Commissions

Commissions are typically payments made as recognition of performance or service and may be calculated as a percentage of the proceeds from a particular transaction or series of transactions.

Bonuses and similar payments

A bonus is usually made to a in recognition of performance or services and may be calculated as a percentage of the proceeds from a particular business transaction. These payments may not necessarily be related to a particular period of work.

A payment will be treated like a bonus if it is of a one-off nature that does not relate to work performed in a particular period. Examples include:

- a once-only payment made to a payee as compensation for a changed work location
- an amount paid as a sign-on bonus to a payee entering a workplace agreement
- any lump sum allowance.

Leave loading

Payment of leave loading can also be regarded as a payment like a bonus, if it is made as a lump sum and not on a pro-rata basis as leave is taken. If you pay leave loading on a pro-rata basis, add it to earnings for the period to calculate withholding using the regular payments tax tables.

Terms we use

Additional payments

Additional payments include back payments (including lump sum payments in arrears), commissions, bonuses and similar payments.

Normal earnings

Normal earnings are gross taxable earnings and include all salary and wage income, taxable allowances, and overtime earnings for the current financial year. This includes any back payments previously made using Method B(i).

At the start of a financial year, a payee's normal earnings can be based on the last full pay period worked in the previous financial year.

If a payee's pay fluctuates significantly, you can use an average of gross taxable earnings for the current financial year (or, if applicable, the previous financial year).

If a payee has no current or past normal earnings (for example, the employee is newly employed), you can include expected future earnings in your calculations. This can be based on the payee's contracted or expected salary for the financial year.

For the purposes of this schedule, normal earnings do not include employment termination payments or unused leave payments made on termination of employment.

Average total earnings

Average total earnings are the sum of all normal earnings paid in the current financial year, including current pay, plus any current year back payments if Method B(i) is used to calculate withholding. Then divide the total earnings by the number of pay periods to date (including the current pay period).

Pay periods per financial year

Pay periods per financial year refers to a total of 52 pay periods if paid weekly, 26 pay periods if paid fortnightly or 12 pay periods if paid monthly. No adjustments are required for a 53 week / 27 fortnight year.

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Tax file number (TFN) declarations

Withholding according to employees'payees' TFN declarations.

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Receiving and applying TFN declarations

The answers your payees provide on their Tax file number declaration helps determine the amount you need to withhold from their payments.

A *Tax file number declaration* applies to any payments made after you receive the declaration. If you receive an updated declaration from a payee, it will override the previous one.

If a payee does not give you a valid *Tax file number declaration* within 14 days of starting a payer-payee relationship, you must tell us by either:

- providing employment and tax information about your payee in your STP Phase 2 reporting and including the applicable tax treatment code beginning in 'N'
- completing a *Tax file number declaration form* with all the payee's available details and sending it to us.

When a TFN has not been provided

You must withhold 47% from any payment you make to a resident payee and 45% from a foreign resident payee (ignoring any cents), if all of the following apply:

- they have not quoted their TFN
- they have not claimed an exemption from quoting their TFN
- they have not advised you that they have applied for a TFN or have made an enquiry with us.

If a payee states at question 1 of the *Tax file number declaration* they have lodged a Tax file number – application or enquiry for individuals with us, they have 28 days to provide you with their TFN.

If a payee has not given you their TFN within 28 days, you must withhold 47% from any payment you make to a resident payee and 45% from a foreign resident payee (ignoring any cents) unless we tell you not to.

Do not allow for tax offsets or Medicare levy adjustment. Do not withhold any amount for study and training support loans.

Working out the withholding amount

Factors to consider when working out the withholding amount.

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Available methods

To work out the amount you need to withhold from an additional payment, you must use either Method A or Method B.

Using Method B is more complex but produces a withholding amount that is more likely to approximate the payee's actual tax payable.

Calculations made using either method are acceptable to work out the withholding amount. If your calculation using either method results in a negative amount, treat the result as nil.

Using Method A

Use this method for any additional payments made, regardless of the financial year the additional payment applies to. This includes all back payments, commissions, bonuses or similar payments.

This method calculates withholding by apportioning additional payments made in the current pay period over the number of pay periods in a financial year and applying that average amount to the gross earnings in the current pay period.

If you are paying a commission, bonus or similar payment for a defined period of less than 12 months, you can choose to calculate withholding by using the number of pay periods the payment relates to at step 3. For example, if a commission relates to four weeks and the employee is paid weekly, you divide the commission by four pay periods at step 3, rather than 52 pay periods.

Method A instructions

Step	Instruction

1	Work out your payee's gross earnings excluding any additional payments for the current pay period. Ignore any cents.
2	Use the relevant tax table to find the amount to be withheld from your payee’s gross earnings in step 1.
3	Add any additional payments to be made in the current pay period together and divide the total by the number of pay periods in the financial year (that is, 52 weekly pay periods, 26 fortnightly pay periods or 12 monthly pay periods). Ignore any cents.
4	Add the amount at step 3 to the gross earnings at step 1.
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.
6	Subtract the amount at step 2 from the amount at step 5.
7	Multiply the amount at step 6 by the number of pay periods used in step 3.
8	Multiply the additional payment being made in the current pay period by 47%.
9	Use the lesser amount of step 7 and step 8 for the withholding on the additional payment. Ignore any cents.
10	Work out the total PAYG withholding for the current pay period by adding the withholding on the additional payment (step 9) to the withholding on the gross earnings (step 2).

Using Method B

Use Method B(i) for any back payments applied to specific periods in the current financial year.

Use Method B(ii) for either:

- back payments that relate to a prior financial year

- any additional payments (including commissions, bonuses or similar payments) that don’t relate to a single pay period, regardless of the financial year the additional payment applies to.

If you are making back payments applying to current and previous financial years, apportion the back payment between those years and then use the applicable method for each component to calculate withholding.

If you are making multiple additional payments:

- in the current pay period, you first need to calculate withholding on the total of any current financial year back payments (including lump sum in arrears) then calculate the withholding on any other additional payments
- in the current financial year (that is, you made an additional payment to the payee in a previous pay period), do not recalculate the withholding for the additional payment previously made.

Method B(i) Back payments applied to specific periods in the current financial year

This method recalculates withholding for each pay period the back payment applies.

Method B(i) instructions

Step	Instruction
1	Work out how much of the back payment applied to each earlier pay period in the current financial year.
2	For the first affected pay period, add the back payment relevant to that period to the normal earnings previously paid to get total earnings for that period.
3	Use the relevant tax table to find the amount to be withheld from the total earnings for that period.
4	Subtract the amount previously withheld for the period from the amount at step 3.
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the

	withholding on the back payment.
6	Use the relevant tax table to find the amount to be withheld from your payee's gross earnings (excluding additional payments) for the current pay period.
7	Work out the total PAYG withholding for the current pay period by adding the withholding on the back payment (step 5) to the withholding on the gross earnings (step 6).

Method B(ii) Additional payments applied over the whole financial year

This method calculates withholding by averaging all additional payments made in the current financial year over the number of pay periods in a financial year and applying that to the average total earnings to date.

Method B(ii) instructions

Step	Instruction
1	Calculate the average total earnings paid to your payee over the current financial year to date. Ignore any cents.
2	Use the relevant tax table to find the amount to be withheld from the average total earnings in step 1.
3	Add all additional payments made in the current financial year if Method B(ii) was used to calculate the withholding, to the additional payment in current pay. Then divide by the number of pay periods in the financial year (that is, 52 weekly pay periods, 26 fortnightly pay periods or 12 monthly pay periods). Ignore any cents.
4	Add the amount at step 3 to the average total earnings at step 1.
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.
6	Subtract the amount at step 2 from the amount at

	step 5.
7	Multiply the amount in step 6 by the number of pay periods used in step 3.
8	Subtract any amounts previously withheld from additional payments in the current financial year if Method B(ii) was used, from the amount at step 7.
9	Multiply the additional payment being made in the current pay period by 47%.
10	Use the lesser amount of step 8 and step 9 for the withholding on the additional payment. Ignore any cents.
11	Use the relevant tax table to find the amount to be withheld from your payee's gross earnings (excluding additional payments) for the current pay period.
12	Work out the total PAYG withholding for this pay period by adding the withholding on the additional payment (step 10) to the withholding on the gross earnings (step 11).

Withholding limit

If your payee has a Higher Education Loan Program (HELP), VET Student Loan (VSL), Financial Supplement (FS), Student Start-up Loan (SSL) or Australian Apprenticeship Support Loan (AASL) debt, see Study and training support loans and additional payments.

If you use Method A or Method B(ii), the amount of tax to be withheld from an additional payment is limited to a maximum of 47% of the additional payment.

If the withholding amount calculated (including a study and training support loan component) using Method A or Method B(ii) exceeds 47% of the additional payment being made, then the amount is reduced to be equal to 47% of that payment. The withholding limit applies to the additional payment only and not to normal earnings for the current pay period.

For some payees, the withholding limit may result in their withholding amounts not being sufficient to cover their end-of-year tax liability, as

their total earnings for the financial year may exceed the study and training support loan repayment threshold or attract a higher rate of tax. Under these circumstances, your payee can arrange an upwards variation by entering into an agreement with you to vary the rate or amount of withholding.

For more information about withholding variations, refer to:

- Variations – for payers
- Varying your PAYG withholding – for payees.

For more information about study and training support loans repayment thresholds, see Study and training loan repayment thresholds and rates.

Commissions, bonuses or similar payments

If a commission, bonus or similar payment relates to work your payee performed for more than one pay period (or for an undefined period), calculate withholding by applying either Method A or Method B(ii).

Do not use this schedule for payments for a single pay period.

If the commission, bonus or similar payment relates to work your payee performed in a single pay period (for example, a week, a fortnight or a month) the amount is added to all their other earnings for the current period. Withholding is then calculated using the regular PAYG withholding tax table.

Study and training support loans and additional payments

If your payee has advised you they have a Higher Education Loan Program (HELP), VET Student Loan (VSL), Financial Supplement (FS), Student Start-up Loan (SSL) or Australian Apprenticeship Support Loan (AASL) debt on their Tax file number declaration or Withholding declaration, you must also withhold from the additional payment using the relevant study and training support loans tax tables.

Calculate the amounts you need to withhold from additional payments for study and training support loans by using the same method you

used to calculate the PAYG withholding amount from the additional payment.

For example, if you calculate the amount to be withheld from the additional payment using Method A, use the same method to calculate the amounts to be withheld for study and training support loans purposes.

How to calculate withholding on the additional payment if it is calculated separately to the study and training support loans components

If you calculate withholding separately, you need to make sure that the withholding limit in Method A and Method B(ii) applies to the combined total calculated for the additional payment and the study and training support loans components.

For example, at step 9 in Method A, you must combine the amounts from the two separate calculations used for step 7 before comparing it to the amount calculated at step 8.

To combine PAYG withholding with study and training support loan instead of repeating the calculation separately for each component, use Schedule 8 – Statement of formulas for calculating study and training support loans components.

The results obtained when using this schedule may differ slightly from the sums of the amounts shown in the PAYG tax tables. The differences result from the rounding of components. Withholding calculated using either method is accepted.

Variations

If your payee has a withholding variation in place for the current financial year, use one of the following to work out the amount of withholding from additional payments:

- the varied rate – if the relevant income is specified in the variation notice
- this schedule – if the relevant income is not specified in the variation notice.

If your payee had a withholding variation in place at the time the additional payment accrued but the withholding variation is no longer

in effect when the additional payment is made, it does not apply when working out the amount to withhold.

Leave without pay

For the purposes of this schedule, any periods where your payee has taken leave without pay do not affect the calculations outlined in each of the methods.

For example, for Method A and Method B(ii), you are still required at step 3 to apportion all additional payments made by the total number of pay periods in a financial year (that is, 52 weekly pay periods, 26 fortnightly pay periods or 12 monthly pay periods).

Superannuation income streams

To work out the amount you need to withhold from the taxable component of back payments of super income streams (pensions and annuities), including lump sum payments in arrears, use either Method A or B.

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Back payment reporting

How to report back payments.

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About back payment reporting

You must record back payments in a pay event when reporting under Single Touch Payroll (STP), or on your payee's payment summary if you are a non STP reporter.

For each lump sum payment accrued more than 12 months before the date of payment, include the total gross amount of the payment

(including allowances) at ‘Lump sum E’.

From 1 July 2025, the previous lump sum E threshold of $1,200 no longer applies. Any amount that qualifies as a lump sum E payment must be reported at this label.

Reporting back payments in STP

All employers should now be STP reporting and transitioned to STP Phase 2 reporting unless covered by a deferral or exemption.

If the back payment you are making to an employee is a lump sum E payment, you must report this as lump sum E in STP. The previous lump sum E threshold amount of $1,200 no longer applies, so any amount that qualifies as a lump sum E payment must be reported at this label.

When reporting a lump sum E in STP Phase 2, you must also include the financial year in which the payment relates to, which will remove the need for you to provide a lump sum E letter to your employee. Your employee can access their lump sum E information in their Income Statement via ATO online services.

If you are making a back payment to an employee and it isn't lump sum E, then report it in STP as the relevant payment type (such as gross, allowances or overtime).

For more information about reporting back payments in STP, see Single Touch Payroll - Back pays.

Back payments not reported through STP

There are some back payments that can't be reported through STP, usually because they are not related to employment income such as super, compensation or welfare payments. If this is the case, payers must continue to provide payment summaries and lodge a payment summary annual report for these payments.

What payment summary you use depends on whether the back payments relate to a superannuation income stream or previous period of assessable foreign service. Use:

- PAYG payment summary – individual non-business for all back payments except those for super income streams or if they were related to a previous period of assessable foreign service

- PAYG payment summary – superannuation income stream for super income stream payments
- PAYG payment summary – foreign employment for payments related to a previous period of assessable foreign service.

For more information about payment summaries, see PAYG payment summaries: forms and guidelines.

Note: The lump sum E threshold amount of $1,200 no longer applies. Any amount that qualifies as a lump sum E payment must be reported at this label.

Completing the individual non-business payment summary

For payments accrued in the current financial year, include the total:

- gross amount of all payments at ‘Gross payments’
- amount withheld at ‘Total tax withheld’.

Salary and wage income (including allowances) accrued before the current financial year

For each payment accrued in a prior financial year, but not more than 12 months before the date of payment include the total:

- gross amount of the payment at ‘Gross payments’ or 'Allowances'
- amount withheld at ‘Total tax withheld’.

For each payment accrued more than 12 months before the date of payment, include the total:

- gross amount of the payment (including allowances) at ‘Lump sum E’
- amount withheld at ‘Total tax withheld’.

For each payment that accrued before and after 12 months, apportion the payment between the 2 periods and apply the rules above for each portion.

Other amounts accrued before the current financial year

These other amounts are described in Other payments you should use this schedule for.

For each payment accrued in a prior financial year, include the total:

- gross amount of the payment at ‘Lump sum E’
- amount withheld at ‘Total tax withheld’.

Employee letter

You must also provide your employee with a letter specifying both the:

- financial years over which the amount accrued
- gross amount that accrued each financial year.

Completing the superannuation income stream payment summary

For payments accrued in the current financial year, include the:

- component amounts at both
  - ‘Taxable component’ (both taxed and untaxed elements if applicable)
  - ‘Tax-free component’
- amount withheld at ‘Total tax withheld’.

For payments accrued prior to the current financial year, include the:

- component amounts at both
  - ‘Lump sum in arrears – taxable component’ (both taxed and untaxed elements if applicable)
  - ‘Lump sum in arrears – tax-free component’
- amount withheld at ‘Total tax withheld’.

Payee letter

You must also provide your payee with a letter specifying both the:

- financial years over which the amount accrued
- gross amount that accrued each financial year, including the split between taxed and untaxed elements and tax-free component.

Completing the foreign employment payment summary

For the foreign employment payment summary, the gross payments amount is assessable foreign employment income, which includes total allowances.

For salary and wage payments accrued in the current financial year, include the total:

- gross amount of all payments at ‘Gross payments’
- amount withheld and paid to a foreign tax jurisdiction (if applicable) at ‘Foreign tax paid’
- amount withheld for Australian tax purposes at ‘Total Australian tax withheld’.

For each salary and wage payment accrued in a prior financial year, but not more than 12 months before the date of payment, include the total:

- gross amount of the payment at ‘Gross payments’
- amount withheld and paid to a foreign tax jurisdiction (if applicable) at ‘Foreign tax paid’
- amount withheld for Australian tax purposes at ‘Total Australian tax withheld’.

For each salary and wage payment accrued more than 12 months before the date of payment, include the total:

- gross amount of the payment at ‘Lump sum E’
- amount withheld and paid to a foreign tax jurisdiction (if applicable) at ‘Foreign tax paid’
- amount withheld for Australian tax purposes at ‘Total Australian tax withheld’.

Employee letter

You must also provide your employee with a letter specifying both the:

- financial years over which the amount accrued
- gross amount that accrued each financial year.

Withholding amounts examples

Examples of how to calculate the withholding amounts.

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Examples

Example 1 below uses both:

- Study and training support loans weekly tax table (NAT 2173) effective from 1 July 2024
- Schedule 1 - Statement of formulas for calculating amounts to be withheld (NAT 1004) effective from 1 July 2024. The calculations are made using scale 2, with tax-free threshold.

Example 1: withholding from a bonus payment using Method A

Jarrod, who has an accumulated HELP debt, is due to receive an annual bonus of $900. Jarrod earns $1,400 per week. Using Method A, calculate the withholding amount for the current pay period as follows:

PAYG withholding component – for Example 1

Step	Instruction	Result
1	Work out Jarrod's gross earnings for the current pay period.	$1,400
2	Use the relevant tax table to find the amount to be withheld from Jarrod's gross earnings in step 1.	$272
3	Divide the additional payment by the number of pay periods in the financial year. = $900 ÷ 52	$17

4	Add the amount at step 3 to the gross earnings at step 1. $1,400 + $17	$1,417
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.	$277
6	Subtract the amount at step 2 from the amount at step 5. = $277 − $272	$5
7	Multiply the amount at step 6 by the number of pay periods in the financial year for the withholding on the additional payment. = $5 × 52	$260

As Jarrod has an accumulated HELP debt, his employer also needs to calculate a withholding amount from the bonus payment for HELP. They use the same method that they used to calculate withholding for the bonus payment in the first part of this example.

HELP component – for Example 1

Step	Instruction	Result
1	Work out Jarrod's gross earnings for the current pay period.	$1,400
2	Use the relevant tax table to find the amount to be withheld for HELP from Jarrod's gross earnings in step 1.	$42
3	Divide the additional payment by the number of pay periods in the financial year. = $900 ÷ 52	$17
4	Add the amount at step 3 to the gross earnings at step 1. = $1,400 + $17	$1,417

5	Use the relevant tax table to find the amount to be withheld for HELP from the amount at step 4.	$43
6	Subtract the amount at step 2 from the amount at step 5. = $43 − $42	$1
7	Multiply the amount at step 6 by the number of pay periods in the financial year for the HELP withholding on the additional payment. = $1 × 52	$52

Withholding limit (including HELP component) – for Example 1

Step	Instructions	Result
8	Multiply the additional payment being made in the current pay period by 47%. = $900 × 47%	$423
9	Use the lesser amount of step 7 (combined) and step 8 for the withholding on the additional payment. Ignore any cents. Combine two step 7 results $260 + $52 = $312. This amount is used as it's less than step 8.	$312
10	See below.	–

Calculate the total PAYG withholding amount for the current pay period (step 10)

Add the amounts to be withheld from each component:

- PAYG withholding on gross earnings in the current pay period = $272
- HELP withholding on gross earnings in the current pay period = $42

- PAYG withholding on additional payment = $260
- HELP withholding on additional payment = $52

The total amount to withhold is $626
($272 + $42 + $260 + $52).

Example 2 below uses:

- Study and training support loans weekly tax table (NAT 2173) effective from 1 July 2024
- Schedule 1 - Statement of formulas for calculating amounts to be withheld (NAT 1004) effective from 1 July 2024. The calculations are made using scale 2, with tax-free threshold.

Example 2: withholding from a missed payment using Method B(i)

Robyn, who has an accumulated HELP debt, is due to receive a back payment relating to the current financial year following a pay rise. Since the first pay period of the current financial year and up until pay period 8, Robyn has earned $1,100 per week. From pay period 9 (her current pay period), Robyn will earn $1,200 per week.

Robyn's back payment, which covers the first eight pay periods of the current financial year, will be paid to her in pay period 9. Therefore, Robyn will receive a back payment of $800 along with her normal gross earnings of $1,200.

Using Method B(i), calculate the withholding amount for the current pay period 9 as follows:

PAYG withholding component – for Example 2

Step	Instruction	Result
1	Work out how much of Robyn's additional payment applied to each earlier pay period in the current financial year. In this example it is	$100

	$800 over eight pay periods. = $800 ÷ 8	
2	For the first affected pay period, add the additional payment relevant to that period to the normal earnings previously paid to get the total earnings for that period. = $1,100 + $100	$1,200
3	Use the relevant tax table to find the amount to be withheld from Robyn's total earnings for that period.	$208
4	Subtract the amount previously withheld for the period from the amount at step 3. = $208 − $175	$33
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the withholding on the additional payment. As it is the same amount for each pay period in this example, it will be 8 × $33.	$264
6	Use the relevant tax table to find the amount to be withheld from Robyn's gross earnings for the current pay period.	$208
7	Add the withholding on the additional payment (step 5) to the withholding on Robyn's gross earnings (step 6) to work out the total withholding for the current pay period. = $208 + $264	$472

As Robyn has an accumulated HELP debt, her employer also needs to calculate a withholding amount from the back payment for HELP. They use the same method as they used to calculate withholding for the back payment in the first part of this example.

Study and training support loan (HELP) component – for Example 2

Step	Instruction	Result
1	Work out how much of Robyn's additional payment applied to each earlier pay period in the current financial year. In this example it is $800 over eight pay periods. = $800 ÷ 8	$100
2	For the first affected pay period, add the additional payment relevant to that period to the normal earnings previously paid to get total normal earnings for that period. = $1,100 + $100	$1,200
3	Use the relevant tax table to find the amount to be withheld for HELP from Robyn's total normal earnings for that period.	$12
4	Subtract the amount previously withheld for the period from the amount at step 3. = $12 − $11	$1
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the HELP withholding on the additional payments. As it is the same amount for each pay period in this example, it will be 8 × $1.	$8
6	Use the relevant tax table to find the amount to be withheld for HELP from Robyn's gross earnings for the current pay period.	$12
7	Add the HELP withholding on the additional payment (step 5) to the withholding on Robyn's gross earnings (step 6) to work out the withholding for HELP for the current period. = $12 + $8	$20

Calculate the total PAYG withholding amount for the current pay period

Add the amounts to be withheld for each component:

- PAYG withholding on gross earnings in the current pay period = $208
- HELP withholding on gross earnings in the current pay period = $12
- PAYG withholding on additional payment = $264
- HELP withholding on additional payment = $8

The total amount to withhold in the current pay period is $492 ($208 + $12 + $264 + $8).

Example 3 below uses Schedule 1 - Statement of formulas for calculating amounts to be withheld (NAT 1004) effective from 1 July 2024.

The calculations are made using scale 2, with tax-free threshold.

Example 3: withholding from a lump sum payment in arrears using Method B(ii)

Laura is employed by Minercorp Pty Ltd and receives a fortnightly salary of $1,800. She is entitled to an allowance from her employer when working in remote areas. In 2022, Laura worked in a remote area for six months, but she was not paid this allowance. The total allowance that she should have been paid for this period was $2,480. Her employer discovers their oversight and agrees to pay her the $2,480 as a lump sum payment in arrears on 10 November 2024. Her gross earnings for pay period 10 is $1,800.

Laura has received normal earnings (year to date) of $18,000 including the current pay. The amount Laura's payer must withhold from this payment is calculated using Method B(ii) as follows:

Method B(ii) instruction – for Example 3

Step	Instruction	Result
1	Calculate Laura's average total earnings over the current financial year to date (including current pay). = $18,000 ÷ 10	$1,800
2	Use the relevant tax table to find the amount to be withheld from Laura's average total earnings in step 1.	$222
3	Add all additional payments made to Laura in the current financial year if Method B(ii) was used to calculate the withholding, to the additional payment in the current pay. Laura's additional payment of $2,480 is then divided by the number of pay periods in the financial year. = $2,480 ÷ 26	$95
4	Add the amount at step 3 to the average total earnings at step 1. = $1,800 + $95	$1,895
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.	$252
6	Subtract the amount at step 2 from the amount at step 5. = $252 − $222	$30
7	Multiply the amount in step 6 by the number of pay periods used in step 3. = $30 × 26	$780
8	Subtract any amounts previously withheld from additional payments in the current financial year if Method B(ii) was used, from the amount at step 7 for the withholding on the additional payment. = $780 − $0	$780
9	Multiply the additional payment being made in the current pay period by	$1,165

	47%. = $2,480 × 47%	
10	Use the lesser amount of step 8 and step 9 for the withholding on the additional payment. Ignore any cents. = $780. This amount is used as it's less than step 9.	$780
11	Use the relevant tax table to find the amount to be withheld from Laura's gross earnings (excluding additional payments) for the current pay period.	$222
12	Work out the total PAYG withholding for this pay period by adding the withholding on the additional payment (step 10) to the withholding on the gross earnings (step 11). = $780 + $222	$1,002

Example 4 below uses both:

- Study and training support loans monthly tax table (NAT 2186) effective from 1 July 2024
- Schedule 1 - Statement of formulas for calculating amounts to be withheld (NAT 1004) effective from 1 July 2024. The calculations are made using scale 2, with tax-free threshold.

Example 4: withholding using Method B(i) and Method B(ii)

Bradley, who has an accumulated Financial Supplement debt, is employed by Macropayers Pty Ltd. On 1 September 2024, he received a salary increase of $5 an hour, taking his gross monthly salary from $4,600 to $5,400. His employer agreed that the increase would be backdated to 1 August 2023 and paid at the end of September 2024.

This means that the back payment of salary covers 13 pay periods. The total back payment of salary is $10,400. To work out the total amount to be withheld from the back payment to

Bradley, his employer will need to calculate the amount accrued in both:

- the current financial year (2 pay periods from 1 July to 31 August 2024) = $1,600
- a prior financial year (11 pay periods from 1 August 2023 to 30 June 2024) = $8,800.

You don’t need to complete some steps if both Methods B(i) and (ii) are used in the calculations.

Method B(i) – PAYG withholding component – for Example 4

Step	Instruction	Result
1	Work out how much of Bradley's additional payment applied to each earlier pay period in the current financial year. In this example it is $1,600 over two pay periods. = $1,600 ÷ 2	$800
2	For the first affected pay period, add the additional payment relevant to that period to the normal earnings previously paid to get total earnings for that period. = $4,600 + $800	$5,400
3	Use the relevant tax table to find the amount to be withheld from Bradley's total earnings for that period.	$962
4	Subtract the amount previously withheld for the period from the amount at step 3. = $962 − $706	$256
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the withholding on the additional payment. As it is the same amount for each pay period in this example, it will be 2 × $256.	$512

6	This step is not required as withholding is also calculated using Method B(ii).	n/a
7	This step is not required as withholding is also calculated using Method B(ii).	n/a

As Bradley has an accumulated Financial Supplement (FS) debt, his employer will need to calculate a withholding amount from the back payment for FS. They use the same method as they used to calculate withholding for the back payment in the first part of this example.

Method B(i) – FS component – for Example 4

Step	Instruction	Result
1	Work out how much of Bradley's additional payment applied to each earlier pay period in the current financial year. In this example it is $1,600 over two pay periods. = $1,600 ÷ 2	$800
2	For the first affected pay period, add the additional payment relevant to that period to the normal earnings previously paid to get total normal earnings for that period. = $4,600 + $800	$5,400
3	Use the relevant tax table to find the amount to be withheld for FS from Bradley's total normal gross earnings for that period.	$108
4	Subtract the amount previously withheld for the period from the amount at step 3. = $108 − $48	$60
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the FS withholding on the additional	$120

	payment. As it is the same amount for each pay period in this example, it will be 2 × $60.	
6	This step is not required as withholding is also calculated using Method B(ii).	n/a
7	This step is not required as withholding is also calculated using Method B(ii).	n/a

Method B(ii) – PAYG withholding component – for Example 4

Step	Instruction	Result
1	Calculate Bradley's average total earnings, which in this example is = (salary earnings to date + current financial year additional payments to date) ÷ number of pay periods = [($4,600 + $4,600 + $5,400) + $1,600] ÷ 3 = $16,200 ÷ 3	$5,400
2	Use the relevant tax table to find the amount to be withheld from Bradley's average total earnings in step 1.	$962
3	Add all additional payments made to Bradley in current financial year where Method B(ii) was used to calculate the withholding, to the additional payment in current pay. Then divide by the number of pay periods in the financial year. = $8,800 ÷ 12	$733
4	Add the amount at step 3 to the average total earnings at step 1. = $5,400 + $733	$6,133
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.	$1,200
6	Subtract the amount at step 2 from the amount at step 5.	$238

	= $1,200 − $962	
7	Multiply the amount in step 6 by the number of pay periods used in step 3. = $238 × 12	$2,856
8	Subtract any amounts previously withheld from additional payments in the current financial year if Method B(ii) was used, from the amount at step 7 for the withholding on the additional payment. = $2,856 − $0	$2,856
9	This step is not required as final calculations for withholding limit and total withholding will be made after FS component is calculated.	n/a
10	This step is not required as final calculations for withholding limit and total withholding will be made after FS component is calculated.	n/a
11	This step is not required as final calculations for withholding limit and total withholding will be made after FS component is calculated.	n/a
12	This step is not required as final calculations for withholding limit and total withholding will be made after FS component is calculated.	n/a

As Bradley has an accumulated Financial Supplement debt his employer will need to calculate the withholding amount from the back payment for FS. They use the same method as they used to calculate withholding for the back payment in the first part of this example.

Method B(ii) – FS component – for Example 4

Step	Instruction	Result
1	Calculate Bradley's average total earnings, which in this example is: = (salary earnings to date + current financial	$5,400

	year additional payments to date) ÷ number of pay periods = [($4,600 + $4,600 + $5,400) + $1,600] ÷ 3 = $16,200 ÷ 3	
2	Use the relevant tax table to find the amount to be withheld for FS on Bradley's average total earnings in step 1.	$108
3	Add all additional payments made to Bradley in current financial year where Method B(ii) was used to calculate the withholding, to the additional payment in current pay. Then divide by the number of pay periods in the financial year. = $8,800 ÷ 12	$733
4	Add the amount at step 3 to the average total earnings at step 1. = $5,400 + $733	$6,133
5	Use the relevant tax table to find the amount to be withheld for FS from the amount at step 4.	$182
6	Subtract the amount at step 2 from the amount at step 5. = $182 − $108	$74
7	Multiply the amount in step 6 by the number of pay periods used in step 3. = $74 × 12	$888
8	Subtract any amounts previously withheld from additional payments in the current financial year if Method B(ii) was used, from the amount at step 7 for the withholding for FS on the additional payment. = $888 − $0	$888

Withholding limit (including FS component) – for Example 4

Step	Instruction	Result

9	Multiply the additional payment being made using Method B(ii) in the current pay period by 47%. = $8,800 × 47%	$4,136
10	Use the lesser amount of step 8 (combined) and step 9 for the withholding on the additional payment. Ignore any cents. Combine the two step 8 results. = $2,856 + $888 = $3,744 This amount is used as it's less than step 9.	$3,744
11	This step is not applicable as total withholding for the current pay period will need to include amounts calculated in Method B(i).	n/a
12	This step is not applicable as total withholding for the current pay period will need to include amounts calculated in Method B(i).	n/a

Calculate the total PAYG withholding amount for the current pay period

Add the amounts to be withheld for each component:

Withholding on gross earnings current pay period

- PAYG withholding on gross earnings in the current pay period = $962
- FS withholding on gross earnings in the current pay period = $108

Method B(i) withholding

- PAYG withholding on additional payment for current financial year = $512
- FS withholding on additional payment for current financial year = $120

Method B(ii) withholding

- PAYG withholding on additional payment for prior financial year = $2,856

- FS withholding on additional payment for prior financial year = $888

The total amount to withhold in the current pay period is $5,446
($962 + $108 + $512 + $120 + $2,856 + $888).

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