



Schedule 6 – Tax table for annuities

Work out the tax to withhold from payments made as an annuity that is not a super income stream.

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Using this schedule

This schedule is for payments made from 1 July 2024.

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 paragraph 12-80(b) of Schedule 1 to the TAA.

Use this schedule if you pay an annuity that was purchased with non-superannuation money, for example, an initial capital investment of personal cash.

For annuities purchased using money rolled over from a super fund or super income stream payments, use **Schedule 13 – Tax table for superannuation income streams**.

Working out the withholding amount

Work out the withholding amount for an annuity payment purchased with non-superannuation money, you must:

1. Work out the amount of income to withhold from using the following formula:

Annuity payment – [Deductible amount / Number of instalments]

In this formula:

- **deductible amount** represents the amount of the annuity payment that is exempt from tax. This amount is calculated using the formula found in section 27H of the *Income Tax Assessment Act 1936*
 - Where the annuity is held in only one person's name, the following formula is used:

$$(\text{Undeducted purchase price of the annuity} - \text{Residual capital value}) / \text{Term of annuity or life expectation factor}.$$

The undeducted purchase price is generally the amount of the initial capital investment.

 - Where the annuity is held or payable to 2 or more people, the deductible amount is apportioned depending on the amount each person received.
- **number of instalments** is the number of instalments of the annuity payable in the income year.

The recipient of the annuity may request the ATO to calculate the deductible amount of their annuity using **Request for determination of the deductible amount of UPP of an Australian pension or annuity**.

2. Use the corresponding PAYG withholding tax table to find the withholding amount. The tax table you use depends on the period which the annuity is paid – for example, weekly or fortnightly.

Some payees may be eligible to claim the seniors and pensioners tax offset (SAPTO).

If your payee gives you a **Withholding declaration** indicating that they want to claim a SAPTO entitlement through PAYG withholding, use the **Schedule 9 – Tax table for seniors and pensioners** to work out the amount to withhold from the income amount calculated in step 1.

Rounding of withholding amounts

Withholding amounts calculated using the above formulas should be rounded to the nearest dollar. Results ending in 50 cents are rounded to the next higher dollar. Do this rounding directly – that is, do not make a preliminary rounding to the nearest cent.

Examples

These examples use the PAYG withholding tax tables that apply from 1 July 2024.

Example 1: weekly annuity payments

Barbara has an annuity she purchased following the sale of a property. She receives annuity payments of \$1,000 a week. The deductible amount for the 2024–25 income year is \$5,200.

The amount of income to withhold tax from:

$$\begin{aligned}\text{Annuity payment} &- [\text{Deductible amount} / \text{Number of instalments}] \\ &= \$1,000 - [\$5,200 / 52] \\ &= \$1,000 - \$100 \\ &= \$900\end{aligned}$$

Barbara is not eligible for SAPTO, so the payer will use the *Weekly tax table* (NAT 1005) to work out how much tax to withhold from \$900. If Barbara is claiming the tax-free threshold, the amount of tax to be withheld is \$111.

Example 2: fortnightly annuity payments

Kenneth will receive fortnightly annuity payments on the seventh and 21st day of the month from 7 February 2025. For the remainder of the income year, the annuity will be \$850 per fortnight. The annuity is indexed annually, and the higher indexed amount is paid in the next financial year.

Kenneth's deductible amount for a whole income year is \$2,600. However, for the part of the current income year (2024–25) that he is to receive an annuity, his deductible amount is \$1,000 (for the period 7 February 2025 to 30 June 2025).

For the current income year, Kenneth will receive ten annuity instalments.

The amount of income to withhold tax from:

$$\begin{aligned}\text{Annuity payment} &- [\text{Deductible amount} / \text{Number of instalments}] \\ &= \$850 - [\$1,000 / 10] \\ &= \$850 - \$100 \\ &= \$750\end{aligned}$$

Kenneth is not eligible for SAPTO, so the payer will then use the *Fortnightly tax table* (NAT 1006) to work out how much tax to

withhold from \$750. If Kenneth is claiming the tax-free threshold, the amount of tax to be withheld is \$4.

Tax file number (TFN) declarations

The answers your payees provide on their *Tax file number declaration* 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 complete a *Tax file number declaration* with all available details of the payee and send 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 any payment you make to a foreign resident payee (ignoring any cents), if it is an annuity payment that is not a superannuation income stream and 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 the payee has not given you their TFN within 28 days, you must withhold 47% for any annuity payment you make to a resident payee and 45% for any annuity payment you make to a foreign resident payee (ignoring any cents) unless we tell you not to.

When a TFN has not been provided do not allow for tax offsets or Medicare levy adjustments. Do not withhold any amount for study and training support loans.

Payment summaries

You must issue a **PAYG payment summary – individual non-business** to the payee by 14 July following the end of the financial year in which you made payments to them. However, if your payee requests a payment summary from you during the financial year, you must provide it within 14 days of receiving their request.

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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