



Pay As You Go (PAYG) Withholding Tax Tables

Effective for
payments made
on or after
1 July 2000

Unused Leave Payments on Termination of Employment

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

Who should use this table?

If you pay an individual for unused leave on the termination of their employment or office, you may be required to withhold an amount from that payment and pay the withheld amount to the Tax Office.

Unused leave payments on termination of employment or an office include payments for unused annual leave, holiday pay, leave loading, leave bonus and long service leave.

To calculate the amount to withhold, you must first determine whether the payments are as a result of bona fide redundancy, invalidity or an early retirement scheme.

How to work out withholding amounts

If the individual has given you his or her tax file number

You must withhold an amount according to the following table:

Payment type	Reason	Accrual dates	Withholding rates (including Medicare levy)	Payment Summary label
Long Service Leave	Normal termination (e.g. voluntary resignation, employment terminated due to inefficiency etc)	Pre-16 August 1978	5% of total @ marginal rate	B
		16 August 1978 to 17 August 1993	31.5%	A
		Post-17 August 1993	Marginal rate	Include in salary/wages
	Terminating because of redundancy, invalidity or approved early retirement	Pre-16 August 1978	5% of total @ marginal rate	B
		16 August 1978 to 17 August 1993	31.5%	A
		Post-17 August 1993	31.5%	A
Annual Leave	Normal termination (e.g. voluntary resignation, employment terminated due to inefficiency etc)	Pre-18 August 1993	31.5%	A
		Post-17 August 1993	Marginal rate	Include in salary/wages
	Terminating because of redundancy, invalidity or approved early retirement		31.5%	A
Annual Leave Loading (over \$320)	Normal termination (e.g. voluntary resignation, employment terminated due to inefficiency etc)	Pre-18 August 1993	31.5%	A
		Post-17 August 1993	Marginal rate	Include in salary/wages
	Terminating due to redundancy, invalidity, or approved early retirement		31.5%	A

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

- the amount worked out using the above tables; or
- 35.5% of the payment.

Marginal Rate Calculation

1. Divide the amount of the payment by:
 - 52 where paid weekly
 - 26 where paid fortnightly, or
 - 12 where paid monthly.
2. Add this amount to the normal gross earnings of the payee for the pay period.
3. Work out the amount to be withheld from the figure obtained at step 2 by using the Weekly, Fortnightly or Monthly Tax Table depending on the pay period.
4. Work out the amount to be withheld from the 'normal' weekly earnings paid to the payee.
5. Take the difference between the figures obtained at step 3 and 4.
6. Multiply the figure obtained at step 5 by 52, 26 or 12, depending on whether the payment is to be paid weekly, fortnightly or monthly.

Example

Beth retires on 31 December 2000. Beth has exactly 30 years service (she started with the firm on 1 January 1971). She qualified for long service leave after 10 years, with further leave accruing on each complete year of service.

She is not leaving because of redundancy, invalidity or under an Approved Early Retirement Scheme.

Her normal weekly earnings are \$600.00. She has quoted her tax file number and has amount withheld from her earnings using the tax-free threshold and no leave loading scale.

Details of payment for long service leave

Pre-16 August 1978 component = \$4,750.00

16 August 1978 to 17 August 1993 component = \$8,500.00

Post-17 August 1993 component = \$11,750.00

Amounts to be withheld

Pre-16 August 1978 component = $\$4,750.00 \times 5\% = \237.50

The marginal rate calculation is used to work out the amount to be withheld from this component.

16 August 1978 to 17 August 1993 component = $\$8,500.00 \times 31.5\% = \$2,677.50$

The post-17 August 1993 component of \$11,750.00 is also to be withheld at the marginal rate. To simplify the marginal rate calculation for this payee, the pre-16 August 1978 component and the post-17 August 1993 component are added together first = $\$237.50 + \$11,750.00 = \$11,987.50$

Now apply the marginal rate calculation to the sum of the 2 components.

1. Divide the amount by 52 = $\$11,987.50 \div 52 = \230.53
2. Add \$230.53 to the weekly salary of \$600.00 = $\$230.53 + \$600.00 = \$830.53$
3. Work out the amount to be withheld from \$830.53 by using the Weekly Tax Table = \$193.00

4. The amount to be withheld from the weekly salary of \$600.00 would have been \$120.00 according to the Weekly Tax Table.
5. The difference between \$193.00 and \$120.00 = \$73.00
6. Work out the amount to be withheld from the pre-16 August 1978 component and the post-17 August 1993 component by multiplying \$73.00 by 52 = $\$73.00 \times 52 = \$3,796.00$

The total amount to be withheld from the 3 components are $\$2,677.50 + \$3,796.00 = \$6,474.00$ (see Rounding Rules below).

If the individual has not given his or her tax file number

You must withhold 48.5% of the payment if the individual is a resident and has not provided you with his or her tax file number.

If the individual is a foreign resident who has not provided you with his or her tax file number, you must withhold 47% of the payment.

Tax file number declaration

Any *Tax file number declaration* a payee provided to you while they were working for you will only be effective for the period that they were working for you and a period of 12 months after you make the last payment to the payee.

Rounding rules

If the amount worked out under the table includes a number of cents that is less than a whole dollar, you should round the amount as follows:

Where tax file number provided:

1 to 49 cents rounded down to nearest whole dollar.

For example, if the amount worked out under the table is \$250.35, the amount you must withhold is \$250.00.

50 to 99 cents rounded up to nearest whole dollar.

For example, if the amount worked out under the table is \$250.75, the amount you must withhold is \$251.00.

Where tax file number not provided:

Ignore any cents. For example, if the amount worked out is \$110.50, the amount you must withhold is \$110.00.

For more information

If you have any questions or need more information about calculating the amount to be withheld, you can contact the Tax Office:

— By phone:

— **13 24 78** for general PAYG enquiries or to order Tax Office forms or publications

— **13 10 20** for superannuation and ETP enquiries

Our staff are available during office hours to answer your questions.

— via *A Fax from Tax*. This service is available 24 hours a day. Call **13 28 60** and follow the instructions to order a catalogue or to be sent information

— at our Internet site, *ATOassist*: **www.ato.gov.au**

— in person by visiting one of our *ATOaccess* shopfronts. Addresses are listed in *TaxPack*, and in the White Pages telephone directory under 'Australian Taxation Office'.