Pay as you go (PAYG) withholding
Tax table for bonuses
and similar payments

For payments made on
or after 1 NOV 2004

Who should use this table?
Use this table if you make a bonus or similar payment to a payee.

Bonus payment
This refers to payments usually made to an employee in recognition of performance or services and may be calculated as a percentage of the proceeds of the particular business transaction. These payments may not be related to a particular period of work.

Other similar payments
This refers to payments that are amounts of a one-off nature which do not relate to work performed in a particular period. Examples of these type of payments include:

- a once only allowance payment made to an employee as compensation for a changed work location that is further away from their home, or
- an amount paid as a sign-on bonus to a worker entering a workplace agreement.

Any payments that are considered back payments of salary or wages are not covered by this table. Payers making back payments should refer to PAYG withholding tax tables – back payments including lump sum payments in arrears (NAT 3348-9.2004) to work out the amount to withhold.

Date of effect
The rules in this tax table replace the rules outlined in PAYG withholding tax tables – bonuses and similar payments (NAT 7905-6.2003).

If you cannot apply the rules contained in this tax table immediately, you may continue to use the old tax table until 30 June 2005.

How to work out the amount to withhold

If the bonus or similar payment relates to work performed in a single pay period
Where the bonus or similar payment relates to work performed in a single pay period (for example one week or one month) the amount is added to all other earnings for the current period. An amount should then be withheld in accordance with the normal PAYG withholding tax tables.

If the bonus or similar payment relates to multiple pay periods
Where the bonus or similar payment relates to a period in excess of one pay period or is paid on an irregular basis, you should work out the correct amount to withhold using the steps below.

1. Use the relevant tax table to work out the amount to withhold from the payee's normal earnings for one pay period.
2. Divide the bonus or similar payment by the number of pay periods to which it relates.
3. Disregard any cents. For example $1.75 becomes $1.
4. If the result is nil, there is no amount to withhold on the bonus or similar payment.
5. Add the amount in step 3 to the normal earnings amount for a single period.
6. Use the same tax table used in step 1 to determine the amount to withhold on the combined payment amount calculated at step 4.
7. Multiply the result by the number of pay periods to which the bonus relates.

If the payment is a one-off payment and does not relate to a particular pay period or relates to a number of pay periods in excess of 12 months, for the purpose of this table, the payment is treated as being paid over a 12 month period.
Examples

The following examples use Weekly tax table – incorporating Medicare levy with and without leave loading (NAT 1005) effective from 1 July 2004. The calculations are made using column 3, with tax-free threshold and no leave loading.

Example one

An employee whose weekly wage for the current period is $383.75 receives an end of year bonus of $45. As the bonus relates to the full year of work, it equates to 52 weekly pay periods.

<table>
<thead>
<tr>
<th>Step</th>
<th>Method</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Use the tax table to work out the withholding on $383.</td>
<td>$52</td>
</tr>
<tr>
<td>2</td>
<td>Divide the bonus by the number of pay periods to which it relates ie $45 ÷ 52.</td>
<td>$0.86</td>
</tr>
<tr>
<td>3</td>
<td>As the final amount is less than $1, according to the tax tables you do not need to withhold an amount. There is no need to calculate any further steps.</td>
<td>$0</td>
</tr>
</tbody>
</table>

The total withholding on the payment of normal weekly pay of $383 plus the bonus of $45 is $52 (ie $52 + $0).

Example two

A company relocating premises pays an employee who is required to travel further to work a relocation payment of $520. Their weekly wage is $750. As the payment is one-off and does not relate to a particular pay period, the payment is spread over 52 weeks.

<table>
<thead>
<tr>
<th>Step</th>
<th>Method</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Use the tax table to work out the withholding on $750.</td>
<td>$164</td>
</tr>
<tr>
<td>2</td>
<td>Divide $520 by 52.</td>
<td>$10</td>
</tr>
<tr>
<td>3</td>
<td>Add this to the normal weekly wage of $750.</td>
<td>$760</td>
</tr>
<tr>
<td>4</td>
<td>Use the tax table to work out the withholding on $760.</td>
<td>$167</td>
</tr>
<tr>
<td>5</td>
<td>Subtract the amount in step 1 from the amount in step 4.</td>
<td>$3</td>
</tr>
<tr>
<td>6</td>
<td>Multiply this amount by the number of pay periods ie $3 x 52.</td>
<td>$156</td>
</tr>
</tbody>
</table>

The total withholding on the payment of normal weekly pay of $750 plus the relocation payment of $520 is $320 (ie $164 + $156).

PAYG withholding publications

All PAYG withholding tax tables and other PAYG publications can be accessed quickly and easily from www.ato.gov.au

Copies of weekly and fortnightly tax tables are available from most newsagents. Newsagents also hold copies of the Tax file number declaration and the Withholding declaration.