



Pay as you go (PAYG) Statement of formulas for calculating withholding amounts for Members of the Defence Force

For payments made on
or after 1 JULY 2004

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 Subdivisions 12-B (except sections 12-50 and 12-55) and 12-D of Schedule 1.

Coefficients for calculation of amounts to be withheld (withholding amounts) from weekly payments

Where payee has claimed a FULL exemption from Medicare levy in Medicare levy variation declaration Scale 11			Where payee has claimed a HALF exemption from Medicare levy in Medicare levy variation declaration Scale 12			Medicare levy Parameters Scale 12 only		
Weekly earnings (x) less than	a	b	Weekly earnings (x) less than	a	b		OLD	NEW
\$			\$			Weekly earnings threshold	488	503
112	0	0	112	0	0	Weekly earnings shade-in-threshold	528	544
415	0.1700	19.0400	415	0.1700	19.0400	Medicare levy family threshold	25417	26205
1115	0.3000	73.0400	503	0.3000	73.0400	Weekly family threshold divisor	52	52
1346	0.4200	206.8862	544	0.4000	123.4342	Additional child	2334	2406
\$1346 & over	0.4700	274.1938	1115	0.3075	73.0413	Shading out point multiplier	0.1000	0.1000
			1346	0.4275	206.8875	Shading out point divisor	0.0925	0.0925
			\$1346 & over	0.4775	274.1951	Weekly levy adjustment factor	488.7900	503.9400
						Medicare levy	0.0075	0.0075

Note: Scale 12 incorporates Medicare levy, however no Medicare levy is payable by a person whose taxable income for the year is \$26,205 (\$503 per week) or less. Where the taxable income exceeds \$26,205 but is less than \$28,329 (\$544 per week), the levy is shaded in at the rate of 10% of the excess over \$26,205. Where a person's taxable income is \$28,329 (\$544 per week) or more, Medicare is levied at the rate of 0.75% of total taxable income.

Who should use this schedule?

This schedule should be used by the Department of Defence when making taxable payments to a payee who is a member of the Defence Force. Taxable payments include superannuation or other pensions, allowances and lump sum payments.

This schedule should be read in conjunction with the *PAYG Statement of formulas for calculating amounts to be withheld* (NAT 1004).

Tax file number declarations

Payees must lodge a completed *Tax file number declaration* claiming the tax free threshold. If you have *Employment declarations* that were valid as at 30 June 2000 they will continue to be valid under PAYG.

For a full Medicare levy exemption to apply, the payee must have completed Parts A and B of the *Medicare levy variation declaration* AND answered YES to question 6 (where payee qualifies as a prescribed person and wishes to claim exemption from the Medicare levy). Scale 11 should be applied to payees meeting these criteria.

If the full Medicare levy exemption does not apply to a payee then use Scale 12, as the payee is entitled to a half exemption from the Medicare levy.

No tax file number (TFN) provided

If you make a payment to a payee and the payee **has not**:

- > quoted their TFN
- > claimed an exemption from quoting, or
- > advised that they have applied for a TFN or have made an enquiry with the Tax Office

you must withhold an amount equal to 48.5% of the payment, ignoring any cents.

If a payee states at question 1 of the *Tax file number declaration* that they have lodged a *TFN application or enquiry* with the Tax Office, the payee has 28 days to give you their TFN. At the end of this time, if the payee has not given you their TFN, unless the Tax Office tells you not to, you must withhold 48.5% from the total amount of all payments made to the payee, ignoring any cents.

- ❗ Do not allow any family tax benefit (FTB), tax offsets or Medicare levy variation. Do not add amounts for HECS or SFSS.

When there are 27 pay periods in a financial year

In some years you may pay your payees 27 times instead of the usual 26. As this tax table is based on 26 pays, the extra pay may result in insufficient tax being withheld. Payers are asked to tell their payees when this occurs. Those payees who are concerned about a shortfall, may request their payer to withhold the additional amounts shown in the table below:

Fortnightly earnings \$	Additional withholding \$
840 to 2,199	6
2,200 to 2,699	15
2,700 & over	20

Withholding declarations

A current, valid *Tax file number declaration* (or *Employment declaration*) must be in place before a payee can authorise you to vary their rate of withholding by providing a *Withholding declaration*.

A payee may use the *Withholding declaration* to advise their entitlement to the family tax benefit (FTB) or a tax offset, which they wish to claim through a reduced rate of withholding. *Withholding declarations* can also be used by payees to advise you of changes to their situation since providing a valid *Tax file number declaration*, which may affect the amount to be withheld from their payments.

The changes affecting the payee's withholding rate include:

- > becoming or ceasing to be an Australian resident for tax purposes;
- > claiming or discontinuing a claim for the tax-free threshold;
- > advising a HECS debt or Financial Supplement debt or changes to them;
- > entitlement to a Senior Australians tax offset; and
- > upward variation to increase the rate or amount of tax to be withheld.

A *Withholding declaration* has effect from the first payment the payer makes after the payee has provided the declaration. A later declaration provided by a payee overrides an earlier declaration.

Calculation of withholding amounts

Calculate the value of withholding amounts using the method outlined on page 2 of the *PAYG Statement of formulas for calculating amounts to be withheld* (NAT 1004), applying Scale 11 or 12 as appropriate. Reduce the payee's withholding amounts for any applicable FTB, tax offsets and Medicare levy adjustments.

Medicare levy adjustment

A Medicare levy adjustment is **NOT** to be allowed where withholding amounts have been calculated using Scale 11 as the payee has already claimed a full exemption from the Medicare levy. The withholding amount obtained using Scale 12, after allowing for any tax offsets, is to be reduced by any amounts of Medicare levy adjustment applicable. For full details of adjustment amounts refer to the Medicare levy adjustment table on page 8.

Payees entitled to adjustments

A payee who has lodged both a completed *Tax file number declaration* and a *Medicare levy variation declaration*, and who has weekly earnings of \$503 or more where Scale 12 is applied, is entitled to a Medicare levy adjustment if the payee answered

- > YES to question 10 on the *Medicare levy variation declaration*, AND
- > YES to question 9, and/or question 12 on the *Medicare levy variation declaration*.

How to calculate the Medicare levy adjustment

To calculate the Medicare levy adjustment, the software program will need to be able to distinguish those payees who have answered YES to question 9 and NO to question 12, of the *Medicare levy variation declaration* from those payees who have answered YES to question 12. Where payees have answered YES to question 12, the program must be able to store the number of dependants shown against this question on the declaration.

For payees with weekly earnings of \$544 or more where scale 12 is applied, you will need to calculate the **weekly family threshold** and **shading out point**, before calculating the **weekly levy adjustment**.

Weekly family threshold (WFT)

- Where a payee has answered YES to question 9 and NO to question 12,
$$\text{WFT} = \$503.94 \text{ (i.e. } 26205 \div 52 \text{ rounded to the nearest cent).}$$
- Where a payee has answered YES to question 12, proceed as follows:
 - (a) multiply the number of children shown at question 12 by 2406 and add the result to 26205;
 - (b) divide the result of (a) by 52; and
 - (c) round the result of (b) to the nearest cent.

Example: If the payee has shown 3 dependent children against question 12,

$$\begin{aligned} \text{WFT} &= ((2406 \times 3) + 26205) \div 52 \\ &= 642.7500 \\ &\text{or } \$642.75 \text{ when rounded to the nearest cent.} \end{aligned}$$

Shading out point (SOP)

The shading out point relative to a payee's weekly family threshold is calculated as follows:

- Where Scale 12 is applied
Multiply WFT by 0.1 and divide the result by 0.0925. Ignore any cents in the result.

Example: Payee has shown 6 dependent children against question 12 and Scale 12 is applied.

$$\begin{aligned} \text{WFT} &= ((2406 \times 6) + 26205) \div 52 \\ &= 781.5577 \\ &\text{or } \$781.56 \text{ (rounded)} \\ \text{SOP} &= (\text{WFT} \times 0.1) \div 0.0925 \\ &= (\$781.56 \times 0.1) \div 0.0925 \\ &= 844.9297 \\ &\text{or } \$844 \text{ (ignoring cents)} \end{aligned}$$

Weekly levy adjustment (WLA)

- Where Scale 12 is applied
Where weekly earnings are \$503 or more but less than SOP, the weekly levy adjustment is derived by applying the weekly earnings (x) expressed in whole dollars plus an amount of 99 cents in the following formulas:
 - (1) If x is less than \$544,
$$\text{WLA} = (x - 503.94) \times 0.1$$
 - (2) If x is \$544 or more but less than WFT,
$$\text{WLA} = x \times 0.0075$$
 - (3) If x is equal to or greater than WFT and less than SOP,
$$\text{WLA} = (\text{WFT} \times 0.0075) - ((x - \text{WFT}) \times 0.0925)$$

In each case WLA should be rounded to the nearest dollar.

Values terminating in exactly 50 cents should be rounded to the next higher dollar.

Examples:

- Payee's fortnightly earnings are \$1026.40 and the number of children claimed at question 12 is 2. Scale 12 is applied.

$$\begin{aligned} \text{Equivalent weekly earnings} &= \$1026.40 \div 2 \\ &= \$513.20 \\ x &= \$513.99 \end{aligned}$$

As x is less than \$544, WLA is calculated using formula (1):

$$\begin{aligned} \text{WLA} &= (513.99 - 503.94) \times 0.1 \\ &= 1.005 \\ &\text{or } \$1.00 \text{ when rounded to the nearest dollar.} \end{aligned}$$

The fortnightly levy adjustment is therefore \$2.00

- Payee's fortnightly earnings are \$1116.58 and Scale 12 is applied.

$$\begin{aligned} \text{Equivalent weekly earnings} &= \$1116.58 \div 2 \\ &= \$558.29 \\ x &= \$558.99 \\ \text{WFT} &= ((2406 \times 2) + 26205) \div 52 \\ &= \$596.4808 \\ &\text{or } \$596.48 \text{ when rounded to the nearest cent.} \end{aligned}$$

As x is greater than \$544, and less than WFT, WLA is calculated using formula (2):

$$\begin{aligned} \text{WLA} &= 558.99 \times 0.0075 \\ &= 4.1924 \\ &\text{or } \$4.00 \text{ when rounded to the nearest dollar.} \end{aligned}$$

The fortnightly levy adjustment is therefore \$8.00

- Payee's fortnightly earnings are \$1145.62 and the number of children claimed at question 12 is 1. Scale 12 is applied.

$$\begin{aligned} \text{Equivalent weekly earnings} &= \$1145.62 \div 2 \\ &= \$572.81 \\ x &= \$572.99 \\ \text{WFT} &= ((2406 \times 1) + 26205) \div 52 \\ &= \$550.2115 \\ &\text{or } \$550.21 \text{ when rounded to the nearest cent.} \\ \text{SOP} &= (550.21 \times 0.1) \div 0.0925 \\ &= \$594.8216 \\ &\text{or } \$594 \text{ ignoring cents.} \end{aligned}$$

As x is greater than WFT and less than SOP, WLA is calculated using formula (3):

$$\begin{aligned} \text{WLA} &= (550.21 \times 0.0075) - ((572.99 - 550.21) \times 0.0925) \\ &= 2.0194 \\ &\text{or } \$2.00 \text{ when rounded to the nearest dollar.} \end{aligned}$$

The fortnightly levy adjustment is therefore \$4.00

General Example

- Payee's fortnightly earnings are \$1510.78. Payee has furnished a *Tax file number declaration* claiming the tax free threshold and total dependant tax offsets of \$1227 at the Family tax benefit and tax offsets questions on a *Withholding declaration*. Payee has lodged a *Medicare levy variation declaration* with 5 children shown at question 12. Scale 12 is applied.

$$\begin{aligned} \text{Equivalent weekly earnings} &= \$1510.78 \div 2 \\ &= \$755.39 \\ x &= 755.99 \end{aligned}$$

$$\begin{aligned} \text{Weekly withholding amount (y)} &= (a \times x) - b \\ &= (0.3075 \times 755.99) - 73.0413 \\ &= \$159.00 \text{ (159.4256 rounded to nearest dollar)} \end{aligned}$$

$$\begin{aligned} \text{Fortnightly withholding amount} &= \$318.00 \end{aligned}$$

$$\begin{aligned} \text{Tax offsets claimed at the Family tax benefit and tax offsets questions on the } & \textit{Withholding declaration} \\ &= 3.8\% \text{ of } \$1227 \\ &= \$47.00 \text{ (46.626 rounded to nearest dollar)} \end{aligned}$$

Levy adjustment: Weekly earnings are greater than WFT (\$735.29) and less than the SOP (\$794) appropriate to payee with 5 children. Formula 3 applies.

$$\begin{aligned} &= (735.29 \times 0.0075) - ((755.99 - 735.29) \times 0.0925) \\ &= 5.5147 - 1.9148 \\ &= \$4.00 \text{ (3.5999 rounded to nearest dollar).} \end{aligned}$$

The fortnightly levy adjustment is therefore \$8.00.

$$\begin{aligned} \text{Therefore, net fortnightly withholding amount} &= \$263.00 \text{ (318.00 - 47.00 - 8.00)} \end{aligned}$$

Ready reckoner for family tax benefit and tax offsets

Amount claimed \$	Fortnightly value \$	Amount claimed \$	Fortnightly value \$	Amount claimed \$	Fortnightly value \$	Amount claimed \$	Fortnightly value \$	Amount claimed \$	Fortnightly value \$
1	—	20	1.00	200	8.00	1000	38.00	1700	65.00
2	—	30	1.00	300	11.00	1100	42.00	1800	68.00
3	—	40	2.00	338	13.00	1173	45.00	1900	72.00
4	—	50	2.00	400	15.00	1200	46.00	2000	76.00
5	—	57	2.00	500	19.00	1300	49.00	2500	95.00
6	—	60	2.00	600	23.00	1400	53.00	3000	114.00
7	—	70	3.00	700	27.00	1414	54.00		
8	—	80	3.00	708	27.00	1500	57.00		
9	—	90	3.00	800	30.00	1572	60.00		
10	—	100	4.00	900	34.00	1600	61.00		

If the exact FTB and/or tax offset amount claimed is not shown in the ready reckoner add the values for an appropriate combination.

Example: Tax offsets of \$422 claimed. Add values of \$400, \$20 and \$2 = \$15.00 + \$1.00 + \$0.00 = \$16.00

Therefore, reduce the amount to be withheld by \$16.00.

Fortnightly HALF Medicare levy adjustment table (no leave loading)

Fortnightly earnings \$	1 child \$	2 to 5 children \$	Fortnightly earnings \$	1 child \$	2 children \$	3 children \$	4 to 5 children \$	Fortnightly earnings \$	3 children \$	4 children \$	5 children \$	Fortnightly earnings \$	5 children \$
1004	—	—	1162	2.00	8.00	8.00	8.00	1322	6.00	10.00	10.00	1482	10.00
1006	—	—	1164	2.00	8.00	8.00	8.00	1324	6.00	10.00	10.00	1484	10.00
1008	—	—	1166	2.00	8.00	8.00	8.00	1326	6.00	10.00	10.00	1486	10.00
1010	—	—	1168	2.00	8.00	8.00	8.00	1328	6.00	10.00	10.00	1488	10.00
1012	—	—	1170	2.00	8.00	8.00	8.00	1330	6.00	10.00	10.00	1490	10.00
1014	—	—	1172	2.00	8.00	8.00	8.00	1332	6.00	10.00	10.00	1492	8.00
1016	2.00	2.00	1174	2.00	8.00	8.00	8.00	1334	4.00	10.00	10.00	1494	8.00
1018	2.00	2.00	1176	2.00	8.00	8.00	8.00	1336	4.00	10.00	10.00	1496	8.00
1020	2.00	2.00	1178	—	8.00	8.00	8.00	1338	4.00	10.00	10.00	1498	8.00
1022	2.00	2.00	1180	—	8.00	8.00	8.00	1340	4.00	10.00	10.00	1500	8.00
1024	2.00	2.00	1182	—	8.00	8.00	8.00	1342	4.00	10.00	10.00	1502	8.00
1026	2.00	2.00	1184	—	8.00	8.00	8.00	1344	4.00	10.00	10.00	1504	8.00
1028	2.00	2.00	1186	—	8.00	8.00	8.00	1346	4.00	10.00	10.00	1506	8.00
1030	2.00	2.00	1188	—	8.00	8.00	8.00	1348	4.00	10.00	10.00	1508	8.00
1032	2.00	2.00	1190	—	8.00	8.00	8.00	1350	4.00	10.00	10.00	1510	8.00
1034	2.00	2.00	1192	—	8.00	8.00	8.00	1352	4.00	10.00	10.00	1512	8.00
1036	4.00	4.00	1194	—	8.00	8.00	8.00	1354	4.00	10.00	10.00	1514	6.00
1038	4.00	4.00	1196	—	8.00	8.00	8.00	1356	2.00	10.00	10.00	1516	6.00
1040	4.00	4.00	1198	—	8.00	8.00	8.00	1358	2.00	10.00	10.00	1518	6.00
1042	4.00	4.00	1200	—	8.00	10.00	10.00	1360	2.00	10.00	10.00	1520	6.00
1044	4.00	4.00	1202	—	8.00	10.00	10.00	1362	2.00	10.00	10.00	1522	6.00
1046	4.00	4.00	1204	—	8.00	10.00	10.00	1364	2.00	10.00	10.00	1524	6.00
1048	4.00	4.00	1206	—	8.00	10.00	10.00	1366	2.00	10.00	10.00	1526	6.00
1050	4.00	4.00	1208	—	8.00	10.00	10.00	1368	2.00	10.00	10.00	1528	6.00
1052	4.00	4.00	1210	—	8.00	10.00	10.00	1370	2.00	10.00	10.00	1530	6.00
1054	4.00	4.00	1212	—	8.00	10.00	10.00	1372	2.00	10.00	10.00	1532	6.00
1056	6.00	6.00	1214	—	6.00	10.00	10.00	1374	2.00	10.00	10.00	1534	4.00
1058	6.00	6.00	1216	—	6.00	10.00	10.00	1376	2.00	10.00	10.00	1536	4.00
1060	6.00	6.00	1218	—	6.00	10.00	10.00	1378	—	10.00	10.00	1538	4.00
1062	6.00	6.00	1220	—	6.00	10.00	10.00	1380	—	10.00	10.00	1540	4.00
1064	6.00	6.00	1222	—	6.00	10.00	10.00	1382	—	10.00	10.00	1542	4.00
1066	6.00	6.00	1224	—	6.00	10.00	10.00	1384	—	10.00	10.00	1544	4.00
1068	6.00	6.00	1226	—	6.00	10.00	10.00	1386	—	10.00	10.00	1546	4.00
1070	6.00	6.00	1228	—	6.00	10.00	10.00	1388	—	10.00	10.00	1548	4.00
1072	6.00	6.00	1230	—	6.00	10.00	10.00	1390	—	10.00	10.00	1550	4.00
1074	6.00	6.00	1232	—	6.00	10.00	10.00	1392	—	8.00	10.00	1552	4.00
1076	8.00	8.00	1234	—	4.00	10.00	10.00	1394	—	8.00	10.00	1554	4.00
1078	8.00	8.00	1236	—	4.00	10.00	10.00	1396	—	8.00	10.00	1556	2.00
1080	8.00	8.00	1238	—	4.00	10.00	10.00	1398	—	8.00	10.00	1558	2.00
1082	8.00	8.00	1240	—	4.00	10.00	10.00	1400	—	8.00	10.00	1560	2.00
1084	8.00	8.00	1242	—	4.00	10.00	10.00	1402	—	8.00	10.00	1562	2.00
1086	8.00	8.00	1244	—	4.00	10.00	10.00	1404	—	8.00	10.00	1564	2.00
1088	8.00	8.00	1246	—	4.00	10.00	10.00	1406	—	8.00	10.00	1566	2.00
1090	8.00	8.00	1248	—	4.00	10.00	10.00	1408	—	8.00	10.00	1568	2.00
1092	8.00	8.00	1250	—	4.00	10.00	10.00	1410	—	8.00	10.00	1570	2.00
1094	8.00	8.00	1252	—	4.00	10.00	10.00	1412	—	8.00	10.00	1572	2.00
1096	8.00	8.00	1254	—	4.00	10.00	10.00	1414	—	6.00	10.00	1574	2.00
1098	8.00	8.00	1256	—	2.00	10.00	10.00	1416	—	6.00	10.00	1576	2.00
1100	8.00	8.00	1258	—	2.00	10.00	10.00	1418	—	6.00	10.00	1578	—
1102	8.00	8.00	1260	—	2.00	10.00	10.00	1420	—	6.00	10.00	1580	—
1104	8.00	8.00	1262	—	2.00	10.00	10.00	1422	—	6.00	10.00	1582	—
1106	8.00	8.00	1264	—	2.00	10.00	10.00	1424	—	6.00	10.00	1584	—
1108	8.00	8.00	1266	—	2.00	10.00	10.00	1426	—	6.00	10.00	1586	—
1110	8.00	8.00	1268	—	2.00	10.00	10.00	1428	—	6.00	10.00	1588	—
1112	6.00	8.00	1270	—	2.00	10.00	10.00	1430	—	6.00	10.00	1590	—
1114	6.00	8.00	1272	—	2.00	10.00	10.00	1432	—	6.00	10.00	1592	—
1116	6.00	8.00	1274	—	2.00	10.00	10.00	1434	—	4.00	10.00	1594	—
1118	6.00	8.00	1276	—	2.00	10.00	10.00	1436	—	4.00	10.00	1596	—
1120	6.00	8.00	1278	—	—	10.00	10.00	1438	—	4.00	10.00	1598	—
1122	6.00	8.00	1280	—	—	10.00	10.00	1440	—	4.00	10.00	1600	—
1124	6.00	8.00	1282	—	—	10.00	10.00	1442	—	4.00	10.00	1602	—
1126	6.00	8.00	1284	—	—	10.00	10.00	1444	—	4.00	10.00	1604	—
1128	6.00	8.00	1286	—	—	10.00	10.00	1446	—	4.00	10.00	1606	—
1130	6.00	8.00	1288	—	—	10.00	10.00	1448	—	4.00	10.00	1608	—
1132	6.00	8.00	1290	—	—	10.00	10.00	1450	—	4.00	10.00	1610	—
1134	4.00	8.00	1292	—	—	8.00	10.00	1452	—	4.00	10.00	1612	—
1136	4.00	8.00	1294	—	—	8.00	10.00	1454	—	4.00	10.00	1614	—
1138	4.00	8.00	1296	—	—	8.00	10.00	1456	—	2.00	10.00	1616	—
1140	4.00	8.00	1298	—	—	8.00	10.00	1458	—	2.00	10.00	1618	—
1142	4.00	8.00	1300	—	—	8.00	10.00	1460	—	2.00	10.00	1620	—
1144	4.00	8.00	1302	—	—	8.00	10.00	1462	—	2.00	10.00	1622	—
1146	4.00	8.00	1304	—	—	8.00	10.00	1464	—	2.00	10.00	1624	—
1148	4.00	8.00	1306	—	—	8.00	10.00	1466	—	2.00	12.00	1626	—
1150	4.00	8.00	1308	—	—	8.00	10.00	1468	—	2.00	12.00	1628	—
1152	4.00	8.00	1310	—	—	8.00	10.00	1470	—	2.00	10.00	1630	—
1154	4.00	8.00	1312	—	—	8.00	10.00	1472	—	2.00	10.00	1632	—
1156	2.00	8.00	1314	—	—	6.00	10.00	1474	—	2.00	10.00	1634	—
1158	2.00	8.00	1316	—	—	6.00	10.00	1476	—	2.00	10.00	1636	—
1160	2.00	8.00	1318	—	—	6.00	10.00	1478	—	—	10.00	1638	—
			1320	—	—	6.00	10.00	1480	—	—	10.00	1640	—