Explanatory Statement

Taxation Administration (Withholding Schedules) Instrument 2026

General outline of instrument

1. This instrument is made under section 15-25 in Schedule 1 to the *Taxation Administration Act 1953* (TAA).

2. The instrument makes withholding schedules that specify the amount, formulas and procedures to be used for working out the amount required to be withheld by an entity under the pay as you go (PAYG) system.

3. The instrument contains fifteen withholding schedules. Each schedule provides information for calculating the withholding amount, taking into account the particular circumstances presented in the schedule.

4. The instrument repeals and replaces the previous legislative instrument *Taxation Administration (Withholding Schedules) Instrument (No. 2) 2025* (F2025L01016), which was registered on 1 September 2025 (the 2025 instrument).

5. Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument.

6. The instrument is a legislative instrument for the purposes of the *Legislation Act 2003*.

Date of effect

7. The instrument commences on 1 July 2026.

Effect of this instrument

8. The withholding schedules in this instrument set out the amounts, formulas and procedures to be used to calculate the amount required to be withheld from certain payments. The withholding schedules facilitate the collection of income tax, Medicare levy, Higher Education Loan Program, Student Start-up Loans, Australian Apprenticeship Support Loans, VET Student Loans and Financial Supplement repayments.

9. All withholding schedules have been updated by this instrument.

10. In addition to minor changes for formatting, style and clarity of expression, substantive changes include updates to account for:

- amendments made to the *Income Tax Rates Act 1986,* which modified income tax rates for individuals for the 2026–27 income year.

- amendments made to the *Medicare Levy Act 1986* and the *A New Tax System (Medicare Levy Surcharge—Fringe Benefits) Act 1999* which increased Medicare levy low-income thresholds.
- annual indexing of the repayment income thresholds for study and training support loans and other rates and thresholds.

Incorporation of withholding lookup tools and forms

11. To assist entities to determine the correct amount to withhold, several withholding schedules include withholding lookup tools. The lookup tools are spreadsheets which identify a specific amount to withhold for a pay period, after an earnings amount is input into the spreadsheet for the pay period.

12. The lookup tools are freely available for entities to apply when using the withholding schedule. The withholding schedules with a lookup tool can be accessed on the ATO website (ato.gov.au) by searching for the withholding schedule's quick code number in the table below:

Quick Code	Title
QC107120	Schedule 2 – Tax table for individuals employed in the horticultural or shearing industry
QC107121	Schedule 3 – Tax table for actors, variety artists and other entertainers
QC107127	Schedule 9 – Tax table for seniors and pensioners
QC107133	Schedule 15 – Tax table for working holiday makers

13. To assist entities to determine the correct amount to withhold, consideration must be also given to whether certain forms referred to in the instrument have been completed, and the information that has been provided in any such completed forms. The forms are available via the ATO website (ato.gov.au) by searching for the relevant quick code number in the table below.

Quick code	Title
QC107135	Fortnightly tax table
QC107141	Medicare levy adjustment weekly tax table
QC17088	Medicare levy variation declaration
QC26159	PAYG payment summary – employment termination payment
QC22557	PAYG payment summary – foreign employment
QC21978	PAYG payment summary – individual non-business
QC19550	PAYG payment summary – superannuation income stream
QC35966	PAYG payment summary – superannuation lump sum
QC27073	Payments to contractors under a voluntary agreement
QC107139	Study and training support loans fortnightly tax table
QC107140	Study and training support loans monthly tax table

Quick code	Title
QC107138	Study and training support loans weekly tax table
QC104947	Tax file number declaration
QC27134	TFN application or enquiry for individuals - instructions
QC16945	Tax tables
QC107137	Tax table for daily and casual workers
QC26218	Taxation of termination payments
QC16223	Voluntary agreement for PAYG withholding
QC107134	Weekly tax table
QC16347	Withholding declaration
QC18292	Withholding declaration – short version for seniors and pensioners
QC51680	Withholding for allowances
QC16601	Withholding from leave payment for continuing employees

14. These withholding lookup tools and forms are incorporated by reference in this instrument in accordance with paragraph 14(1)(b) of the *Legislation Act 2003*. That paragraph allows a legislative instrument to incorporate any other document in writing which exists either at the time the legislative instrument commences, or at a time before its commencement.

15. This instrument incorporates the withholding lookup tools and forms that existed immediately before this instrument was registered on the Federal Register of Legislation. These lookup tools and forms will remain unchanged for the life of this instrument. Changes to the withholding lookup tools and forms will only be made when it is necessary to give effect to a new legislative instrument that both contains new withholding schedules and repeals the current instrument.

Compliance cost assessment

16. Minor – there will be no or minimal impacts for both implementation and ongoing compliance costs. The legislative instrument is minor or machinery in nature (The Office of Impact Analysis reference OIA26-11824).

Background

17. The PAYG system, introduced by the *A New Tax System (Pay As You Go) Act 1999*, is a simple and convenient way for taxpayers to meet their annual income tax liabilities either through instalments or through withholding as their income is earned.

18. Under that system, payers are required to withhold (and remit to the ATO) amounts from certain payments they make to other entities during the year. This system aims to prevent large end-of-year tax bills. It also ensures that the Commonwealth has the revenue it needs during the year to provide services and benefits to the community.

19. Subsection 15-25(1) in Schedule 1 to the TAA empowers the Commissioner to make withholding schedules specifying the amounts, formulas and procedures to be used for working out the amount required to be withheld by an entity. The TAA requires the Commissioner to make each withholding schedule publicly available.

20. This instrument contains the withholding schedules, to help payers withhold the correct amount from certain payments they make.

21. Each withholding schedule is tailored to meet the circumstances of a particular class of payment or payee.

22. These schedules are relied on by a number of groups including employers, employees, other payers, payees, professional tax advisers, payroll software developers, payroll service providers, and the ATO.

Consultation

23. Subsection 17(1) of the *Legislation Act 2003* requires that the Commissioner undertake an appropriate level of consultation that is reasonably practicable to undertake before making a legislative instrument.

24. No public consultation was undertaken before making this instrument. The making and publication of withholding schedules is a routine part of tax administration. Consultation is not undertaken for withholding schedules because changes to indexed thresholds do not generally become available until shortly before the instrument commences.

Statement of compatibility with human rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

Taxation Administration (Withholding Schedules) Instrument 2026

This legislative instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview

This legislative instrument makes publicly available the withholding schedules that entities must use under the pay as you go (PAYG) system. The schedules provide certainty to payers about what amounts they are required to withhold (and remit to the Australian Taxation Office) from certain payments they make to other entities. This assists those other entities to meet their annual income tax liability.

Without the instrument, payers would not know the correct amounts to withhold from relevant payments. Further, the instrument helps ensure that taxpayers do not receive large end-of-year tax bills, and the Commonwealth has the revenue it needs during the year to provide services and benefits to the community.

Human rights implications

This legislative instrument does not engage any of the applicable rights or freedoms because it is of a minor or machinery nature. The withholding schedules set out the amounts, formulas and procedures to be used to calculate the amount required to be withheld from certain payments and remitted to the Australian Taxation Office.

Conclusion

This legislative instrument is compatible with human rights because it does not raise any human rights issues.