



Taxation Administration Act Special tax table - Joint Petroleum Development Area Withholding Schedule

Explanatory Statement

General Outline of Instrument

1. This instrument is made by the Commissioner of Taxation (the Commissioner) pursuant to section 15-25 of Schedule 1 to the *Taxation Administration Act 1953* (TAA).
2. The instrument makes publicly available the withholding schedule, which the Commissioner is empowered to make, specifying the amounts, formulas and procedures to be used for working out the amount required to be withheld by an entity in accordance with the pay as you go (PAYG) system.
3. In making the instrument, the Commissioner has had regard to the *Income Tax Rates Act 1986*.
4. This is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.
5. This legislative instrument will revoke Legislative Instrument No. F2006L03348 registered on the 13th day of October 2006.

Date of effect

6. The instrument applies from 15 February 2009.

What is this instrument about?

7. The purpose of this instrument is to help taxpayers meet their annual income tax liability. They are required to pay amounts of their income at regular intervals as it is earned during the year. The system for collecting these amounts is called the PAYG withholding system.
8. This instrument provides information on how to work out the amount an entity must withhold from payments to individual taxpayers. The information is contained in the schedule to the instrument. The schedule is also known as a withholding schedule.

What is the effect of this Instrument?

9. The effect of this instrument is to support the PAYG withholding system, which provides a simple and convenient way for most people to meet their annual tax obligations as income is earned.
10. The people who find the information most useful are employers, professional advisers, software developers, the Australian Taxation Office (Tax Office) and any other party that may be involved in engaging workers in the Joint Petroleum Development Area.
11. This instrument also withdraws the earlier version of the withholding schedule (Schedule 23) in order to provide certainty to PAYG withholding payers with regard to their withholding obligations.

Background

12. The PAYG arrangements, introduced in *A New Tax System (Pay As You Go) Act 1999*, represent the most effective, simple and convenient way for most people to meet their annual income tax liability, either through instalments or withholding, as income is earned. They eliminate large end-of-year tax bills and ensure that Government has the revenue it needs during the year to provide benefits and services to the community.
13. 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.
13. Each withholding schedule is tailored to meet the circumstances of a particular class of employee. The version of the Schedule to the instrument has been developed to:
 - clarify how much of the tax paid to Timor-Leste is to be allowed as a credit in the Australian tax return – the credit is subtracted from the PAYG amount that would otherwise be remitted to the Tax Office
 - clarify the information that needs to be provided to the payee, and
 - update the examples to reflect these changes.

Consultation

14. The making and publication of withholding schedules is a routine part of taxation administration.
15. The Tax Office will provide the necessary information to payroll and software providers, and those employers who code their own in-house payroll systems, to ensure that they have sufficient time to update their packages.
16. The Tax Office will make the schedule publicly available.

17. This legislative instrument has been subject to a cost compliance calculation as recommended by the Office of Best Practice and Regulation. An assessment of the compliance cost impact of this legislative instrument indicates that the impact will be low for both implementation and on-going compliance costs. This instrument is routine in nature.

Erin Holland
Deputy Commissioner of Taxation
5 February 2009

Legislative references:

Taxation Administration Act 1953

Legislative Instruments Act 2003

Income Tax Rates Act 1986

A New Tax System (Pay As You Go) Act 1999
