



Taxation Administration Act 1953

Tax table for additional amounts to withhold as a result of an agreement to increase withholding

Explanatory Statement

General Outline of Instrument

1. This instrument is made by the Commissioner of Taxation (the Commissioner) under section 15-25 of Schedule 1 to the *Taxation Administration Act 1953* (TAA).
2. The instrument makes a withholding schedule, which the Commissioner is empowered to make, specifying the process to use where a payee wants additional amount(s) to be withheld from their payer under the pay as you go (PAYG) withholding system.
3. This is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.
4. The withholding schedule in this instrument replaces the schedule which currently applies. This instrument revokes the schedule that will be withdrawn.

Date of effect

5. The instrument applies from 1 February 2015.

What is this instrument about?

6. The purpose of this instrument is to help employers and other payers withhold additional amounts from payments made to a payee when the payee has requested this.
7. This instrument outlines the steps required from the employer or other payer and the payee to withhold amounts from payments made, in addition to the amount required under the TAA or the *Taxation Administration Regulations 1976*. The information is contained in the schedule to the instrument. The schedule is also known as a withholding schedule.
8. The withholding schedule has been revised to reduce the administrative burden on employers and other payers and payees, when payees want additional amounts to be withheld from payments made to them. Both parties will no longer be required to complete Withholding declaration upwards variation forms. They can instead

use any means that suits their business to agree to withhold additional amounts.

What is the effect of this Instrument?

9. This instrument supports 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. A number of groups rely upon the withholding schedules. They include: employers, employees, professional tax advisers, software developers, the Australian Taxation Office, electronic payroll producers and payroll service providers.
11. An assessment of the compliance cost impact indicates that the impact will be minor for both implementation and on-going compliance costs. The new instrument is of a minor or machinery nature.
12. This ATO initiative supports the Government's deregulation commitment. Employees and employers will no longer have to complete a complex form to record their agreement to increase the employee's withholding. They can instead use any means that suits their business to agree to withhold additional amounts.

Background

13. The PAYG system is a simple and convenient way for individual taxpayers to meet their annual income tax either through instalments or through withholding as their income is earned. This system aims to prevent large end-of-year tax bills for individuals. It also ensures that Government has the revenue it needs during the year to provide services and benefits to the community.
14. The TAA empowers the Commissioner to make withholding schedules specifying the amounts, formulas and procedures to be used for working out the amounts required to be withheld by entities. The TAA requires the Commissioner to make each withholding schedule publicly available.
15. Each withholding schedule is tailored to meet the circumstances of a particular class of payee or category of payment.

Consultation

16. The making and publication of withholding schedules is a routine part of tax administration.
17. This instrument simplifies the process which applied under the instrument which it replaces.
18. The ATO 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 software packages.

Steve Vesperman
Deputy Commissioner of Taxation
Date 2nd December 2014

Legislative references:

Taxation Administration Act 1953

Legislative Instruments Act 2003

Taxation Administration Regulations 1976

Statement of Compatibility with Human Rights

This Statement is prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

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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 a withholding schedule, which specifies the steps to be used for payers and payees to withhold additional amounts under the pay as you go (PAYG) withholding system.

This ATO initiative supports the Government's deregulation commitment. The new withholding schedule has been updated to reduce the administrative burden on employers and employees, when employees want additional amounts to be withheld from payments made to them. Employers and employees will no longer be required to complete Withholding declaration upwards variation forms. They can instead use their own means to agree to withhold additional amounts.

Human rights implications

This legislative instrument does not engage any of the applicable rights or freedoms because the new instrument is of a minor or machinery nature.

Conclusion

This legislative instrument does not raise any human rights issues.

Steve Vesperman
Deputy Commissioner of Taxation
Date 2nd December 2014
