


# ***IT 2112W - Notice of Withdrawal - Income tax instalment deductions from payments of long service leave entitlements***

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# Notice of Withdrawal

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## Taxation Ruling

### Income tax instalment deductions from payments of long service leave entitlements

Taxation Ruling IT 2112 is withdrawn with effect from today.

1. Taxation Ruling IT 2112 issued on 17 October 1984. The Ruling deals specifically with whether tax instalments should be deducted from lump sum payments of long service leave entitlements. The Ruling confirms that lump sum payments made in lieu of long service leave were expressly included in the definition of salary and wages. Division 2 of Part VI of the *Income Tax Assessment Act 1936* provided the legislative framework for what is commonly referred to as the Pay As You Earn (PAYE) system. The Division imposed an obligation on an employer to deduct instalments of tax from payments of salary or wages to employees.
2. The PAYE collection system was replaced with effect from 1 July 2000. From that date the obligation of a paying entity to withhold an amount from a payment for unused long service leave to an individual is provided in section 12-90 of Schedule 1 to the *Taxation Administration Act 1953* (TAA).
3. Taxation Ruling TR 2003/15, which issued on 26 November 2003, is the current ruling that provides guidance on the application of section 12-90 of Schedule 1 to the TAA. To the extent that our views in IT 2112 still apply, they have been incorporated into Taxation Ruling TR 2003/15.

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**Commissioner of Taxation**

16 August 2006

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ATO references

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ATOlaw topic: Income Tax ~~ Deductions ~~ other employment related expenses