

***PAYE Bulletin 11 - Payments of PAYE, PPS and RPS  
Deductions to the Commissioner by Medium and  
Small Remitters - General Guidelines***

# PAYE Bulletin

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## Number 11

### Payments of PAYE, PPS and RPS Deductions to the Commissioner by Medium and Small Remitters – General Guidelines

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Valid from 1 July 1999

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#### About this bulletin

There are three categories of remitters: large, medium and small. Each category has different payment obligations under the law.

This bulletin explains:

- who is a medium remitter;
- who is a small remitter; and
- the obligations of medium and small remitters to pay deductions to the Commissioner made under the Pay As You Earn (PAYE) system, the Prescribed Payments System (PPS) and the Reportable Payments System (RPS).

*PAYE Bulletin Number 10* explains who is a large remitter and the obligations of large remitters.

*PAYE Bulletin Number 7* provides guidelines concerning the exercise of the Commissioner's discretion to extend the due date for payment of deductions of tax by a large remitter.

The meaning of the terms 'medium remitter' and 'small remitter' and the consequential obligations to pay PAYE, PPS and RPS deductions to the Commissioner are set out in Division 1AAA of Part VI of the *Income Tax Assessment Act 1936*. This Division applies to amounts deducted on or after 1 July 1998.

#### Who is a medium remitter?

##### 1. A person who has deductions in excess of \$25,000

You are a medium remitter in relation to a particular month if you are not a large remitter and, before the start of that month, the deductions you made under PAYE, PPS and RPS (referred to elsewhere in this bulletin as 'total deductions') for any financial year ending on or after 30 June 1998 exceeded \$25,000, but did not exceed \$1 million.

However, you'll only be a medium remitter in relation to July, August or September 1998 if:

- your total deductions for the nine month period between 1 July 1997 and March 1998 exceeded \$18,750, (i.e. three quarters of \$25,000); or 31
- you are covered by a notice telling you that you are a medium remitter; or
- you are covered by a notice telling you that you are not a large remitter.

The arrangements in relation to July, August and September 1998 are designed to avoid confusion for you if you were a quarterly remitter in the previous financial year and also to give you sufficient time to make the necessary administrative and accounting changes to begin paying deductions to the Commissioner on a monthly basis. Therefore, if your total deductions first exceeded the \$25,000 threshold for the financial year ended 30 June 1998 and you did not have deductions exceeding \$18,750 in the nine month period to 31 March 1998, you will not become a medium remitter until 1 October 1998.

Similarly, if your total deductions exceed the \$25,000 threshold for the first time for any financial year ending on or after 30 June 1999, you will not become a medium remitter until 1 October of the following financial year. To be a medium remitter in relation to July, August or September you must have been a medium remitter in June. For example, to be a medium remitter in relation to July, August or September 1999 you must have been a medium remitter in relation to June 1999.

Although you may have deductions in excess of \$25,000 and ordinarily be considered a medium remitter, you may be considered a large remitter because of the grouping provisions. If you think you may be a member of a company group, you should refer to *PAYE Bulletin Number 10*.

## **2. Commissioner determines a person to be a medium remitter**

You will be a medium remitter in relation to a month if you are covered by a notice stating that the Commissioner has determined you to be a medium remitter.

The Commissioner may give a written notice to a person who would otherwise be a small remitter, stating that the person is a medium remitter even though the person might not otherwise meet the requirements, (e.g. the \$25,000 threshold). The Commissioner may consider the following matters:

- whether the person has failed to comply with any of their obligations as a small remitter so that it is no longer appropriate for the person to be a small remitter;
- whether the person entered into an arrangement after 13 May 1997, for purposes that included avoiding the new medium remitter payment requirements;
- the extent to which the person pays reportable payments, salary or wages or prescribed payments to persons who were previously paid such payments by another person;
- the amount of total deductions that the Commissioner considers the person is likely to make in the next 12 months; and
- any other matter considered relevant.

The purpose of this discretionary power is to overcome arrangements entered into in an attempt to avoid the application of the medium remitter provisions. The Commissioner may, for example, use this power in circumstances where employment contracts with a company that would otherwise be a medium remitter are transferred to another related company so that both companies will be small remitters because of the arrangement.

A notice deeming a person to be a medium remitter will not come into effect until the start of the second month following the month in which the notice is received by the person. For

example, if you receive a notice on 12 September 1998, you will be a medium remitter from 1 November 1998.

### **Discretion to make a person NOT a medium remitter**

The Commissioner may give a notice in writing to a person who would otherwise be a medium remitter, stating that the person is not a medium remitter. This frees the person from the medium remitter obligations for the period indicated in the notice. The person will become a small remitter for the relevant period.

A person who is a medium remitter may apply to the Commissioner for a determination that the person is not a medium remitter.

A notice issued by the Commissioner does not have affect in relation to a particular month unless the notice was served before the beginning of the month.

Since the threshold for small remitters has increased from \$10,000 to \$25,000 and more than 80% of all remitters will fall within the small category, the Commissioner will exercise this discretion to allow a medium remitter to become a small remitter in limited circumstances.

Similarly, with the advances in electronic communication, the location of the person or operational units in remote localities is not considered sufficient reason for exercise of the discretion. Delays in assembling deduction information and ultimately the amount of the payment due to the Commissioner may provide grounds for exercise of the Commissioner's discretion to extend the due date for payment. In these situations an application asking for an extension of the due date should be made to the Commissioner outlining the applicable facts and circumstances.

While a move from quarterly payment obligations (small remitter status) to monthly payment obligations (medium remitter status) may generate some additional compliance costs for some persons in establishing appropriate systems and procedures, these costs would generally be of a 'one-off' nature and would not justify a relaxation of remitter status.

### **Permanent reduction in number of employees/contractors and the amount of deductions**

Where the number of employees/contractors and/or the amount of deductions are going to be reduced on a permanent basis, so that the PAYE, PPS and RPS deductions of the person will fall below the medium remitter threshold, the Commissioner will generally exercise the discretion to determine that the person is no longer a medium remitter.

#### **Example 1**

*Company Z has operated under a long-term contract and has made deductions under PAYE and PPS exceeding \$25,000 in previous financial years. In December most of the work in respect of that contract was completed, no further long-term contract is envisaged and only a small number of staff will remain employed. It is expected that deductions for the current financial year (and for subsequent financial years) will not reach \$25,000.*

*As annual deductions are likely to be less than \$25,000 on an ongoing basis, the Commissioner would exercise his discretion to determine that the person is no longer a medium remitter.*

### **Notification and duration of Commissioner's determination**

Where the Commissioner makes a determination that a person either is or is not a medium remitter, the person will be notified in writing of that determination, the duration of the notice and the facts upon which the determination has been made.

The Commissioner may revoke or vary a determination. For example, where there is a material change to the relevant facts and circumstances upon which the determination was made, the Commissioner may revoke or vary the determination to reflect that change. It is the person's responsibility to notify the Commissioner of any such changes.

## **Who is a small remitter?**

As from 1 July 1998 you are a small remitter if you are neither a large remitter nor a medium remitter.

## **When must payments be made?**

### **Medium remitters**

If you are a medium remitter in relation to a month, you must pay to the Commissioner any deductions made (under PAYE, PPS and RPS) in that month no later than the 21st day after the end of the month. For example, deductions made during the month of September must be paid no later than the 21st October.

### **Small remitters**

If you are a small remitter in relation to a month, you must pay to the Commissioner any amount deducted (under PAYE, PPS and RPS) in that month no later than the 21st day after the end of the quarter in which the month occurs. The quarters end on 31 March, 30 June, 30 September and 31 December. For example, deductions made during the month of August should be paid by 21st October.

For both medium and small remitters, the payments must be sent in sufficient time for them to be received by the Commissioner, in the ordinary course of events, on or before the due date.

## **How are payments to be made?**

Medium and small remitters must pay either by Electronic Funds Transfer (EFT) or by some other means approved in writing by the Commissioner. The payment book will provide details on acceptable payment methods.

Acceptable means of EFT are Direct Credit or Direct Debit.

## **Person in a capacity of trustee**

The term *person* is defined in the income tax law to mean, among other things, *a person in a particular capacity of trustee*. In determining whether a person is a medium or small remitter it is therefore necessary to consider separately the capacity of the person acting in the person's own right and each capacity of the person as a trustee. That is, the deductions made in each

capacity should not be added together. For example, if A Ltd has the following deductions in the financial year ending 30 June 1998:

- \$100,000 in its capacity as 'A Ltd';
- \$20,000 in its capacity as trustee of T1; and
- \$15,000 in its capacity as trustee of T2,

A Ltd is treated as a different person in each of its three capacities and therefore it is a medium remitter in its own right, but is a small remitter in its respective trustee capacities even though the deductions exceed the small remitter threshold when added together.

## Person in a capacity of agent

Where a person is registered as a group employer acting on behalf of two or more employers, the person is required to make payments to the Commissioner according to the respective remittance status of each employer for whom the person acts. That is, provided the relevant salary or wages is paid (and therefore the corresponding PAYE deductions are made) by the principal for whom the person acts, the PAYE, PPS and RPS deductions of each such principal in a financial year will determine the remitter status of that principal and the obligations of the agent. The deductions of the principals are not added together to determine a single remitter status such as in the case of a company group.

Therefore, if the deductions of one principal exceed \$25,000 in a financial year, that principal will be a medium remitter and the agent will be required to remit according to the medium remitter provisions. However, this will not make all other principals medium remitters. If another principal has deductions of \$1.5 million in a financial year that principal will be a large remitter and the agent will be required to remit according to the large remitter provisions. Similarly, the agent will also have a separate remitter status of its own if, acting on its own account, it makes deductions under PAYE, PPS and RPS.

### Example 2

*RF is a group employer acting on behalf of 4 employers in respect of whom annual deductions are as follows: EST Ltd - \$1,200,000, AX - \$800,000, AV - \$200,000 and Y - \$10,000. Individually, EST Ltd would satisfy the large remitter status, AX and AV would each satisfy the medium remitter status and Y would not satisfy the requirements for large or medium remitter status and would therefore be a small remitter. RF would therefore be required to make payments to the Commissioner as:*

- *a large remitter in respect of payments on behalf of EST Pty Ltd;*
- *a medium remitter in respect of payments on behalf of AX and AV; and*
- *a small remitter in respect of payments on behalf of Y.*

## Review and appeal rights

If you are dissatisfied with any of the following decisions you may object against the decision in the manner set out in Part 1VC of the *Taxation Administration Act 1953*:

- a refusal to determine that a person is not a medium remitter;
- a decision to revoke or vary a determination that a person is not a medium remitter;

- a determination that a person is a medium remitter.

## Do you need more information?

If you have any questions or need more information about the obligations of medium or small remitters you can contact the Tax Office:

- by telephone on our national enquiry number **13 28 66**. You can ring this number from anywhere in Australia for the cost of a local call;
- in person by visiting the enquiries counter at the Tax Office. Addresses for the Tax Office are listed in *TaxPack*, as well as in the White Pages telephone directory;
- by *A Fax from Tax*, our 24 hour fax information service. Simply call **13 28 60** (local call cost) on your phone or fax and follow the voice prompts; or
- at our Internet site, **ATOassist** [www.ato.gov.au](http://www.ato.gov.au)

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