

Pay as you go withholding

What you need to know



Our commitment to you

We are committed to providing you with advice and guidance you can rely on, so we make every effort to ensure that our publications are correct.

If you follow our guidance in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our advice and guidance in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

You are protected under GST law if you rely on any GST advice in this publication. If you rely on this advice and it later changes, you will not have to pay any extra GST for the period up to the date of the change.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at www.ato.gov.au or contact us.

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What employers
need to know
about pay as you
go withholding.

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Getting the help you need

As an employer, you have certain tax and super obligations you need to be aware of.

These obligations include:

- pay as you go (PAYG) withholding
- super
- fringe benefits tax (FBT).

Running a business or a non-profit organisation gets more complex when you have employees or independent contractors. When you make payments to employees or contractors, you may be required to withhold an amount and send it to us at regular intervals. We call this process PAYG withholding.

➤ To make it easier for you to meet your PAYG withholding obligations, we offer a range of products and services, see ‘More information’ on page 14.

To comply with your PAYG withholding obligations you need to:

- register for PAYG withholding
- work out the status of your workers
- become familiar with the types of payments you need to withhold from
- work out the amount to withhold
- report and pay withheld amounts to us
- provide payment summaries and lodge an annual report at the end of each income year.

Under the PAYG withholding system:

- the business, non-profit organisation or individual making the payments is called the **payer**, and
- the individual being paid is called the **payee**.

What you need to know about PAYG withholding

Register for PAYG withholding

You need to register for PAYG withholding as soon as you know you need to withhold. You can register:

- online at **www.ato.gov.au/onlineservices**
- by phoning **13 28 66** between 8.00am and 6.00pm Monday to Friday
- by completing an *Add a new business account* (NAT 2954) form.

Work out the status of your workers

You have different obligations depending on whether your payee is an:

- employee, or
- independent contractor.

The status of your worker depends on your working relationship and is usually worked out by the contractual arrangements made between the two of you.

- **To help you work out the status of your workers, we have developed a decision making tool. To use the decision tool, visit our website at www.ato.gov.au/employers and select ‘Contractor or employer?’ – ‘Employee/contractor decision tool’.**

Know the payments you need to withhold from

The most common types of payments you need to withhold amounts from include:

- payments to employees, company directors and office holders
- payments to independent contractors who have a voluntary agreement with you
- payments to individuals under labour hire arrangements
- employment termination payments
- compensation, sickness or accident payments.

Work out the amount to withhold

We produce tax tables to help you work out how much to withhold from your payments to your payees.

These PAYG withholding tax tables are available for weekly, fortnightly, monthly and quarterly pay periods. You can also get tax tables for particular types of payments, such as payments made under voluntary agreement.

- **We have electronic calculators to help you work out the withholding amount and the employment termination payment withholding amount. To use the calculator, visit our website at www.ato.gov.au/employers and select:**
 - **tax withheld calculator** – this calculator will help you work out the correct amount of tax to be withheld, and
 - **employment termination payment calculator** – this calculator will help you work out the tax-free and taxable amounts of an employment termination payment made on or after 1 July 2007.

To work out how much to withhold, use information your payee gives you on their *Tax file number declaration* (NAT 3092) and, if applicable, *Withholding declaration* (NAT 3093). For example, they may be claiming the tax-free threshold that is shown on their *Tax file number declaration*, or they may be entitled to a dependent spouse tax offset that is shown on their *Withholding declaration*.

If your payee is under a voluntary agreement, use the information provided in the agreement to work out the amount to withhold.

Report and pay the withheld amounts

How often you report and pay amounts depends on whether you are a small, medium or large withholder.

We will tell you what type of withholder you are after you register.

Prepare payment summaries and lodge annual report

Within 14 days after the end of each financial year (30 June), you need to give each of your payees a payment summary that shows how much you:


- paid, and
- withheld.

You need to also provide us with a PAYG withholding payment summary annual report that summarises:

- all your payments to payees
- how much you withheld overall.

If you provide your PAYG withholding payment summary annual report to us electronically, you can print the individual payment summaries on plain paper.

If you don't report electronically, we give you blank payment summary forms and a personalised PAYG payment summary statement to use.

 **We send this stationery to you around May each year.**

Payment summaries

There are different payment summary forms depending on the type of payment. Examples include payment summaries for:

- 1 individual non-business payments
- 2 labour hire and other specified payments
- 3 voluntary agreement payments
- 4 employment termination payments
- 5 personal services attributed income payments
- 6 payments where ABN not quoted.

It is important you use the appropriate payment summary.

To order payment summaries:

- visit our website at **www.ato.gov.au** and select 'Find a form or publication' – 'Online ordering', or
- call our automated self help ordering service on **13 72 26** and press **4**. You'll need your Australian business number (ABN) and the names of the publications you wish to order.

We provide instructions for completing these payment summaries. To obtain copies, visit our website at **www.ato.gov.au**

PAYG withholding payment summary annual report

If you have payroll software that meets our specifications, you can submit your PAYG withholding payment summary annual report using the electronic commerce interface (ECI).

If not, use the stationery we send you so you can provide us with the following:

- a completed personalised *PAYG payment summary statement* (NAT 7885)
- the originals of all the payment summaries you issued for the financial year.

If you misplace your personalised payment summary statement or it contains an error, you can use a generic *PAYG payment summary statement* (NAT 3447).

You need to send your PAYG withholding payment summary annual report to us by 14 August each year.



Make sure you keep a copy for your records.

Other payer obligations at a glance

Super for employers

If you're an employer, you need to understand your super guarantee obligations and how to meet them. Under super law, you need to pay super for your employees, in addition to their salary or wages.

Employee eligibility

Generally, you have to pay super for your employees who:

- are aged between 18 and 69
- are paid \$450 (before tax) or more in a calendar month, and
- work full-time, part-time or on a casual basis.

The minimum super amount you have to pay is 9% of each eligible employee's earnings base

Super for the self-employed

If you're self-employed, you don't have to make super contributions to a super fund for yourself. However, you may wish to consider super as a way of saving for your retirement.

Paying super for contractors

If you pay a contractor under a contract that is wholly or principally for labour, you have to make super contributions for them, even if they quote an ABN.

When to pay super contributions

You need to pay a minimum of 9% of each employee's earnings base at least once every quarter, by the cut-off date (28 October, 28 January, 28 April and 28 July).

You can choose to pay more often if it suits you; for example, on a monthly basis.

Claiming a tax deduction for your super contributions

Generally, super contributions made by the cut-off dates are tax deductible in the financial year you pay them.

Where to pay your super contributions

You need to pay contributions into a complying super fund or retirement savings accounts. In most instances your employees can choose the fund they want you to pay their super contributions into. Once an employee chooses a super fund, you have two months to arrange to pay contributions into that fund.

Failing to meet your super obligations

If you don't meet your obligations, you'll incur a charge called the super guarantee charge. You need to lodge a super guarantee charge statement and pay this charge to us if you don't pay super contributions:

- of at least 9% for your eligible employees
- by the cut-off date for payment, or
- into your employees' chosen super funds.

You can't claim a tax deduction for the super guarantee charge.

Tax file numbers

When your employee completes a *Tax file number declaration* (NAT 3092) you need to pass their tax file number onto their super fund.

Tools and resources you can use

There are four online tools and calculators available on our website that can help you work out and meet your super obligations:

- **Employee/contractor decision tool** – work out if your new or existing workers are contractors or employees for tax and super purposes.
 - **Superannuation guarantee eligibility decision tool** – work out if you need to make super contributions for your workers.
 - **Superannuation guarantee contributions calculator** – work out how much super you need to contribute for your eligible workers.
 - **Super guarantee charge statement and calculator tool** – work out your super guarantee charge liability and prepare your *Superannuation guarantee charge statement – quarterly* (NAT 9599).
- **For more information about your super obligations, refer to *Super – what employers need to know* (NAT 71038).**

Fringe benefits tax for employers

FBT is a tax paid on certain benefits employers provide to their employees or their employees' associates (typically family members). Benefits can be provided by you, your associate or by a third party under an arrangement with you. FBT is separate from income tax and is based on the taxable value of the various fringe benefits provided.

The FBT year runs from **1 April** to **31 March**.

Basically, a fringe benefit is a benefit provided to an employee in respect of employment. This effectively means a benefit provided to an employee (or their associate) because that person is an employee. An employee can be a current, future or former employee.



If you are a director and conduct your business through a company or a trust, you may be an employee of the company or trust. This may mean you are providing fringe benefits to yourself.

The term ‘benefit’ is broadly defined and includes any rights, privileges, or services. If you answer yes to any of the following questions, you may need to pay FBT.

- Do your employees take cars home and garage them overnight, even if only for security reasons?
- Do you make a car or other vehicles owned or leased by the business available to employees for private use?
- Do you provide loans at reduced interest rates to employees?
- Have you released any employees from a debt they owed?
- Have you paid for, or reimbursed, an expense incurred by an employee?
- Do you provide a house or unit of accommodation to our employees?
- Do you provide employees with living away from home allowances?
- Do you provide entertainment by way of food, drink or recreation to your employees?
- Do any of your employees have a salary packaging arrangement in place?
- Have you provided your employees with goods at a lower price than they are normally sold to the public?



For more information about FBT, refer to:

- ***Fringe benefits tax – what you need to know (NAT 1744)***
- ***Fringe benefits tax for small business (NAT 8164)***
- ***Fringe benefits tax for non profit organisations (NAT 14947).***

More information

For more information about PAYG withholding:

- visit our website at **www.ato.gov.au/employers** to work out the status of your workers or how to pay withheld amounts to us, or
- phone us on **13 28 66** between 8.00am and 6.00pm, Monday to Friday, to speak to a tax officer.

For more information about super:

- visit our website at **www.ato.gov.au** and select 'Businesses' – 'Tax topics A-Z' – 'S-Z' – 'Superannuation'
- subscribe to 'What's New' at **www.ato.gov.au** to receive regular updates
- phone us on **13 10 20** between 8.00am and 6.00pm, Monday to Friday, to speak to a tax officer, or
- write to us at

Australian Taxation Office
PO Box 3578
ALBURY NSW 2640

For more information about FBT:

- visit our website at **www.ato.gov.au/fbt** or
- phone us on **13 28 66** (or **1300 130 248** if you are a non-profit organisation) between 8.00am and 6.00pm, Monday to Friday.

For free and helpful tax support (including seminars and workshops and onsite visits):

- visit **www.ato.gov.au/businesses** or
- phone **13 28 66** between 8.00am and 6.00pm, Monday to Friday.

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

Publications

PAYG

PAYG withholding (NAT 8075)

PAYG withholding – weekly tax table (NAT 1005)

PAYG withholding – fortnightly tax table (NAT 1006)

PAYG withholding – monthly tax table (NAT 1007)

Add a new business account (NAT 2954)

Grants and sponsorship – Tax basics for non-profit organisations (NAT 7966)

Tax file number declaration (NAT 3092)

Withholding declaration (NAT 3093)

Super

Super – what employers needs to know (NAT 71038)

FBT

Fringe benefits tax – what you need to know
(NAT 1744)

Fringe benefits tax for small business (NAT 8164)

Fringe benefits tax for non-profit organisations
(NAT 14947)

the fact that the *Journal of Applied Behavior Analysis* is the most widely read journal in the field.

It is also important to note that the *Journal of Applied Behavior Analysis* is the only journal in the field that is published by a non-profit organization, the Association for Behavior Analysis International (ABAI).

The *Journal of Applied Behavior Analysis* is a peer-reviewed journal, which means that all articles submitted to the journal are reviewed by a panel of experts in the field.

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