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# Schedule 5 – Tax table for back payments, commissions, bonuses and similar payments

This schedule applied to payments made from 13 October 2020 to 30 June 2024.

Last updated 13 October 2020

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This withholding schedule is made by the Commissioner of Taxation in accordance with sections 15-25 and 15-30 of Schedule 1 to the *Taxation Administration Act 1953* (TAA). It applies to certain withholding payments paid as a lump sum that are covered by Subdivisions 12-B (except sections 12-50 and 12-55), 12-C (except sections 12-85 and 12-90) and 12-D of Schedule 1 to the TAA.

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# About this schedule

Last updated 13 October 2020

## Using this schedule

**This schedule applies to payments made from 13 October 2020.**

Use this schedule if you make a payment of salary or wages which is:

- a back payment (including lump sum payments in arrears)
- a commission
- a bonus or similar payment.

If you employ individuals under a working holiday makers visa you must use the Tax table for working holiday makers for all payments made to them, including back payments, commissions and bonuses or similar payments.

## Other payments you should use this schedule for

These payments include back payments of:

- compensation or sickness or accident payments for an incapacity for work that are not tax exempt
- Australian Government education or training payments – for example, Austudy or ABSTUDY
- assessable pensions, benefits and allowances under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*, or similar payments made under a law of a foreign country, state or province.

## Back payments (including lump sums in arrears)

A back payment is a payment that was meant to have been made in a prior period. For example:

- your employee's wages were underpaid due to an error or oversight
- an allowance you were due to pay in July was overlooked and you made the payment in December.

A back payment is distinct from a bonus, which is a payment made for recognition of performance including past performance. A bonus (or similar payment) can only be considered a back payment if you paid the bonus later than the time that it should have been paid.

If you normally process payments in a pay period later than when the work is performed – for example, overtime payments paid with a time lag of one pay period – they are not considered back payments. These payments are treated as part of the normal pay cycle when paid and withholding is calculated on total earnings for that period. An overtime payment is only considered a back payment if it was meant to have been made in a prior pay period.

## **Commissions**

Commissions are typically payments made as recognition of performance or service, and may be calculated as a percentage of the proceeds from a particular transaction or series of transactions.

## **Bonuses and similar payments**

A bonus is usually made to an employee in recognition of performance or services, and may be calculated as a percentage of the proceeds from a particular business transaction. These payments may not necessarily be related to a particular period of work.

A payment will be treated as similar to a bonus if it is of a one-off nature that does not relate to work performed in a particular period. Examples include:

- a once-only payment made to a payee as compensation for a changed work location
- an amount paid as a sign-on bonus to a payee entering a workplace agreement
- any lump sum allowance.

## **Leave loading**

Payment of leave loading can also be regarded as a payment similar to a bonus, if it is made as a lump sum and not on a pro-rata basis as leave is taken. If you pay leave loading on a pro-rata basis, add it to earnings for the period to calculate withholding using the standard tax tables.

## Terms we use

### Additional payments

Additional payments include back payments (including lump sum payments in arrears), commissions, bonuses and similar payments.

### Normal earnings

Normal earnings are gross taxable earnings and include all salary and wage income, taxable allowances, and overtime earnings for the current financial year. This includes any back payments previously made using [Method B\(i\)](#).

At the start of a financial year, an employee's normal earnings can be based on the last full pay period worked in the previous financial year.

If an employee's pay fluctuates significantly, you can use an average of gross taxable earnings for the current financial year (or, if applicable, the previous financial year).

If an employee has no current or past normal earnings (for example, the employee is newly employed), you can include expected future earnings in your calculations. This can be based on the employee's contracted or expected salary for the financial year.

For the purposes of this table, normal earnings do not include employment termination payments or unused leave payments made on termination of employment.

### Average total earnings

Average total earnings are the sum of all normal earnings paid in the current financial year, including current pay, plus any current year back payments if [Method B\(i\)](#) is used to calculate withholding. Then divide the total earnings by the number of pay periods to date (including the current pay period).

### Pay periods per financial year

Pay periods per financial year refers to a total of 52 pay periods if paid weekly, 26 pay periods if paid fortnightly or 12 pay periods if paid monthly. No adjustments are required for a 53 week / 27 fortnight year.

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## Tax file number (TFN) declarations

Last updated 13 October 2020

The answers your employees provide on their *Tax file number declaration* determine the amount you need to withhold from their payments. A *Tax file number declaration* applies to any payments made after you receive the declaration. If you receive an updated declaration from an employee, it will override the previous one.

If an employee does not give you a valid *Tax file number declaration* within **14 days** of starting an employer-employee relationship, you must complete a *Tax file number declaration* with all available details of the employee and send it to us.

## When a TFN has not been provided

You must withhold 47% from any payment you make to a resident employee and 45% from a foreign resident employee (ignoring any cents), if all of the following apply:

- they have not quoted their TFN
- they have not claimed an exemption from quoting their TFN
- they have not advised you that they have applied for a TFN or have made an enquiry with us.

If an employee states at question 1 of the *Tax file number declaration* they have lodged a *Tax file number – application or enquiry for individuals* with us, they have **28 days** to provide you with their TFN.

If the employee has not given you their TFN within **28 days**, you must withhold 47% from any payment you make to a resident employee and 45% from a foreign resident employee (ignoring any cents) unless we tell you not to.

Do not allow for tax offsets or Medicare levy adjustment. Do not withhold any amount for study and training support loans.

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## Working out the withholding amount

Last updated 13 October 2020

### Available methods

To work out the amount you need to withhold from an additional payment, you must use either [Method A](#) or [Method B](#).

Using **Method B** is more complex but produces a withholding amount that more closely approximates the actual tax payable.

Calculations made using either method are acceptable to work out the withholding amount. If your calculation using either method results in a negative amount, treat the result as nil.

## Using Method A

Use this method for any additional payments made, regardless of the financial year the additional payment applies to. This includes all back payments, commissions, bonuses or similar payments.

This method calculates withholding by apportioning additional payments made in the current pay period over the number of pay periods in a financial year, and applying that average amount to the gross earnings in the current pay period.

If you are paying a commission, bonus or similar payment for a defined period of less than 12 months, you can choose to calculate withholding by using the number of pay periods the payment relates to at step 3. For example, if a commission relates to four weeks and the employee is paid weekly, you divide the commission by four pay periods at step 3, rather than 52 pay periods.

### Method A instructions

Step	Instruction
1	Work out your employee's gross earnings excluding any additional payments for the current pay period. Ignore any cents.
2	Use the relevant tax table to find the amount to be withheld from your employee's gross earnings in step 1.
3	Add any additional payments to be made in the current pay period together and divide the total by the number of pay periods in the financial year (that is, 52 weekly pay periods, 26 fortnightly pay periods or 12 monthly pay periods). Ignore any cents.
4	Add the amount at step 3 to the gross earnings at step 1.
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.
6	Subtract the amount at step 2 from the amount at step 5.
7	Multiply the amount at step 6 by the number of pay

	periods used in step 3.
8	Multiply the additional payment being made in the current pay period by 47%.
9	Use the lesser amount of step 7 and step 8 for the withholding on the additional payment. Ignore any cents.
10	Work out the total PAYG withholding for the current pay period by adding the withholding on the additional payment (step 9) to the withholding on the gross earnings (step 2).

## Using Method B

Use Method B(i) for any back payments applied to specific periods in the current financial year.

Use Method B(ii) for either:

- back payments that relate to a prior financial year
- any additional payments (including commissions, bonuses or similar payments) that don't relate to a single pay period, regardless of the financial year the additional payment applies to.

If you are making back payments applying to current and previous financial years, apportion the back payment between those years and then use the applicable method for each component to calculate withholding.

If you are making multiple additional payments:

- in the current pay period, you first need to calculate withholding on the total of any current financial year back payments (including lump sum in arrears) then calculate the withholding on any other additional payments
- in the current financial year (that is, you made an additional payment to the employee in a previous pay period), do not recalculate the withholding for the additional payment previously made.

### B(i) Back payments applied to specific periods in the current financial year

This method recalculates withholding for each pay period the back payment applies.

#### Method B(i) instructions

Step	Instruction

1	Work out how much of the back payment applied to each earlier pay period in the current financial year.
2	For the first affected pay period, add the back payment relevant to that period to the <u>normal earnings</u> previously paid to get total earnings for that period.
3	Use the relevant tax table to find the amount to be withheld from the total earnings for that period.
4	Subtract the amount previously withheld for the period from the amount at step 3.
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the withholding on the back payment.
6	Use the relevant tax table to find the amount to be withheld from your employee's gross earnings (excluding additional payments) for the current pay period.
7	Work out the total PAYG withholding for the current pay period by adding the withholding on the back payment (step 5) to the withholding on the gross earnings (step 6).

## B(ii) Additional payments applied over the whole financial year

This method calculates withholding by averaging all additional payments made in the current financial year over the number of pay periods in a financial year, and applying that to the average total earnings to date.

### Method B(ii) instructions

Step	Instruction
1	Calculate the <u>average total earnings</u> paid to your employee over the current financial year to date. Ignore any cents.
2	Use the relevant tax table to find the amount to be withheld from the average total earnings in step 1.
3	Add all additional payments made in the current financial year if Method B(ii) was used to calculate the withholding, to the additional payment in current pay. Then divide by the number of pay periods in the financial year (that is, 52 weekly pay periods,

	26 fortnightly pay periods or 12 monthly pay periods). Ignore any cents.
4	Add the amount at step 3 to the average total earnings at step 1.
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.
6	Subtract the amount at step 2 from the amount at step 5.
7	Multiply the amount in step 6 by the number of pay periods used in step 3.
8	Subtract any amounts previously withheld from additional payments in the current financial year if Method B(ii) was used, from the amount at step 7.
9	Multiply the additional payment being made in the current pay period by 47%.
10	Use the lesser amount of step 8 and step 9 for the withholding on the additional payment. Ignore any cents.
11	Use the relevant tax table to find the amount to be withheld from your employee's gross earnings (excluding additional payments) for the current pay period.
12	Work out the total PAYG withholding for this pay period by adding the withholding on the additional payment (step 10) to the withholding on the gross earnings (step 11).

## Withholding limit

If your employee has a Higher Education Loan Program (HELP), VET Student Loan (VSL), Financial Supplement (FS), Student Start-up Loan (SSL) or Trade Support Loan (TSL) debt, see [Study and training support loans and additional payments](#).

If you use [Method A](#) or [Method B\(ii\)](#), the amount of tax to be withheld from an additional payment is limited to a maximum of 47% of the additional payment.

If the withholding amount calculated (including a study and training support loan component) using [Method A](#) or [Method B\(ii\)](#) exceeds 47% of the additional payment being made, then the amount is reduced to be equal to 47% of that payment. The withholding limit applies to the additional payment only and not to normal earnings for the current pay period.

For some employees, the withholding limit may result in their withholding amounts not being sufficient to cover their end-of-year tax liability, as their total earnings for the financial year may exceed the study and training support loan repayment threshold or attract a higher rate of tax. Under these circumstances, your employee can arrange an upwards variation by entering into an agreement with you to vary the rate or amount of withholding.

For more information about withholding variations, refer to:

- [Variations – for employers](#)
- [Varying your PAYG withholding – for employees.](#)

For more information about study and training support loans repayment thresholds, see [Study and training loan repayment thresholds and rates](#).

## **Commissions, bonuses or similar payments**

If a commission, bonus or similar payment relates to work your employee performed for more than one pay period (or for an undefined period), calculate withholding by applying either Method A or Method B(ii).

Do not use this schedule for payments for a single pay period.

If the commission, bonus or similar payment relates to work your employee performed in a single pay period (for example, a week, a fortnight or a month) the amount is added to all their other earnings for the current period. Withholding is then calculated using the standard PAYG withholding tax tables.

## **Study and training support loans and additional payments**

If your employee has advised you they have a Higher Education Loan Program (HELP), VET Student Loan (VSL), Financial Supplement (FS), Student Start-up Loan (SSL) or Trade Support Loan (TSL) debt on their **Tax file number declaration** or **Withholding declaration**, you must also withhold from the additional payment using the relevant study and training support loans tax tables.

Calculate the amounts you need to withhold from additional payments for study and training support loans by using the same method you used to calculate the PAYG withholding amount from the additional payment.

For example, if you calculate the amount to be withheld from the additional payment using Method A, use the same method to calculate

the amounts to be withheld for study and training support loans purposes.

## **How to calculate withholding on the additional payment if it is calculated separately to the study and training support loans components**

If you calculate withholding separately, you need to make sure that the withholding limit in Method A and Method B(ii) applies to the combined total calculated for the additional payment and the study and training support loans components. For example, at step 9 in Method A, you must combine the amounts from the two separate calculations used for step 7 before comparing it to the amount calculated at step 8.

### **Next step:**

You can use the following schedule that combine PAYG withholding with study and training support loan instead of repeating the calculation separately for each component:

- Schedule 8 – Statement of formulas for calculating study and training support loans components

The results obtained when using the coefficients in the above schedule may differ slightly from the sums of the amounts shown in the PAYG tax tables. Either calculation is acceptable.

## **Variations**

If your employee has a withholding variation in place for the current financial year, use one of the following to work out the amount of withholding from additional payments:

- the varied rate – if the relevant income is specified in the variation notice
- this tax table – if the relevant income is not specified in the variation notice.

If your employee had a withholding variation in place at the time the additional payment accrued but the withholding variation is no longer in effect when the additional payment is made, it does not apply when working out the amount to withhold.

If you need help to determine whether to use a withholding variation to work out the amount to withhold from an additional payment, phone us on **1300 360 221**.

## **Leave without pay**

For the purposes of this table, any periods where your employee has taken leave without pay do not affect the calculations outlined in each of the methods.

For example, for Method A and Method B(ii), you are still required at step 3 to apportion all additional payments made by the total number of pay periods in a financial year (that is, 52 weekly pay periods, 26 fortnightly pay periods or 12 monthly pay periods).

## Superannuation income streams

To work out the amount you need to withhold from the taxable component of back payments of super income streams (pensions and annuities), including lump sum payments in arrears, use either Method A or B.

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## End-of-year reporting

**Last updated** 13 October 2020

You must record back payments in a pay event when reporting under Single Touch Payroll, or on your employee's payment summary if you are a non STP reporter. What payment summary you use depends on whether the back payments relate to a superannuation income stream or previous period of assessable foreign service. Use:

- PAYG payment summary – individual non-business for all back payments except those for super income streams or if they were related to a previous period of assessable foreign service
- PAYG payment summary – superannuation income stream for super income stream payments
- PAYG payment summary – foreign employment for payments related to a previous period of assessable foreign service.

For more information about payment summaries, refer to [PAYG payment summaries: forms and guidelines](#). For more information about Single Touch Payroll, and what can and cannot be reported, refer to [Single Touch Payroll - Who you include in your STP report](#).

## Completing the individual non-business payment summary

For payments accrued in the current financial year, include the total:

- gross amount of all payments at 'Gross payments'
- amount withheld at 'Total tax withheld'.

## **Salary and wage income (including allowances) accrued before the current financial year**

For each payment accrued in a prior financial year, but not more than 12 months before the date of payment include the total:

- gross amount of the payment at 'Gross payments' or 'Allowances'
- amount withheld at 'Total tax withheld'.

For each payment accrued more than 12 months before the date of payment of less than \$1,200, include the total:

- gross amount of the payment at 'Gross payments' or 'Allowances'
- amount withheld at 'Total tax withheld'.

For each payment accrued more than 12 months before the date of payment of \$1,200 or more, include the total:

- gross amount of the payment (including allowances) at 'Lump sum E'
- amount withheld at 'Total tax withheld'.

For each payment that accrued before and after 12 months, apportion the payment between the two periods. If the portion of the payment that accrued after 12 months from the date of payment is \$1,200 or more, include the:

- gross amount of the payment at 'Lump sum E'
- amount withheld at 'Total tax withheld'.

## **Other amounts accrued before the current financial year**

These other amounts are described in [Other payments you should use this schedule for.](#)

For each payment accrued in a prior financial year of less than \$1,200, include the total:

- gross amount of the payment at 'Gross payments'
- amount withheld at 'Total tax withheld'.

For each payment accrued in a prior financial year of \$1,200 or more, include the total:

- gross amount of the payment at 'Lump sum E'
- amount withheld at 'Total tax withheld'.

## **Employee letter**

You must also provide your employee with a letter specifying:

- the financial years over which the amount accrued, and

- the gross amount that accrued each financial year.

## Completing the superannuation income stream payment summary

For payments accrued in the current financial year, include:

- the component amounts at both
  - ‘Taxable component’ (both taxed and untaxed elements if applicable)
  - ‘Tax-free component’
- the amount withheld at ‘Total tax withheld’.

For payments accrued prior to the current financial year, include:

- the component amounts at both
  - ‘Lump sum in arrears – taxable component’ (both taxed and untaxed elements if applicable)
  - ‘Lump sum in arrears – tax-free component’
- the amount withheld at ‘Total tax withheld’.

### Payee letter

You must also provide your payee with a letter specifying:

- the financial years over which the amount accrued, and
- the gross amount that accrued each financial year.

## Completing the foreign employment payment summary

Note: For the foreign employment payment summary, the gross payments amount is assessable foreign employment income, which includes total allowances.

For salary and wage payments accrued in the current financial year, include the total:

- gross amount of all payments at ‘Gross payments’
- amount withheld and paid to a foreign tax jurisdiction (if applicable) at ‘Foreign tax paid’
- amount withheld for Australian tax purposes at ‘Total Australian tax withheld’.

For each salary and wage payment accrued in a prior financial year, but not more than 12 months before the date of payment, include the total:

- gross amount of the payment at 'Gross payments'
- amount withheld and paid to a foreign tax jurisdiction (if applicable) at 'Foreign tax paid'
- amount withheld for Australian tax purposes at 'Total Australian tax withheld'.

For each salary and wage payment accrued more than 12 months before the date of payment of less than \$1,200, include the total:

- gross amount of the payment at 'Gross payments'
- amount withheld and paid to a foreign tax jurisdiction (if applicable) at 'Foreign tax paid'
- amount withheld for Australian tax purposes at 'Total Australian tax withheld'.

For each salary and wage payment accrued more than 12 months before the date of payment of \$1,200 or more, include the total:

- gross amount of the payment at 'Lump sum E'
- amount withheld and paid to a foreign tax jurisdiction (if applicable) at 'Foreign tax paid'
- amount withheld for Australian tax purposes at 'Total Australian tax withheld'.

## Employee letter

You must also provide your employee with a letter specifying:

- the financial years over which the amount accrued, and
- the gross amount that accrued each financial year.

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## Examples

Last updated 13 October 2020

### Example 1: Withholding from a bonus payment using Method A

Mark, who has an accumulated HELP debt, is due to receive an annual bonus of \$900. Mark earns \$1,500 per week. Using Method A, calculate the withholding amount for the current pay period as follows:

### PAYG withholding component – for Example 1

Step	Instruction	Result
1	Work out Mark's gross earnings for the current pay period.	\$1,500
2	Use the relevant tax table to find the amount to be withheld from Mark's gross earnings in step 1.	\$335
3	Divide the additional payment by the number of pay periods in the financial year. = $\$900 \div 52$	\$17
4	Add the amount at step 3 to the gross earnings at step 1. \$1,500 + \$17	\$1,517
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.	\$341
6	Subtract the amount at step 2 from the amount at step 5. = \$341 – \$335	\$6
7	Multiply the amount at step 6 by the number of pay periods in the financial year for the withholding on the additional payment. = \$6 × 52	\$312

As Mark has an accumulated HELP debt, his employer also needs to calculate a withholding amount from the bonus payment for HELP. They use the same method that they used to calculate withholding for the bonus payment in the first part of this example.

### HELP component – for Example 1

Step	Instruction	Result
1	Work out Mark's gross earnings for the current pay period.	\$1,500
2	Use the relevant tax table to find the amount to be withheld for HELP from Mark's gross earnings in step 1.	\$75
3	Divide the additional payment by the number of pay periods in the financial	\$17

	year. = $\$900 \div 52$	
4	Add the amount at step 3 to the gross earnings at step 1. = $\$1,500 + \$17$	\$1,517
5	Use the relevant tax table to find the amount to be withheld for HELP from the amount at step 4.	\$76
6	Subtract the amount at step 2 from the amount at step 5. = $\$76 - \$75$	\$1
7	Multiply the amount at step 6 by the number of pay periods in the financial year for the HELP withholding on the additional payment. = $\$1 \times 52$	\$52

### Withholding limit (including HELP component) – for Example 1

Step	Instructions	Result
8	Multiply the additional payment being made in the current pay period by 47%. = $\$900 \times 47\%$	\$423
9	Use the lesser amount of step 7 (combined) and step 8 for the withholding on the additional payment. Ignore any cents. Combine two step 7 results \$312 + \$52 = \$364. This amount is used as it's less than step 8.	\$364
10	See below	–

### Calculate the total PAYG withholding amount for the current pay period (step 10).

Add the amounts to be withheld:

- PAYG withholding on gross earnings in the current pay period = \$335
- HELP withholding on gross earnings in the current pay period = \$75

- PAYG withholding on additional payment = \$312
- HELP withholding on additional payment = \$52

The total PAYG withholding is \$774 (\$335 + \$75 + \$312 + \$52).

Example 1 uses both:

- Study and training support loans weekly tax table (NAT 2173) effective from 1 July 2020
- Statement of formulas for calculating the amount to be withheld (NAT 1004) effective from 13 October 2020 – the calculations are made using scale 2, with tax-free threshold.

### Example 2: Withholding from a missed payment using Method B(i)

Robyn, who has an accumulated HELP debt, is due to receive a back payment relating to the current financial year following a pay rise. Since the first pay period of the current financial year and up until period 8, Robyn has earned \$1,000 per week. From pay period 9 (her current pay period), Robyn will earn \$1,100 per week.

Robyn's back payment, which covers the first eight pay periods of the current financial year, will be paid to her in pay period 9. Therefore, Robyn will receive a back payment of \$800 along with her normal gross earnings of \$1,100.

Using Method B(i), calculate the withholding amount for the current pay period 9 as follows:

#### PAYG withholding component – for Example 2

Step	Instruction	Result
1	Work out how much of Robyn's additional payment applied to each earlier pay period in the current financial year. In this example it is \$800 over eight pay periods. = $\$800 \div 8$	\$100
2	For the first affected pay period, add the additional payment relevant to that period to the normal earnings previously paid to get the total earnings for that period. = $\$1,000 + \$100$	\$1,100
3	Use the relevant tax table to find the amount to be withheld from Robyn's	\$197

		total earnings for that period.	
4		Subtract the amount previously withheld for the period from the amount at step 3. = $\$197 - \$162$	\$35
5		Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the withholding on the additional payment. As it is the same amount for each pay period in this example, it will be $8 \times \$35$ .	\$280
6		Use the relevant tax table to find the amount to be withheld from Robyn's gross earnings for the current pay period.	\$197
7		Add the withholding on the additional payment (step 5) to the withholding on Robyn's gross earnings (step 6) to work out the total withholding for the current pay period. = $\$197 + \$280$	\$477

As Robyn has an accumulated HELP debt, her employer also needs to calculate a withholding amount from the back payment for HELP. They use the same method as they used to calculate withholding for the back payment in the first part of this example.

### Study and training support loan (HELP) component – for Example 2

Step	Instruction	Result
1	Work out how much of Robyn's additional payment applied to each earlier pay period in the current financial year. In this example it is \$800 over eight pay periods. = $\$800 \div 8$	\$100
2	For the first affected pay period, add the additional payment relevant to that period to the normal earnings previously paid to get total normal earnings for that period. = $\$1,000 + \$100$	\$1,100
3	Use the relevant tax table to find the amount to be withheld for HELP from	\$28

	Robyn's total normal earnings for that period.	
4	Subtract the amount previously withheld for the period from the amount at step 3. = $\$28 - \$10$	\$18
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the HELP withholding on the additional payments. As it is the same amount for each pay period in this example, it will be $8 \times \$18$ .	\$144
6	Use the relevant tax table to find the amount to be withheld for HELP from Robyn's gross earnings for the current pay period.	\$28
7	Add the HELP withholding on the additional payment (step 5) to the withholding on Robyn's gross earnings (step 6) to work out the withholding for HELP for the current period. = $\$28 + \$144$	\$172

## Calculate the total PAYG withholding amount for the current pay period.

Add the amounts to be withheld:

- PAYG withholding on gross earnings in the current pay period = \$197
- HELP withholding on gross earnings in the current pay period = \$28
- PAYG withholding on additional payment = \$280
- HELP withholding on additional payment = \$144

The total PAYG withholding is \$649 (\$197 + \$28 + \$280 + \$144).

Example 2 uses:

- Study and training support loans weekly tax table (NAT 2173) effective from 1 July 2020
- Statement of formulas for calculating the amount to be withheld (NAT 1004) effective from 13 October 2020 – the calculations are made using scale 2, with tax-free threshold.

### Example 3: Withholding from a lump sum payment in arrears using Method B(ii)

Mary is employed by Minercorp Pty Ltd and receives a fortnightly salary of \$1,800. She is entitled to an allowance from her employer when working in remote areas. In 2018, Mary worked in a remote area for six months, but she was not paid this allowance. The total allowance that she should have been paid for this period was \$2,480. Her employer discovers their oversight and agrees to pay her the \$2,480 as a lump sum payment in arrears on 10 November 2020. Her gross earnings for pay period 10 is \$1,800.

Mary has received normal earnings (year to date) of \$18,000 including the current pay. The amount Mary's payer must withhold from this payment is calculated using Method B(ii) as follows:

#### Method B(ii) instruction – for Example 3

Step	Instruction	Result
1	Calculate Mary's average total earnings over the current financial year to date (including current pay). = $\$18,000 \div 10$	\$1,800
2	Use the relevant tax table to find the amount to be withheld from Mary's average total earnings in step 1.	\$254
3	Add all additional payments made to Mary in the current financial year if Method B(ii) was used to calculate the withholding, to the additional payment in the current pay. Mary's additional payment of \$2,480 is then divided by the number of pay periods in the financial year. = $\$2,480 \div 26$	\$95
4	Add the amount at step 3 to the average total earnings at step 1. = $\$1,800 + \$95$	\$1,895
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.	\$286
6	Subtract the amount at step 2 from the amount at step 5. = $\$286 - \$254$	\$32

7	Multiply the amount in step 6 by the number of pay periods used in step 3. = $\$32 \times 26$	\$832
8	Subtract any amounts previously withheld from additional payments in the current financial year if Method B(ii) was used, from the amount at step 7 for the withholding on the additional payment. = $\$832 - \$0$	\$832
9	Multiply the additional payment being made in the current pay period by 47%. = $\$2,480 \times 47\%$	\$1,165
10	Use the lesser amount of step 8 and step 9 for the withholding on the additional payment. Ignore any cents. = $\$832$ . This amount is used as it's less than step 9.	\$832
11	Use the relevant tax table to find the amount to be withheld from the payee's gross earnings (excluding additional payments) for the current pay period.	\$254
12	Work out the total PAYG withholding for this pay period by adding the withholding on the additional payment (step 10) to the withholding on the gross earnings (step 11). = $\$832 + \$254$	\$1,086

Example 3 uses Statement of formulas for calculating the amount to be withheld (NAT 1004) effective from 13 October 2020. The calculations are made using scale 2, with tax-free threshold.

#### Example 4: Withholding using Method B(i) and Method B(ii)

Pablo, who has an accumulated Financial Supplement debt, is employed by Macropayers Pty Ltd. On 1 November 2020, he received a salary increase of \$5 an hour, taking his gross monthly salary from \$4,400 to \$5,200. His employer agreed that the increase would be backdated to 1 August 2019 and paid at the end of November 2020.

This means that the back payment of salary covers 15 pay periods. The total back payment of salary is \$12,000. To work out the total amount to be withheld from the back payment to Pablo, his employer will need to calculate the amount accrued in both:

- the current financial year (4 pay periods from 1 July to October 2020) = \$3,200
- a prior financial year (11 pay periods from 1 August 2019 to 30 June 2020) = \$8,800.

You don't need to complete some steps if both Methods B(i) and (ii) are used in the calculations.

### Method B(i) – PAYG withholding component – for Example 4

Step	Instruction	Result
1	Work out how much of Pablo's additional payment applied to each earlier pay period in the current financial year. In this example it is \$3,200 over four pay periods. = $\$3,200 \div 4$	\$800
2	For the first affected pay period, add the additional payment relevant to that period to the normal earnings previously paid to get total earnings for that period. = $\$4,400 + \$800$	\$5,200
3	Use the relevant tax table to find the amount to be withheld from Pablo's total earnings for that period.	\$1,001
4	Subtract the amount previously withheld for the period from the amount at step 3. = $\$1,001 - \$724$	\$277
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the withholding on the additional payment. As it is the same amount for each pay period in this example, it will be $4 \times \$277$ .	\$1,108
6	This step is not required as withholding is also calculated using Method B(ii).	–

7	This step is not required as withholding is also calculated using Method B(ii).	–
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As Pablo has an accumulated Financial Supplement (FS) debt, his employer will need to calculate a withholding amount from the back payment for FS. They use the same method as they used to calculate withholding for the back payment in the first part of this example.

#### Method B(i) – FS component – for Example 4

Step	Instruction	Result
1	Work out how much of Pablo's additional payment applied to each earlier pay period in the current financial year. In this example it is \$3,200 over four pay periods. = $\$3,200 \div 4$	\$800
2	For the first affected pay period, add the additional payment relevant to that period to the normal earnings previously paid to get total normal earnings for that period. = $\$4,400 + \$800$	\$5,200
3	Use the relevant tax table to find the amount to be withheld for FS from Pablo's total normal gross earnings for that period.	\$156
4	Subtract the amount previously withheld for the period from the amount at step 3. = $\$156 - \$43$	\$113
5	Repeat steps 2–4 for each pay period affected. Total the amounts calculated in step 4 for each pay period for the FS withholding on the additional payment. As it is the same amount for each pay period in this example, it will be $4 \times \$113$ .	\$452
6	This step is not required as withholding is also calculated using Method B(ii).	–
7	This step is not required as withholding is also calculated using Method B(ii).	–

### Method B(ii) – PAYG withholding component – for Example 4

Step	Instruction	Result
1	Calculate Pablo's average total earnings, which in this example is $= (\text{salary earnings to date} + \text{current financial year additional payments to date}) \div \text{number of pay periods}$ $= [(\$4,400 + \$4,400 + \$4,400 + \$4,400 + \$5,200) + \$3,200] \div 5$ $= \$26,000 \div 5$	\$1,300
2	Use the relevant tax table to find the amount to be withheld from Pablo's average total earnings in step 1.	\$1,257
3	Add all additional payments made to Pablo in current financial year where Method B(ii) was used to calculate the withholding, to the additional payment in current pay. Then divide by the number of pay periods in the financial year. $= \$8,800 \div 12$	\$733
4	Add the amount at step 3 to the average total earnings at step 1. $= \$5,200 + \$733$	\$5,933
5	Use the relevant tax table to find the amount to be withheld from the amount at step 4.	\$1,001
6	Subtract the amount at step 2 from the amount at step 5. $= \$1,257 - \$1,001$	\$256
7	Multiply the amount in step 6 by the number of pay periods used in step 3. $= \$256 \times 12$	\$3,072
8	Subtract any amounts previously withheld from additional payments in the current financial year if Method B(ii) was used, from the amount at step 7 for the withholding on the additional payment. $= \$3,072 - \$0$	\$3,072
9	This step is not required as final calculations for withholding limit and total withholding will be made after FS component is calculated.	
10	This step is not required as final calculations for withholding limit and total withholding will be made after FS component is calculated.	
11	This step is not required as final calculations for withholding limit and total withholding will be made after FS component is calculated.	
12	This step is not required as final calculations for withholding limit and total withholding will be made after FS component is calculated.	

As Pablo has an accumulated Financial Supplement debt his employer will need to calculate the withholding amount from the back payment for FS. They use the same method as they used to calculate withholding for the back payment in the first part of this example.

### Method B(ii) – FS component – for Example 4

Step	Instruction	Result
1	<p>Calculate Pablo's average total earnings, which in this example is:</p> $  \begin{aligned}  &= (\text{salary earnings to date} + \text{current financial year additional payments to date}) \div \text{number of pay periods} \\  &= [(\$4,400 + \$4,400 + \$4,400 + \$4,400 + \$5,200) + \$3,200] \div 5 \\  &= \$26,000 \div 5  \end{aligned}  $	\$5,200
2	Use the relevant tax table to find the amount to be withheld for FS on Pablo's average total earnings in step 1.	
3	<p>Add all additional payments made to Pablo in current financial year where Method B(ii) was used to calculate the withholding, to the additional payment in current pay. Then divide by the number of pay periods in the financial year.</p> $  \$8,800 \div 12  $	
4	<p>Add the amount at step 3 to the average total earnings at step 1.</p> $  \$5,200 + \$733  $	\$5,933
5	Use the relevant tax table to find the amount to be withheld for FS from the amount at step 4.	
6	<p>Subtract the amount at step 2 from the amount at step 5.</p> $  \$238 - \$156  $	\$82
7	<p>Multiply the amount in step 6 by the number of pay periods used in step 3.</p> $  \$82 \times 12  $	
8	<p>Subtract any amounts previously withheld from additional payments in the current financial year if Method B(ii) was used, from the amount at step 7 for the withholding for FS on the additional payment.</p> $  \$984 - \$0  $	\$984

### Withholding limit (including FS component) – for Example 4

Step	Instruction	Result
9	Multiply the additional payment being made using Method B(ii) in the current	\$4,136

	pay period by 47%. = $\$8,800 \times 47\%$	
10	Use the lesser amount of step 8 (combined) and step 9 for the withholding on the additional payment. Ignore any cents. Combine the two step 8 results. = $\$3,072 + \$984 = \$4,056$ This amount is used as it's less than step 9.	\$4,056
11	This step is not applicable as total withholding for the current pay period will need to include amounts calculated in Method B(i).	–
12	This step is not applicable as total withholding for the current pay period will need to include amounts calculated in Method B(i).	–

## Calculate the total PAYG withholding amount for the current pay period.

Add the amounts to be withheld:

*Withholding on gross earnings current pay period*

- PAYG withholding on gross earnings in the current pay period = \$1,001
- FS withholding on gross earnings in the current pay period = \$156

*Method B(i) withholding*

- PAYG withholding on additional payment for current financial year = \$1,108
- FS withholding on additional payment for current financial year = \$452

*Method B(ii) withholding*

- PAYG withholding on additional payment for prior financial year = \$3,072
- FS withholding on additional payment for prior financial year = \$984

**Total PAYG withholding** is \$6,773  
(\$1,001 + \$156 + \$1,108 + \$452 + \$3,072 + \$984).

Example 4 uses both:

- Study and training support loans monthly tax table (NAT 2186) effective from 1 July 2020
- Statement of formulas for calculating the amount to be withheld (NAT 1004) effective from 13 October 2020 – the calculations are made using scale 2, with tax-free threshold.

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## PAYG withholding publications

**Last updated** 13 October 2020

You can access all PAYG withholding tax tables and other PAYG withholding publications at:

- Tax tables
- PAYG withholding.

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