

# PAYG withholding for CDEP

How to work out the amount to withhold from Community Development Employment Projects (CDEP) payments you make to your workers.



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## OUR COMMITMENT TO YOU

We are committed to providing you with advice and information you can rely on.

If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional adviser.

### The information in this publication is current at June 2008.

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](http://www.ato.gov.au) or contact us.

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## CDEP PAYMENTS

### WHAT IS A CDEP PAYMENT?

A CDEP payment is one of the following:

#### CDEP scheme wages

These are payments you make:

- to participants as a wage for the work they do
- for hours worked in excess of the CDEP limit, or
- to trainees under the traineeship program.

#### CDEP scheme participant supplement from a Centrelink payment

This supplement is an extra payment to make sure that someone getting a CDEP wage component is getting at least the same level of income as an unemployed person.

### WHAT IS A NON-CDEP PAYMENT?

CDEP payments **do not** include the following:

#### CDEP administration amounts

These funds are used to administer the CDEP program. Depending on the size of the organisation, these funds are used for administration costs such as supervisor's wages, electricity or stationery.

#### 'Top-ups' received in addition to CDEP payments

'Top-ups' are payments for work outside the CDEP program.

## YOUR WITHHOLDING REQUIREMENTS

Under the PAYG withholding system, you may have to withhold amounts from payments you make to workers participating in CDEP.

There are different withholding requirements for workers who only receive CDEP payments and for workers whose wage is made up of both CDEP and non-CDEP payments.

### WHEN YOU ONLY MAKE CDEP PAYMENTS TO YOUR WORKERS

If you only make CDEP payments to your workers:

- you do **not** withhold amounts from those payments, and
- you will **not** need to collect a *Tax file number declaration* from these workers.

### WHEN YOU MAKE BOTH CDEP AND NON-CDEP PAYMENTS TO YOUR WORKERS

If you make CDEP and non-CDEP payments to your workers as part of their salary and wages, you must withhold amounts from their pay. See 'Working out how much to withhold' on page 4.

### TAX FILE NUMBER DECLARATIONS

Workers who receive both CDEP and non-CDEP payments will also need to complete a *Tax file number declaration* within 14 days of starting work. Once they provide their completed TFN declaration to you, you must:

- complete section B of the original of the declaration
- send the original to us within 14 days of the declaration being made, and
- keep a copy of the declaration for your records.

You must notify us if a worker has not given you their TFN declaration within 14 days of starting work.


If the worker states at question 1 of their TFN declaration that they have lodged a TFN application or enquiry with us, they have 28 days to give you their TFN.

If the worker has not given you their TFN after 28 days, you must withhold 46.5% of the non-CDEP component of the payment **only** (unless we tell you not to).

# WORKING OUT HOW MUCH TO WITHHOLD

Follow the steps below to work out how much to withhold from weekly payments you make to workers who receive both CDEP and non-CDEP payments.

If you don't pay your workers weekly, you will need to convert your worker's CDEP and non-CDEP payments into a weekly amount in order to correctly calculate the withholding amount.

 See 'Paying your workers fortnightly, monthly or quarterly' on this page to see how to convert payments into weekly amounts.


Step	Instructions
1	Add the gross amount of both CDEP and non-CDEP payments. Round this figure to the nearest dollar.
2	Use the <i>Pay as you go (PAYG) withholding – Weekly tax table</i> (NAT 1005) to find the worker's total weekly income in the 'weekly earnings' column (column 1). Select the corresponding column to find the correct amount to be withheld, as follows: <ul style="list-style-type: none"> <li>■ column 2 if the worker <b>is claiming the tax-free threshold and is entitled to leave loading</b></li> <li>■ column 3 if the worker <b>is claiming the tax-free threshold and is not entitled to leave loading</b>, or</li> <li>■ column 4 if the worker <b>is not claiming the tax-free threshold</b>.</li> </ul>
3	Use the CDEP calculation table on page 6 to find the worker's total weekly CDEP payment in column A (CDEP weekly earnings).
4	Use column B of the CDEP calculation table on page 6 to find the applicable withholding reduction amount to the CDEP payment.
5	Subtract the amount in step 4 from step 2 to find the correct weekly amount to withhold.
6	If your pay period is fortnightly, monthly or quarterly you will need to convert the weekly amount to the relevant pay period. See 'How much to withhold from fortnightly, monthly or quarterly payments' on page 5.

## Example

Albert's weekly wage is \$430, made up of a \$200 CDEP payment and a \$230 non-CDEP payment. He has claimed the tax-free threshold on his *Tax file number declaration* and does not receive leave loading.

Step	Instructions	Result
1	Weekly gross amount: \$200 + \$230	\$430
2	Use the <i>Pay as you go (PAYG) withholding – Weekly tax table</i> to find the worker's total weekly income in the 'weekly earnings' column (column 1)  Total weekly earnings: \$430  In this example, we use column 3 to work out the amount to withhold.	\$43
3	Using the CDEP calculation table on page 6, find the weekly CDEP earnings in column A.	\$200
4	Using the CDEP calculation table on page 6, find the withholding reduction amount in column B.	\$13
5	Subtract the amount in step 4 from step 2: \$43 – \$13	\$30


The correct amount to withhold on Albert's gross payment of \$430 is \$30.

 This example uses figures that are current for the 2008–09 financial year.

## PAYING YOUR WORKERS FORTNIGHTLY, MONTHLY OR QUARTERLY

If you pay your workers fortnightly, monthly or quarterly, you will need to convert their total payment (that is, their CDEP payment plus non-CDEP payments including any allowances subject to withholding) into weekly amounts. You must also convert their CDEP only payment into weekly amounts, by using the following methods:

Pay period	Instructions	Working
Fortnightly	Fortnightly income divided by two.	$\frac{\text{Fortnightly income}}{2}$
Monthly	Monthly income (if the total is an amount ending in 33 cents, add 1 cent). Multiply this amount by 3 and divide by 13.	$\frac{\text{Monthly income} \times 3}{13}$
Quarterly	Quarterly income divided by 13.	$\frac{\text{Quarterly income}}{13}$

 Disregard the cents when calculating the weekly amounts.

Once you have worked out the weekly amounts (total income and CDEP only income), you can work out the amount to withhold from the worker's weekly income. See 'Working out how much to withhold' on page 4.

### HOW MUCH TO WITHHOLD FROM FORTNIGHTLY, MONTHLY OR QUARTERLY PAYMENTS

Once you have worked out the withholding amount for your worker's weekly income, you will need to work out the amount to withhold from each pay. To do this, you must convert the weekly withholding amount into a fortnightly, monthly, or quarterly withholding amount, and then round the result to the nearest dollar. The following method is used.

Pay period	Instructions	Working
Fortnightly	Multiply the weekly withholding amount by two.	Weekly withholding amount x 2
Monthly	Multiply the weekly withholding amount by 13 and divide by three.	Weekly withholding amount x 13 ----- 3
Quarterly	Multiply the weekly withholding amount by 13.	Weekly withholding amount x 13


#### Example

Marion's monthly wage of \$2,070 is made up of a \$950 CDEP payment and a \$1,120 non-CDEP payment. She has claimed the tax-free threshold on her *Tax file number declaration* and does not receive leave loading.

Step	Instructions	Result
1	Convert the monthly total payment into a weekly amount (total monthly income x 3) ÷ 13  = [(950 + 1,120) x 3] ÷ 13 = [2,070 x 3] ÷ 13 = 6,210 ÷ 13 = \$477.69 Disregard cents	\$477
2	Convert the monthly CDEP payment into a weekly amount  = (950 x 3) ÷ 13 = 2,850 ÷ 13 = \$219.23 Disregard cents	\$219

Step	Instructions	Result
3	Use the <i>Pay as you go (PAYG) withholding – Weekly tax table</i> to find the worker's total weekly income in the 'weekly earnings' column (column 1)  Total weekly earnings: \$477  In this example, we use column 3 to work out the amount to withhold.	\$51
4	Using the CDEP calculation table on page 6, find the CDEP weekly earnings amount in column A	\$219
5	Using the CDEP calculation table on page 6, find the withholding reduction amount in column B	\$16
6	Subtract the amount in step 5 from step 3: \$51 – \$16	\$35
7	Convert the weekly withholding amount into a monthly withholding amount [(weekly withholding amount x 13) ÷ 3]  = (\$35 x 13) ÷ 3 = \$455 ÷ 3 = \$151.67 \$152 rounded to the nearest dollar	\$152

The correct amount to withhold on Marion's gross payment amount of \$2,070 is \$152.

 This example uses figures that are current for the 2008–09 financial year.


### PAYROLL SOFTWARE FORMULA

If you would like to use a payroll software program to calculate the amount to withhold from salary and wages, you can use the following mathematical formula. However, this formula is only relevant if you pay your worker both CDEP and non-CDEP amounts as part of their wages.

$$A = (C - 115) \times 0.15$$

A is the calculated CDEP withholding reduction amount expressed in dollars, and

C is the CDEP amount of the worker's weekly earnings.

 You will also need to use the *PAYG statement of formulas for calculating amounts to be withheld* (NAT 1004).

**Rounding of amounts withheld**

The amounts you withhold must be rounded to the nearest dollar. If an amount you withhold ends with 50 cents, round it to the next highest dollar.

If you calculate the withholding reduction amount to be less than zero, round the amount to zero.

**Software programs**

Do not use software programs unless they have been tested for accuracy and produce the exact amounts shown in the CDEP calculation table.

**CDEP CALCULATION TABLE**

Use this table to find the withholding reduction amount for a worker who receives both CDEP and non-CDEP payments. The earnings provided in the table below includes most CDEP earning amounts. If the earnings amount is not included, follow the notes below the table.

Column A CDEP weekly earnings \$	Column B Withholding reduction amount \$	Column A CDEP weekly earnings \$	Column B Withholding reduction amount \$
115	0	245	20
119	1	252	21
125	2	259	22
132	3	265	23
139	4	272	24
145	5	279	25
152	6	285	26
159	7	292	27
165	8	299	28
172	9	305	29
179	10	312	30
185	11	319	31
192	12	325	32
199	13	332	33
205	14	339	34
212	15	345	35
219	16	352	36
225	17	359	37
232	18	365	38
239	19	372	39

Column A CDEP weekly earnings \$	Column B Withholding reduction amount \$	Column A CDEP weekly earnings \$	Column B Withholding reduction amount \$
379	40	479	55
385	41	485	56
392	42	492	57
399	43	499	58
405	44	505	59
412	45	512	60
419	46	519	61
425	47	525	62
432	48	532	63
439	49	539	64
445	50	545	65
452	51	552	66
459	52	559	67
465	53	565	68
472	54	572	69

- If a CDEP payment is less than \$115, the withholding reduction amount is \$0.
- If the CDEP payment is between the listed amounts above, use the lower dollar amount to find the withholding reduction amount.
- The CDEP weekly earnings above cover the wages of most participants. If the participant earns more than \$572 a week, you will need to use the payroll software formula on page 5 to calculate the withholding reduction amount.

## MORE INFORMATION

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For more information:

- visit our website at [www.ato.gov.au/employers](http://www.ato.gov.au/employers)
- phone us on **13 28 66** from 8.00am to 6.00pm, Monday to Friday
- phone the National Aboriginal and Islander resource centre on **13 10 30**.

Copies of the weekly and fortnightly tax tables are available from most newsagents. Newsagents also hold *Tax file number declarations* (NAT 3092) and *Withholding declarations* (NAT 3093).

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**.

