

How to complete the *PAYG payment summary – employment termination payment*

Instructions to help you complete *PAYG payment summary – employment termination payment* (NAT 70868)

WHEN TO USE THIS FORM

Use this form if you make an employment termination payment (ETP) to:

- an employee whose employment has been terminated
- a non-dependant because of an employee's death
- a dependant because of an employee's death if the taxable component of the payment exceeds the ETP cap (the ETP cap was \$160,000 for the 2010–11 financial year),
- a trustee of a deceased employee's estate.

⚠ You should provide separate payment summaries for payees receiving the following payments:

- transitional termination payment
- non-transitional termination payment.

The payment summaries should specify the amounts for each of these payments.

Do not use this form for amounts you have withheld from any of the following payments:

- salary or wages paid to an employee, company director or office holder
- under a labour hire arrangement or other specified payment
- under voluntary agreements to withhold
- for supplies where an Australian business number (ABN) was not quoted
- superannuation lump sums
- superannuation income streams
- personal services income attributed to an individual.

Do not use this form where you have paid tax for personal services income attributed to an individual.

➤ To obtain copies of the forms and instructions for each of these situations, phone our publications ordering service on **1300 720 092** – you must quote your ABN to use this service.



HOW TO COMPLETE THE FORM

You must:

- write each letter in a separate box
- use a black pen
- use BLOCK LETTERS.

You do not have to complete every field. For example, where an amount has not been paid or withheld, leave those boxes blank.

Show all amounts in whole dollars – do not show cents. For example, show an amount of \$122.76 as \$122.

When you send the payment summary to us as part of your pay as you go (PAYG) withholding payment summary annual report, send the 'Tax Office original'. We cannot accept photocopies or duplicates.

Payment summary for year ending 30 June

You must show the year as a four-digit figure. For example, show the year ending 30 June 2010 as 2010 and not 10.

Amending a payment summary

You cannot change the information on a payment summary after you have either:

- given it to the payee
- provided your PAYG withholding payment summary annual report to us.

If you find a mistake with any amount after giving the payment summary to the payee or us, you must complete a new payment summary, marking the **amending a payment summary** box as shown.

Are you **amending a payment summary** you have already sent? If so, place X in this box.



When you complete an amended payment summary you must do all of the following:

- complete all payee, payment and payer information on each amended payment summary
- send it to us
- give a copy to the payee.

You must show the payee and payer information as it was on the original payment summary. You must send the 'Tax Office copy' to the applicable address listed in the *PAYG payment summary statement* (NAT 3447).

If the payee or payer information was incorrect, do not prepare a new payment summary. Advise the payee as soon as possible. Document the correct details and keep them in your files. There is no need to advise us of the corrected details.

Where payment amounts and/or tax withheld amounts have changed, you may also need to complete an amended *PAYG payment summary statement* (NAT 3447).

If the payee loses their payment summary, do not issue a new one. Give them a photocopy of your own copy showing all the details from the lost payment summary.

SECTION A: PAYEE DETAILS AND PAYMENTS

! If the payment is due to the death of an employee, the payee is one of the following:

- trustee for the deceased employee's estate
- non-dependant of the deceased employee
- dependant of the deceased employee.

Payee's name

Separate the surname or family name from the given name/s and print in the boxes. For example, show Jane Mary Covers as:

Payee's surname or family name

C O V E R S

Payee's given name(s)

J A N E M A R Y

Payee's residential address

You must show the street number and name, suburb/town/locality, state or territory and postcode separately in the boxes provided.

For example, show the address 2 Bell St, Ablem WA 6999 as:

Payee's residential address

2 B E L L S T R E E T

Suburb/town/locality

A B L E M

State/territory

W A

Postcode

6 9 9 9

Payee's date of birth

Provide this information if you have it. Leave blank if the payment is a death benefit termination payment.

Use the format DDMMYYYY, for example:

Payee's date of birth (if known) ^{Day} 0 1 / ^{Month} 0 5 / ^{Year} 1 9 5 2

Date of payment

Show the date you made the payment to the payee.

Use the format DDMMYYYY.

For example, show the payment date of 25 September 2010 as:

Date of payment ^{Day} 2 5 / ^{Month} 0 9 / ^{Year} 2 0 1 0

Payee's tax file number

You must show the tax file number (TFN) the payee quoted in this field. For example, show a nine-character TFN as:

Payee's tax file number 9 8 7 6 5 4 3 2 1

To help us process this form, you must substitute the TFN code with one of the codes listed below if:

- a new payee has not made a TFN declaration, but 28 days have not passed, use 111 111 111.
- the payee is under 18 years of age and earns \$112 or less a week, use 333 333 333.
- the payee is an Australian Government pensioner payee, use 444 444 444.
- the payee chooses not to quote a TFN and has not claimed an exemption from quoting a TFN or does not fit into any of the above categories, use 000 000 000.

Total tax withheld

Show the total tax withheld in whole dollars.

For example, show \$12,672.70 as:

TOTAL TAX WITHHELD \$ 1 2 , 6 7 2 . X

➤ For more information about withholding from ETPs, refer to *PAYG Withholding – Tax table for employment termination payments* (NAT 70980).

Taxable component

Include the total of the payment, less the tax free component. Show the taxable component in whole dollars.

For example, show a taxable component of \$34,221.89 as:


Taxable component \$, 3 4 , 2 2 1 .

For death benefit ETPs paid to a dependant of the deceased, only include the amount over the ETP cap in the taxable component. The ETP cap was \$160,000 for the 2010–11 financial year.

For example, show the taxable component of a death benefit employment termination payment of \$200,000 paid to a dependant as:

Taxable component \$, 4 0 , 0 0 0 .

Tax free component

 You do not have to complete this field.


The tax free component consists of both the:

- pre-July 1983 segment
- invalidity segment.

Show the tax free component in whole dollars.

For example, show a tax free component of \$6,594.55 as:

Tax free component \$, 6 , 5 9 4 .

 For help calculating the tax free component, visit www.ato.gov.au and search for our employment termination payment calculator.


Is this payment a transitional termination payment?

Transitional termination payments are payments made between 1 July 2007 and 1 July 2012, under transitional arrangements, where the payee is entitled, as at 9 May 2006, to a payment on termination of employment under one of the following:


- a written contract
- an Australian or foreign law (or instrument made under such a law)
- a workplace agreement made under the *Workplace Relations Act 1996*.

For example, if a payment meets the description of a transitional termination payment mark this box as shown.

Is this payment a transitional termination payment? No Yes

-  You should provide separate payment summaries for payees receiving the following payments:
- transitional termination payment
 - non-transitional termination payment.

The payment summaries should specify the amounts for each of these payments.

 For further information refer to *Employment termination payments – transitional arrangements* (NAT 70644).

Is this payment part of a payment made in an earlier income year for the same termination?

If the payment is related to an earlier income year payment for the same termination of employment place X at 'Yes'.

For example, Joe's employment was terminated on 30 April 2010 and he is entitled to a \$200,000 ETP. On 1 May 2010 (2009–10 financial year) Joe's previous employer paid \$150,000 of his entitlement. On 31 July 2010 (2010–11 financial year) Joe receives the remaining \$50,000 of his entitlement. His previous employer completes the *PAYG payment summary – employment termination payment* (NAT 70868) for the 2010–11 financial year. They answer Yes to this question as the payment received on 31 July 2010 is part of a payment made in an earlier income year for the same termination.

Is this payment part of a payment made in an earlier income year for the same termination? No Yes

Is this payment a death benefit?

If you are paying the ETP to a person because of another person's death, place X at 'Yes'. For example:

Is this payment a death benefit? No Yes

Type of death benefit

If the ETP is a death benefit, show the recipient type by placing X in the applicable box.

A death benefits dependant is any of the following:

- the deceased person's spouse or de facto spouse
- the deceased person's former spouse or former de facto spouse
- the deceased person's child aged less than 18
- any other person who was a dependant of the deceased just before they died
- any other person the deceased had an interdependency relationship with just before they died.

Spouse of the deceased includes all of the following:

- another person (whether of the same sex or opposite sex) with whom the deceased was in a relationship that was registered under a law of a prescribed State or Territory law
- another person (whether of the same sex or opposite sex) who lived with the deceased on a genuine domestic basis in a relationship as a couple.

Child of the deceased includes all of the following:

- an adopted child, stepchild or ex-nuptial child of the deceased
- a child of the deceased's spouse
- someone who is a child of the deceased within the meaning of the *Family Law Act 1975* (for example, a child who is considered to be a child of a person under a State or Territory court order giving effect to a surrogacy agreement).

A death benefits non-dependant is any person who does not fall into one of the categories of dependant listed here.

For example, if the payment was made to a non-dependant:

Type of death benefit

Trustee of deceased estate

or Non-dependant

or Dependant

! You do not have to withhold an amount from a death benefit termination payment paid to the trustee of a deceased estate. However, you must issue a payment summary to the trustee for the taxable component and include the payment summary as part of your PAYG withholding payment summary annual report.

SECTION B: PAYER DETAILS

Payer's Australian business number (ABN) or withholding payer number (WPN)

As a payer, you must have either an ABN or WPN. Show your ABN or WPN as it appears on your activity statement.

For example, show an ABN of 12 345 678 912 as:

Payer's ABN or withholding payer number (WPN)

1	2	3	4	5	6	7	8	9	1	2
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Branch number

If a business has one ABN but multiple branches, each branch may have an individual branch number. Show your branch number in the boxes provided. If you do not have a branch number, leave the boxes blank.

Payer's name

Show your name as it appears on your activity statement.

For example, show ABC Pty Ltd as:

Payer's name

A	B	C		P	T	y		L	T	D							
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Declaration

Only the payer or a person authorised to sign on the payer's behalf can sign. You can print or type the name of the person authorised to sign the form. You must keep details of the authorised person with your records.


AFTER YOU COMPLETE THIS FORM

PAYG payment summary – employment termination payment (NAT 70868) is self-duplicating and includes copies for:

- us
- the payee
- the payer.

You must do all of the following:


- give the payee with their copy of this payment summary within 14 days of the payment being made
- send the Tax Office original copy to us as part of your PAYG withholding payment summary annual report by 14 August, following the end of the financial year
- retain the Payer copy and keep this for five years.

 Payees no longer have to lodge a copy of their payment summary with their income tax return.


Lodging your payment summary information electronically

We provide a range of services including the electronic commerce interface (ECI) software to help you manage your tax online. You can use ECI to lodge all of the following:

- PAYG withholding reports
- activity statements
- annual investment income reports
- quarterly tax file number reports
- tax file number declarations
- superannuation statements and reports.

 For more about ECI and our other online services, visit our website at www.ato.gov.au and choose **Online services**.

You can also lodge using electronic media such as disks, USB, CD-ROMs or DVDs.

 For more information on lodging using electronic media, refer to *How to lodge your PAYG withholding annual report electronically* (NAT 3367).

If you provide your PAYG withholding payment summary annual report to us electronically, you do not need to:

- send copies of payment summaries to us
- complete a PAYG payment summary statement.

ORDERING PAYG WITHHOLDING PAYMENT SUMMARIES

To order more copies of *PAYG payment summary – employment termination payment* (NAT 70868) and other PAYG payment summaries:

- visit our website at **www.ato.gov.au** (select **Find a form or publication** from the left navigation bar, then **Online ordering**)
- phone our publications ordering service on **1300 720 092** at any time. You must quote your ABN to use this service.

MORE INFORMATION

For more information about *PAYG payment summary – employment termination payment* (NAT 70868):

- visit our website at **www.ato.gov.au**
- phone **13 28 66**, between 8.00am and 6.00pm Monday to Friday.

If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service on **13 14 50**.

If you are deaf, or have a hearing or speech impairment, phone the ATO through the National Relay Service (NRS) on the numbers listed below:

- TTY users, phone **13 36 77** and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, phone **1300 555 727** and ask for the ATO number you need
- internet relay users, connect to the NRS on **www.relayservice.com.au** and ask for the ATO number you need.

OUR COMMITMENT TO YOU

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information 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 information 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.

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 more recent information on our website at **www.ato.gov.au** or contact us.

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