

# ***LI 2024/18 - Explanatory statement -***



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# Explanatory Statement

## Taxation Administration (Withholding Schedules) Instrument 2024

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### General outline of instrument

1. This instrument is made under section 15-25 in Schedule 1 to the *Taxation Administration Act 1953* (TAA).
2. The instrument makes withholding schedules that specify the amount, formulas and procedures to be used for working out the amount required to be withheld by an entity under the pay as you go (PAYG) system.
3. The instrument contains fifteen withholding schedules. Each schedule provides information for calculating the withholding amount, taking into account the particular circumstances presented in the schedule.
4. The instrument repeals and replaces the previous legislative instrument *Taxation Administration Withholding Schedules 2023* (F2023L00743), which was registered on 08 June 2023 (the 2023 instrument).
5. It also repeals the redundant legislative instrument *Taxation Administration Act 1953 - Pay as you go withholding - Tax table for additional amounts to withhold as a result of an agreement to increase withholding* (F2014L01665), which was registered on 10 December 2014 (the 2014 agreement to increase withholding instrument). The 2014 agreement to increase withholding instrument has been replaced by schedule 14 of this instrument.
6. Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument.
7. The instrument is a legislative instrument for the purposes of the *Legislation Act 2003*.

### Date of effect

8. The instrument commences on 1 July 2024.

### Effect of this instrument

9. The withholding schedules in this instrument set out the amounts, formulas and procedures to be used to calculate the amount required to be withheld from certain payments. The withholding schedules facilitate the collection of income tax, Medicare levy, Higher Education Loan Program, Student Start-up Loans, Australian Apprenticeship Support Loans, VET Student Loans and Financial Supplement repayments.
10. All withholding schedules have been updated by this instrument, including to:

- give effect to recent amendments to the tax rates and Medicare levy thresholds
  - remove redundant web links, web content, file type and file size references, and
  - update and provide 'Quick Code' (QC code) information.
11. Quick Codes are alphanumeric codes that begin with 'QC'. They can be used to navigate to a specific webpage on the Australian Taxation Office (ATO) website (ato.gov.au) by typing the relevant code into the ATO website search bar.
12. In addition to the general changes set out above:
- Withholding schedules 1 and 15 have been updated to account for amendments made to the *Income Tax Rates Act 1986* in 2024. These amendments modified income tax rate thresholds and tax rates for individuals for the 2024-25 and later income years.
  - Withholding schedules 1, 8, 9, 11 and 13 have been updated to account for amendments made to the *Medicare Levy Act 1986* and the *A New Tax System (Medicare Levy Surcharge — Fringe Benefits) Act 1999* in 2024. These amendments affect the Medicare levy low-income thresholds and phase-in limits which apply to assessments for the 2023-24 and later income years.
  - Withholding schedule 8 has been updated to account for the annual indexing of the repayment income thresholds for study and training support loans.
  - Withholding schedule 29 in the 2023 instrument has been renumbered to Schedule 10 in this instrument, to ensure the sequential numbering of schedules.
13. Schedule 14 of this instrument (which was also included in the 2023 instrument) replaces the 2014 agreement to increase withholding instrument. As the 2014 agreement to increase withholding instrument is redundant, this instrument repeals it.

*Incorporation of withholding lookup tools and forms*

14. To assist entities to determine the correct amount to withhold, several withholding schedules include withholding lookup tools. The lookup tools are spreadsheets which identify a specific amount to withhold for a pay period, after an earnings amount is input into the spreadsheet for the pay period.
15. The lookup tools are freely available for entities to apply when using the withholding schedule. The withholding schedules with a lookup tool can be accessed on the ATO website (ato.gov.au) by searching for the withholding schedule's quick code number in the table below:

Quick Code	Title
QC102417	Schedule 2 – Tax table for individuals employed in the horticultural or shearing industry
QC202418	Schedule 3 – Tax table for actors, variety artists and other entertainers

QC102423	Schedule 9 – Tax table for seniors and pensioners
QC102428	Schedule 15 – Tax table for working holiday makers

16. To assist entities to determine the correct amount to withhold, consideration must be also given to whether certain forms referred to in the instrument have been completed, and the information that has been provided in any such completed forms. The forms are available via the ATO website ([ato.gov.au](http://ato.gov.au)) by searching for the relevant quick code number in the table below.

Quick code	Title
QC102413	Fortnightly tax table
QC25766	Interdependency relationship
QC102435	Medicare levy adjustment weekly tax table
QC17088	Medicare levy variation declaration
QC26159	PAYG payment summary – employment termination payment
QC22557	PAYG payment summary – foreign employment
QC21978	PAYG payment summary – individual non-business
QC19550	PAYG payment summary – superannuation income stream
QC35966	PAYG payment summary – superannuation lump sum
QC27073	Payments under a voluntary agreement
QC19282	Request for determination of the deductible amount of UPP of an Australian pension or annuity
QC102431	Study and training support loans fortnightly tax table
QC102430	Study and training support loans monthly tax table
QC102429	Study and training support loans weekly tax table
QC16161	Tax file number declaration
QC27134	Tax file number – application or enquiry for individuals
QC16945	Tax tables
QC102434	Tax table for daily and casual workers
QC26218	Taxation of termination payments
QC16223	Voluntary agreement for PAYG withholding
QC102414	Weekly tax table
QC16347	Withholding declaration
QC18292	Withholding declaration – short version for seniors and pensioners
QC51680	Withholding for allowances

Quick code	Title
QC16601	Withholding from leave payment for continuing employees

17. These withholding lookup tools and forms are incorporated by reference in this instrument in accordance with paragraph 14(1)(b) of the *Legislation Act 2003*. That paragraph allows a legislative instrument to incorporate any other document in writing which exists either at the time the legislative instrument commences, or at a time before its commencement.
18. This instrument incorporates the withholding lookup tools and forms that existed immediately before this instrument was registered on the Federal Register of Legislation. These lookup tools and forms will remain unchanged for the life of this instrument. Changes to the withholding lookup tools and forms will only be made when it is necessary to give effect to a new legislative instrument that both contains new withholding schedules and repeals the current instrument.

### Compliance cost assessment

19. Minor - there will be no or minimal impacts for both implementation and ongoing compliance costs. The legislative instrument is minor and machinery in nature (The Office of Impact Analysis reference: OIA24-07543).

### Background

20. The PAYG system, introduced by the *A New Tax System (Pay As You Go) Act 1999*, is a simple and convenient way for taxpayers to meet their annual income tax liabilities either through instalments or through withholding as their income is earned.
21. Under that system, payers are required to withhold (and remit to the ATO) amounts from certain payments they make to other entities during the year. This system aims to prevent large end-of-year tax bills. It also ensures that the Commonwealth has the revenue it needs during the year to provide services and benefits to the community.
22. Subsection 15-25(1) in Schedule 1 to the TAA empowers the Commissioner to make withholding schedules specifying the amounts, formulas and procedures to be used for working out the amount required to be withheld by an entity. The TAA requires the Commissioner to make each withholding schedule publicly available.
23. This instrument contains the withholding schedules, to help payers withhold the correct amount from certain payments they make.
24. Each withholding schedule is tailored to meet the circumstances of a particular class of payment or payee.
25. These schedules are relied on by a number of groups including employers, employees, professional tax advisers, payroll software developers, payroll service providers, and the ATO.

## **Consultation**

26. The making and publication of withholding schedules is a routine part of tax administration.
27. No community consultation has been undertaken as it is not reasonably practicable for withholding schedules. This is because of the very short timing between the Federal Budget (in May 2024), which affects the content of this instrument, and the need to register the instrument as soon as possible to give payroll software providers and employers sufficient time to update their software packages and systems in time for the new financial year.

### ***Legislative references:***

*Acts Interpretation Act 1901*

*A New Tax System (Pay As You Go) Act 1999*

*A New Tax System (Medicare Levy Surcharge — Fringe Benefits) Act 1999*

*Australian Federal Police Act 1979*

*Education and Other Legislation Amendment (VET Student Loan Debt Separation) Act 2018*

*Family Law Act 1975*

*Higher Education Support Act 2003*

*Higher Education Support Legislation Amendment (Student Loan Sustainability) Act 2018*

*Human Rights (Parliamentary Scrutiny) Act 2011*

*Income Tax Rates Act 1986*

*Legislation Act 2003*

*Medicare Levy Act 1986*

*Migration Act 1958*

*Social Security Act 1991*

*Student Assistance Act 1973*

*Taxation Administration Act 1953*

*Trade Support Loans Act 2014*

*Veterans' Entitlements Act 1986*

## Statement of compatibility with human rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

### ***Taxation Administration (Withholding Schedules) Instrument 2024***

This legislative instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

#### **Overview**

This legislative instrument makes publicly available the withholding schedules that entities must use under the pay as you go (PAYG) system. The schedules provide certainty to payers about what amounts they are required to withhold (and remit to the Australian Taxation Office) from certain payments they make to other entities. This assists those other entities to meet their annual income tax liability.

Without the instrument, payers would not know the correct amounts to withhold from relevant payments. Further, the instrument helps ensure that taxpayers do not receive large end-of-year tax bills, and the Commonwealth has the revenue it needs during the year to provide services and benefits to the community.

#### **Human rights implications**

This legislative instrument does not engage any of the applicable rights or freedoms because it is of a minor or machinery nature. The withholding schedules set out the amounts, formulas and procedures to be used to calculate the amount required to be withheld from certain payments and remitted to the Australian Taxation Office.

#### **Conclusion**

This legislative instrument is compatible with human rights because it does not raise any human rights issues.