

# Pay as you go withholding

What you need to know



**Australian Government**  
**Australian Taxation Office**

## 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 **ato.gov.au** or contact us.

This publication was current at **February 2014**.

© AUSTRALIAN TAXATION OFFICE FOR THE  
COMMONWEALTH OF AUSTRALIA, 2014

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).

### PUBLISHED BY

Australian Taxation Office  
Canberra, February 2014

NAT 5195-02.2014  
JS 28705

# Finding what you need to know

Getting the help you need	3
What you need to know about PAYG withholding	4
Determine if your payee is an employee or contractor	4
Register for PAYG withholding	5
Know the payments you need to withhold from	5
Work out the amount to withhold	6
Report and pay the withheld amounts	7
Annual reporting obligations	7
Payment summaries	8
Payment summary annual report	9
Pre-filling – making it easier for your employees to prepare tax returns	11
Taxable payments reporting in the building and construction industry	12
Other payer obligations at a glance	13
Super for employees	13
Employee eligibility	13
Super for the self-employed	13

Paying super for contractors	13
When to pay super contributions	14
Claiming a tax deduction for your super contributions	14
Where to pay your super contributions	14
Superannuation clearing house	14
Failing to meet your super obligations	15
Salary sacrifice for superannuation	15
Tax file numbers	15
Tools and resources you can use	15
Fringe benefits tax (FBT) for employers	16
Do you need to pay FBT?	17
<b>Payroll tax</b>	<b>18</b>
<b>More information</b>	<b>20</b>
Online services	20
Phone	20
Free tax support	20
Mail	inside back cover
Useful publications	inside back cover

# Getting the help you need

As an employer, you have tax and superannuation (super) obligations you need to be aware of for both employees and contractors.


These obligations include:

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

When you make payments to employees and some contractors, you may need to withhold an amount and send it to us at regular intervals – we call this PAYG withholding.

To comply with your PAYG withholding obligations, you need to:

- determine if your worker is an employee or contractor
- register for PAYG withholding
- know the payments you need to withhold from
- work out the amount to withhold
- report and pay the withheld amounts to us
- prepare payment summaries by 14 July
- lodge a payment summary annual report by 14 August.

 **To make it easier for you to meet your PAYG withholding obligations, we offer a range of products and services, refer to this list under ‘More information’ on page 20.**

# What you need to know about PAYG withholding

Under the PAYG withholding system the:

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

## Determine if your payee is an employee or contractor

You have different obligations depending on if your payee is either an:

- employee
- independent contractor.

Whether your payee is an employee or contractor depends on your working relationship and is usually determined by the contractual arrangements made between the two of you.

If your payee is an employee, you will need to register for PAYG withholding. If your payee is an independent contractor, you may still need to register for PAYG withholding if you enter into a voluntary agreement with the payee (to withhold amounts).



**To help you determine if your payee is an employee or contractor, we have developed an Employee/contractor decision tool. To use the decision tool, visit our website at [ato.gov.au/employeecontractor](https://ato.gov.au/employeecontractor)**

**For information about voluntary agreements, visit our website [ato.gov.au/paygw](https://ato.gov.au/paygw) and search for *PAYG withholding – voluntary agreements* (NAT 3063).**

## Register for PAYG withholding

You need to register for PAYG withholding as soon as you know you need to withhold. If you have an Australian business number (ABN), you can register:

- online through the Business Portal at **bp.ato.gov.au** (you will need an AUSkey)
- 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
- by contacting your registered tax or business activity statement (BAS) agent.

If you don't already have an ABN, you can register for PAYG withholding at **abr.gov.au** at the same time as you apply for an ABN, using the same form.

## Know the payments you need to withhold from

The most common payments you need to withhold amounts from are payments you make to:

- your employees, company directors and office holders
- independent contractors who have a voluntary agreement with you
- individuals under a labour-hire or on-hire arrangement
- your employees when they leave – employment termination payments
- businesses that don't quote their ABN to you.

## Work out the amount to withhold

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 on their *Tax file number declaration*, or they may be entitled to a tax offset that is claimed using the *Withholding declaration*.

The easiest and quickest way to work out how much tax you should withhold is to use our online **tax withheld calculator**.

Alternatively, we also produce tax tables that show you how much to withhold from your payments to your payees.

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

If your payee has a voluntary agreement with you, use the information in the agreement to work out the amount to withhold.



**To use our tax withheld calculator, visit our website at [ato.gov.au/taxwithheldcalculator](https://ato.gov.au/taxwithheldcalculator)**

**For a full list of tax tables, visit our website at [ato.gov.au/taxtables](https://ato.gov.au/taxtables)**



## Report and pay the withheld amounts

You need to report and pay amounts you withhold to us and lodge an annual report.

How often you report and pay amounts to us depends on whether you are a small, medium or large withholder. We will tell you what type of withholder you are after you register.

You are a:

- small withholder if you withhold \$25,000 or less a year
- medium withholder if you withhold \$25,001 to \$1 million a year
- large withholder if you withheld amounts totalling more than \$1 million in a previous year or are part of a company group that has withheld more than \$1 million in a previous financial year.

## Annual reporting obligations

At the end of the financial year, you must:

- provide payment summaries to all your employees and other payees by no later than **14 July**
- lodge your payment summary annual report with us as early as possible, but no later than **14 August**.

## Payment summaries

You need to provide payment summaries to all your employees and payees and report all payments to us, even if the amount to be withheld was nil.

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

- individual non-business payments
- employment termination payments
- business and personal services income
- payments where an ABN is not quoted.

The appropriate payment summary must be used to match the payment you have made.



**Some payment summaries need to be issued to payees earlier than 14 July. For more information and a full list of payment summaries and guidelines for completing them, visit our website at [ato.gov.au/paymentsummaries](https://ato.gov.au/paymentsummaries)**



**To order payment summaries:**

- visit our website at **[ato.gov.au/onlineordering](https://ato.gov.au/onlineordering)**
- phone our automated self-help ordering service on **13 72 26** and Fast Key Code **4**. You'll need your ABN and the names of the publications you want to order
- phone our Publications Distribution Service on **1300 720 092**.

## Payment summary annual report

There are two ways you can provide us with your payment summary annual report:

- 1 online
- 2 using paper forms.


### Reporting online

Reporting your PAYG withholding information online is quicker and easier than using paper forms because you can:

- lodge online using the file transfer facility through our Portals
- provide your payees with an electronic payment summary
- give your payees their payment summaries printed on plain paper
- avoid the work of completing a PAYG payment summary statement or sending copies of paper payment summaries to us.

To report online, you need payroll software that meets our specifications and an AUSkey.

If you lodge your payment summary annual report online, you can use your software to print the individual payment summaries ('self-print payment summaries'). These are then provided to your payees but should not be sent to us as part of your payment summary annual report.

 **There are also other methods available to lodge your payment summary annual reports online. For more information, visit our website at [ato.gov.au/onlineservices](https://ato.gov.au/onlineservices)**

## Reporting using paper

If you use paper forms, we will send you blank payment summary forms and a personalised PAYG payment summary statement to complete.

Your PAYG withholding annual report is made up of:

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

Make sure you keep a copy for your records. You must keep your business records for at least five years.



**Do not send us payment summaries printed from your payroll software.**

## Pre-filling – making it easier for your employees to prepare tax returns

You can make it easier for your employees to lodge their tax returns by lodging your payment summary annual report early and online.

As soon as we have processed your annual report, we will make the payment summary information available for your employees and other workers by:

- pre-filling into *e-tax* – this is our free individual tax return service
- providing reports for tax agents to help them complete their clients' tax returns.



**For more information about pre-filling, visit our website at [ato.gov.au/helpyouremployees](https://ato.gov.au/helpyouremployees)**

## Taxable payments reporting in the building and construction industry

If you are a business in the building and construction industry, you need to report to us the total payments you make to each contractor for building and construction services each year. These payments are reported to us on the *Taxable payments annual report* (NAT 74109).

The *Taxable payments annual report* is due by 21 July each year.



**For more information about taxable payments reporting in the building and construction industry, visit our website at [ato.gov.au/taxablepaymentsreporting](https://ato.gov.au/taxablepaymentsreporting)**

# Other payer obligations at a glance

## Super for employees

If you're an employer, 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 paid \$450 (before tax) or more in a calendar month
- work full-time, part-time or on a casual basis.

You do **not** have to pay super for an employee who is under 18 years old if they work 30 hours or less in a week.

For the 2013–14 financial year, you have to pay 9.25% of each eligible employee's ordinary time earnings. For following years, you should check our website prior to 1 July for details about the minimum super guarantee rate.

## 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 want 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 the minimum super guarantee rate of each employee's ordinary time earnings at least once every quarter, by each 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 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 account. 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.

## Superannuation clearing house

A free superannuation clearing house service is available to all small businesses with 19 or fewer employees.

The Small Business Superannuation Clearing House lets employers pay their super contributions to a single location in one secure electronic transaction.



**For more information about the Small Business Superannuation Clearing House:**

- visit **[humanservices.gov.au/smallbusinesssuper](https://humanservices.gov.au/smallbusinesssuper)**
- phone **1300 660 048**.



## Failing to meet your super obligations

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

- of at least the minimum super guarantee rate for your eligible employees
- by the cut-off date for payment
- into your employees' chosen super funds.

**Note:** You cannot claim a tax deduction for the super guarantee charge or for late contributions where the late payment offset has been elected.

## Salary sacrifice for super

If you provide additional super contributions to your employees under a salary sacrifice arrangement, you need to report these amounts separately on their payment summary as a reportable employer superannuation contribution.

## Tax file numbers


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

## Tools and resources you can use

There are four online tools and calculators available on our website at **ato.gov.au** to help you work out and meet your super obligations:

- Employees/contractor decision tool – work out if your new or existing workers are employees or contractors for tax and super purposes.

- Superannuation guarantee (SG) eligibility decision tool – work out if you need to make super contributions for your employees.
- Superannuation guarantee (SG) contributions calculator – work out how much super you need to contribute for your eligible employees.
- Superannuation 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 (FBT) 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.

The term 'benefit' is broadly defined and includes any rights, privileges, or services.

 **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.**

## Do you need to pay FBT?

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).**

# Payroll tax

Payroll tax is a tax levied by each state and territory revenue office and is calculated on wages paid or payable by employers.

For payroll tax purposes, wages include:

- salaries
- remuneration
- commission
- bonuses
- allowances
- director's fees
- super
- employee share schemes
- termination payments
- the grossed-up value of fringe benefits.

Employers are required to self-assess their liability on a monthly basis, with an annual adjustment reconciliation performed at the end of the financial year.

We exchange information with the state and territory revenue offices to help in the proper identification and accurate assessment of tax liabilities.

- For more information about payroll tax or to find out if you are liable to pay any payroll tax, contact the revenue office in your state or territory:
- Australian Capital Territory – phone **(02) 6207 0088** or visit **[revenue.act.gov.au](http://revenue.act.gov.au)**
  - New South Wales – phone **1300 139 815** or visit **[osr.nsw.gov.au](http://osr.nsw.gov.au)**
  - Northern Territory – phone **1300 305 353** or visit **[revenue.nt.gov.au](http://revenue.nt.gov.au)**
  - Queensland – phone **1300 300 734** or visit **[osr.qld.gov.au](http://osr.qld.gov.au)**
  - South Australia – phone **(08) 8204 9880** or visit **[revenuesa.sa.gov.au](http://revenuesa.sa.gov.au)**
  - Tasmania – phone **(03) 6233 8070** or visit **[sro.tas.gov.au](http://sro.tas.gov.au)**
  - Victoria – phone **13 21 61** or visit **[sro.vic.gov.au](http://sro.vic.gov.au)**
  - Western Australia – phone **1300 368 364** or visit **[finance.wa.gov.au](http://finance.wa.gov.au)**

# More information

## Online services

To access helpful online products and services, visit our website at:

- **ato.gov.au/onlineservices** to find out about our range of online services
- **ato.gov.au/PAYGW** for more information on PAYG withholding
- **ato.gov.au/taxwithheldcalculator** helps you work out the tax you need to withhold on payments you make
- **ato.gov.au/super** for more information on super
- **ato.gov.au/fbt** for more information on fringe benefits tax
- **ato.gov.au/subscriptions** for ‘what’s new’ in super
- **ato.gov.au/onlineordering** to order publications online.

## Phone

To speak to a tax officer, you can phone us between 8.00am and 6.00pm, Monday to Friday on:

- **13 28 66** (PAYG withholding, FBT and general enquiries)
- **13 10 20** (super enquiries)
- **1300 130 248** (if you are a non-profit organisation).

## Free tax support

- visit our website at **ato.gov.au/assistancevisit**
- register for a seminar at **ato.gov.au/seminars**
- phone **13 28 66** between 8.00am and 6.00pm, Monday to Friday for available workshops.

## Mail

You can also write to:

**Australian Taxation Office**  
**PO Box 3578**  
**ALBURY NSW 2640**

## Useful publications

### PAYG withholding

- *PAYG withholding – guide for employers and businesses* (NAT 8075)
- *PAYG withholding – weekly tax table* (NAT 1005)
- *PAYG withholding – fortnightly tax table* (NAT 1006)
- *PAYG withholding – voluntary agreements* (NAT 3063)
- *Add a new business account* (NAT 2954)
- *Tax file number declaration* (NAT 3092)
- *Withholding declaration* (NAT 3093)
- *Grants and sponsorship – Tax basics for non-profit organisations* (NAT 7966)

### Super

- *Super – what employers need to know* (NAT 71038)
- *Choosing a super fund – How to complete your Standard choice form* (NAT 13080)
- *Employer guide for reportable employer superannuation contributions* (NAT 72916)

### FBT

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

To find any publications mentioned in this document go to our website **ato.gov.au** and enter the 'NAT' number or 'title' in the search field.

