Schedule 7 – Tax table for unused leave payments on termination of employment

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Abstract:

Use this table if you pay an amount to an employee for unused leave on the termination of their employment or office.

For payments made on or after 1 July 2014

This document is a withholding schedule 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 withholding payments covered by section 12-90 of Schedule 1 to the TAA.

Using this table

You should use this table if you pay an amount to an employee for unused leave on the termination of their employment or office.

Unused leave payments on termination of employment or office include:

- annual leave
- holiday pay
- leave loading
- leave bonuses
- long service leave.

Before calculating the amount to be withheld, you must work out if the payments are being made as a result of a genuine redundancy, invalidity or an early retirement scheme.

Find out more

For more information refer to How to withhold amounts from unused leave payments on termination of employment (NAT 3032).

For a full list of tax tables, refer to Tax tables.

Working out the withholding amount

When a TFN is provided

The amount to withhold is calculated using the table below.

If the post-17 August 1993 lump sum payment from normal termination is less than $300, you must withhold the lesser of the following:

- the amount worked out using the table below
- 32% of the payment.

Payment type	Reason	Accrual dates	Withholding rates	Payment summary label
Long service leave	Normal termination (eg voluntary resignation, employment terminated due to inefficiency, retirement)	Pre-16 August 1978	5% of total at marginal rates	B
		16 August 1978 to 17 August 1993	32%	A
		Post-17 August 1993	Marginal rates	Include in salary/wages
	Termination because of genuine redundancy, invalidity or early retirement scheme	Pre-16 August 1978	5% of total at marginal rates	B
		16 August 1978 to 17 August 1993	32%	A
		Post-17 August 1993	32%	A
Annual	Normal termination (eg voluntary resignation,	Pre-18 August	32%	A

leave	employment terminated due to inefficiency, retirement)	1993		
		Post-17 August 1993	Marginal rates	Include in salary/wages
	Termination because of genuine redundancy, invalidity or early retirement scheme		32%	A
Annual leave loading	Normal termination (eg voluntary resignation, employment terminated due to inefficiency, retirement)	Pre-18 August 1993	32%	A
		Post-17 August 1993	Marginal rates	Include in salary/wages
	Termination because of genuine redundancy, invalidity or early retirement scheme		32%	A

Rounding of withholding amounts

Withholding amounts calculated by applying this table are rounded to the nearest dollar. Results ending in 50 cents or higher are rounded upwards. If a TFN is not provided, ignore cents when calculating withholding amounts.

Marginal rate calculation

To work out the marginal rate, you must:

1. Using the relevant PAYG withholding tax table, work out the amount to withhold from your employee's normal gross earnings for a regular pay period.
2. Divide the amount of the payment by the number of normal pay periods in 12 months (12 monthly payments, 26 fortnightly payments or 52 weekly payments).
3. Ignore any cents.
4. Add the amount at step 3 to the normal gross earnings for a single pay period.
5. Use the same PAYG withholding tax tables used at step 1 to work out the amount to withhold for the amount at step 4.

6. Subtract the amount at step 1 from the amount at step 5.

7. Multiply the amount obtained at step 6 by the number of normal pay periods in 12 months (12 monthly payments, 26 fortnightly payments or 52 weekly payments).

Normal gross earnings

Normal gross earnings are all payments, except those relating to termination payments, received in the last full pay period of employment. This includes taxable allowances, overtime and bonuses. Therefore, your employee's normal gross earnings should be taken to be the earnings relating to the last full pay period worked.

Where your employee's pay fluctuates significantly over a number of pay periods, we will accept an average of gross taxable earnings for the financial year to date over the number of pays received.

Example

The following example uses the *Weekly tax table* (NAT 1005) effective from 1 July 2014.

Beth retires on 31 December 2014. She qualified for long service leave after 10 years of service, with further leave accruing on each completed year of service.

She is not leaving because of genuine redundancy, invalidity or under an early retirement scheme.

This week Beth also receives her normal weekly earnings of $800. She has quoted her TFN and has claimed the tax-free threshold. Therefore, the amount withheld is calculated using column 2 of the *Weekly tax table*.

Details of payment for long service leave

Pre-16 August 1978 component = $3,690.00

16 August 1978 to 17 August 1993 component = $7,700.00

Post-17 August 1993 component = $10,890.00

Amounts to be withheld

Pre–16 August 1978 component subject to withholding

= $3,690.00 × 5% = $184.50

The marginal rate calculation is used to work out the amount to be withheld from the pre-16 August 1978 component.

16 August 1978 to 17 August 1993 component

= $7,700.00 × 32% = $2,464.00

The post-17 August 1993 component of $10,890.00 is also to be withheld at the marginal rate. To simplify the marginal rate calculation for this employee, the pre-16 August 1978 component and the post-17 August 1993 component are added together first: $184.50 + $10,890.00 = $11,074.50

Now apply the marginal rate calculation to the sum of the two components.

Step	Instruction	Result
1	Amounts to be withheld from normal gross earnings ($800)	$113
2	Divide the amount of the payment by the number of normal pay periods in 12 months ($11,074.50/52)	$212.97
3	Disregard any cents	$212
4	Add the amount at step 3 to normal gross earnings for a single pay period ($800 + $212)	$1,012
5	Work out the amount to be withheld from the amount at step 4 ($1,012)	$187
6	Subtract the amount at step 1 from the amount at step 5 ($187 – $113)	$74
7	Multiply the amount at step 6 by the number of normal pay periods in 12 months ($74 x 52)	$3,848

The amount to be withheld from the three components of Beth's unused long service leave payments is $6,312 ($2,464 + $3,848).

The total amount to be withheld is then $6,425 ($113 withholding from normal earnings plus $6,312 withholding from long service leave).

When a TFN has not been provided

If your employee who is receiving the unused leave payments has not provided you with their TFN before the payment is made, you must withhold 49% from the payment.

If your employee is a foreign resident who has not provided you with their TFN, you must withhold 47% from the payment.

If your employee believes that for their circumstances the amount you withhold will be too much, they may apply for a variation to reduce the amount of withholding.

For more information refer to PAYG withholding – varying your PAYG withholding

Tax file number declaration

Any Tax file number declaration (NAT 3092) your employee provides while they were working for you will only be effective:

- for the period that they were working for you
- 12 months after you make the last payment.

PAYG WITHHOLDING PUBLICATIONS

You can access all PAYG withholding tax tables and other PAYG withholding publications quickly and easily from our website. For more information:

- refer to Tax tables
- visit PAYG withholding.

Copies of weekly and fortnightly tax tables are available from most newsagents. Newsagents also hold copies of the following:

- Tax file number declaration (NAT 3092)
- Withholding declaration (NAT 3093).

If you need more information about the correct amount of tax to withhold, phone us on either:

- **13 28 61** if you are an individual
- **13 28 66** if you are an employer or payer.