



Taxation Administration Act

Withholding Schedules October 2016

Explanatory Statement

General Outline of Instrument

1. This instrument is made by the Commissioner of Taxation (the Commissioner) pursuant to section 15-25 of Schedule 1 to the *Taxation Administration Act 1953* (TAA).
2. The instrument makes the withholding schedules, which the Commissioner is empowered to make, specifying the amounts, formulas and procedures to be used for working out the amount required to be withheld by an entity in accordance with the pay as you go (PAYG) system publicly available.
3. The instrument contains eight withholding schedules. Each schedule provides information for calculating the withholding amount, taking into account the particular circumstances presented in the schedule.
4. This is a legislative instrument for the purposes of the *Legislation Act 2003*.
5. This legislative instrument will revoke eight schedules which formed part of Legislative Instrument No. F2016L01035. The revoked schedules have been superseded by the eight schedules made by this instrument.

Date of effect

6. The instrument applies from 1 October 2016.

What is this instrument about?

7. These schedules set out the amounts, formulas and procedures to be used for calculating the amount required to be withheld by entities from withholding payments. The withholding schedules facilitate the collection of income tax, Medicare levy, Higher Education Loan Program, Student Start-up Loans, Trade Support Loans and Financial Supplement repayments.
8. These withholding schedules are being updated to incorporate the rates and thresholds contained in the Treasury Laws Amendment (Income Tax Relief) Bill 2016. These updates are needed in order for payers to work out the amount they must withhold from payments made to individual taxpayers.
9. The date of effect for these schedules is 1 October 2016, which provides sufficient time for employers, payroll providers and software developers to prepare for the change.
10. The purpose of this instrument is to provide certainty to payers about withholding correct amounts of tax on behalf of their payees, which then assists payees to meet their annual income tax liability. Payers are required to withhold and pay amounts of income earned by payees, at regular intervals, as it is earned during the year. The system for collecting these amounts is called the PAYG withholding system.

What is the effect of this Instrument?

11. The effect of this instrument is to support the PAYG withholding system, which provides a simple and convenient way for most people to meet their annual tax obligations as income is earned.
12. A number of groups rely upon the withholding schedules. They include: employers, employees, professional tax advisers, software developers, the Australian Taxation Office, electronic payroll stockists, electronic payroll producers and payroll service providers.
13. This instrument also withdraws the earlier version of each affected withholding schedule to provide certainty to PAYG withholding payers with regard to their withholding obligations.
14. An assessment of the compliance cost impact indicates that the impact will be minor for both implementation and on-going compliance costs. The new instrument is of a minor or machinery nature.

Background

15. The PAYG system, introduced in *A New Tax System (Pay As You Go) Act 1999*, is a simple and convenient way for individual taxpayers to meet their annual income tax liabilities either through instalments or through withholding as their income is earned. This system aims to prevent large end-of-year tax bills for individuals. It also ensures that Government has the revenue it needs during the year to provide services and benefits to the community.
16. The TAA empowers the Commissioner to make withholding schedules specifying the amounts, formulas and procedures to be used for working out the amounts required to be withheld by entities. The TAA requires the Commissioner to make each withholding schedule publicly available.
17. Each withholding schedule is tailored to meet the circumstances of a particular class of payee.

Consultation

18. The making and publication of withholding schedules is a routine part of tax administration.
19. Community consultation is not appropriate or reasonably practicable for this instrument. The amended withholding schedules ensure that amounts are withheld in accordance with thresholds which have been indexed according to the applicable legislation.
20. These schedules ensure that withholding rates will match the tax which will be payable when payees lodge their tax returns.
21. The ATO will provide the necessary information to payroll providers, software developers, and those employers who code their own in-house payroll systems, to ensure that they have sufficient time to update their software packages.

Legislative references:

Taxation Administration Act 1953

Legislation Act 2003

Statement of Compatibility with Human Rights

This Statement is prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

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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 withholding schedules updated in accordance with the pay as you go (PAYG) system. The schedules provide certainty to payers about withholding correct amounts of tax on behalf of their payees, which then assists payees to meet their annual income tax liability.

Human rights implications

This legislative instrument does not engage any of the applicable rights or freedoms because the new instrument is of a minor or machinery nature. The schedules set out the amounts, formulas and procedures to be used for calculating the amount required to be withheld by entities from withholding payments.

Conclusion

This legislative instrument does not raise any human rights issues.