

Tax table for annuities

! FOR PAYMENTS MADE ON OR AFTER 1 JULY 2012

From 1 July 2012, the temporary flood and cyclone reconstruction levy (flood levy) will no longer apply.

WHO SHOULD USE THIS TABLE?

You should use this table if you pay an annuity that is **not** a super income stream. For super income stream payments, refer to *Tax table for superannuation income streams* (NAT 70982).

➤ For a full list of tax tables, visit our website at www.ato.gov.au/taxtables

Alternatively, we have a calculator to help work out the correct amount of tax to withhold from payments to most payees. To access the calculator, visit our website at www.ato.gov.au/taxwithheldcalculator

! 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*. It applies to withholding payments covered by paragraph 12-80 (b) of schedule 1.



TAX FILE NUMBER (TFN) DECLARATIONS

The answers your payees provide on their *Tax file number declaration* (NAT 3092) determines the amount you need to withhold from their payments. A *Tax file number declaration* applies to any payments made after you receive the declaration. If you receive an updated declaration from a payee, it will override the previous one.

If a payee does not give you a valid *Tax file number declaration* within **14 days** of starting a payer/payee relationship, you must complete a *Tax file number declaration* with all available details of the payee and send it to us.

What if a TFN has not been provided?

You must withhold 46.5% from any payment you make to a resident payee and 45% from a foreign resident payee (ignoring any cents) if an annuity payment that is not a superannuation income stream is made and one of the following applies:

- they have not quoted their TFN
- they have not claimed an exemption from quoting their TFN
- they have not advised you that they have applied for a TFN or have made an enquiry with us.

If a payee states at question 1 of the *Tax file number declaration* they have lodged a *Tax file number – application or enquiry for individuals* (NAT 1432) with us, they have **28 days** to provide you with their TFN.

If the payee has not given you their TFN within **28 days**, you must withhold 46.5% for any payment you make to a resident payee and 45% from a foreign residents payee from each annuity payment you make (ignoring any cents) unless we tell you not to.

⚠ Do not allow for tax offsets or Medicare levy adjustments. Do not withhold any amount for:

- Higher Education Loan Program (HELP) debts
- Financial Supplement (FS) debts.

HOW TO WORK OUT THE WITHHOLDING AMOUNT

To work out the withholding amount for an annuity payment that is not a super income stream, you must:

- 1 Work out the amount to withhold using the following formula:

$$\text{Annuity payment} - \left[\frac{\text{Deductible 27H amount}}{\text{Number of instalments}} \right]$$

In this formula:

- **deductible 27H amount** is the deductible amount for the annuity calculated under section 27H of the *Income Tax Assessment Act 1936*.
- **number of instalments** is the number of instalments of the annuity payable in the income year.

➤ If you do not know the deductible 27H amount, we will calculate it for you. To make this request, the annuity recipient needs to send the information set out in question D11 – Deductible amount of undeducted purchase price of a foreign pension or annuity 2013 to the following address:

Australian Taxation Office
PO Box 3578
ALBURY NSW 2640

For more information, visit our website at www.ato.gov.au/instructions2012 and read question D11

- 2 Use the corresponding PAYG withholding tax table to find the withholding amount. The tax table you use depends on the period which the annuity is paid – that is, weekly or fortnightly.

⚠ Some payees may be eligible to claim the seniors and pensioners tax offset (SAPTO). If your payee gives you a *Withholding declaration* (NAT 3093) indicating that they want to claim a SAPTO entitlement through PAYG withholding, use the *Tax table for seniors and pensioners* (NAT 4466) to work out the amount to withhold from the amount calculated in step 1.

These examples use the PAYG withholding tax tables that apply from 1 July 2012.

EXAMPLE 1

Barbara has an annuity that is not a super income stream that pays \$1,000 a week. The ATO has informed Barbara that her deductible 27H amount for the 2012–13 income year is \$5,200.

1 The amount to withhold from is:

$$\begin{aligned} \text{Annuity payment} & - \left[\frac{\text{Deductible 27H amount}}{\text{Number of instalments}} \right] \\ & = \$1,000 - \left[\frac{\$5,200}{52} \right] \\ & = \$1,000 - \$100 \\ & = \$900 \end{aligned}$$

2 Barbara's payer will then use the *Weekly tax table – including instructions for calculating monthly and quarterly withholding* (NAT 1005) to work out how much to withhold from \$900. Assuming Barbara is claiming the tax-free threshold, the amount to be withheld is \$143.

EXAMPLE 2

Kenneth will receive a fortnightly annuity that is not a super income stream, paid on the 7th and 21st day of the month from 7 February 2013. For the remainder of the income year, the annuity will be \$850 per fortnight. The annuity is indexed annually and the higher indexed amount is paid from 7 July 2013.

Kenneth has written to the ATO requesting that his deductible 27H amount be calculated. The ATO has informed Kenneth that his deductible 27H amount for a whole income year is \$2,400 and for the part of the current income year that he is to receive an annuity; his deductible amount is \$1,000.

For the current part of the income year, Kenneth will receive ten annuity instalments.

1 The amount to withhold from is:

$$\begin{aligned} \text{Annuity payment} & - \left[\frac{\text{Deductible 27H amount}}{\text{Number of instalments}} \right] \\ & = \$850 - \left[\frac{\$1,000}{10} \right] \\ & = \$850 - \$100 \\ & = \$750 \end{aligned}$$

2 Kenneth's payer will then use the *Fortnightly tax table* (NAT 1006) to work out how much to withhold from \$750. Assuming Kenneth is claiming the tax-free threshold, the amount to be withheld is \$8.

Rounding of withholding amounts

Withholding amounts calculated as a result of applying the above formulas should be rounded to the nearest dollar. Results ending in 50 cents are rounded to the next higher dollar. Do this rounding directly – that is, do not make a preliminary rounding to the nearest cent.

❗ If a TFN is not provided, ignore cents when calculating withholding amounts.

PAYG WITHHOLDING PUBLICATIONS

You can access all PAYG withholding tax tables and other PAYG withholding publications quickly and easily from our website at www.ato.gov.au/paygw

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).

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PUBLISHED BY

Australian Taxation Office, Canberra, May 2012
JS 22946

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This publication was current at **May 2012**.