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Claiming the tax-free threshold

If you're an Australian resident for tax purposes, the first \$18,200 of your yearly income isn't taxed. This is called the tax-free threshold. You can claim the tax-free threshold to reduce the amount of tax that is withheld from your pay during the year.

When you start a job, your payer (employer) will give you a *Tax file number declaration* to complete. Centrelink is also a payer and they will give you this form if you apply for their payments.

You tell your payer you want to claim the tax-free threshold by answering **Yes** at question **8** 'Do you want to claim the tax-free threshold from this payer?'

The \$18,200 tax-free threshold is equivalent to:

- \$350 a week
- \$700 a fortnight
- \$1,517 a month.

When your taxable income exceeds the tax-free threshold you pay tax on the excess.

On this page:

- [If you have income from two payers](#)
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If you have income from two payers

You may be paid by two or more payers at the same time. For example, you may:

- have two jobs
- receive a taxable pension or government allowance and also have a regular part time job.

If you have more than one payer at the same time, we generally require that you only claim the tax-free threshold from the payer who usually pays the highest salary or wage.

Your second payer is required to withhold tax at the higher, 'no tax-free threshold' rate. The same applies to any additional payers. This reduces the likelihood of you having a tax debt at the end of the financial year.

Sometimes the total tax withheld from all sources may be less or more than needed to meet your end-of-year tax liability. You won't be out of pocket because the withheld amounts are credited to you when you lodge your income tax return. But if you want, you can apply to change the amounts withheld to more closely match your end-of-year tax liability:

- [If your income is less than \\$18,200](#)
- [If your income is over \\$18,200 and too much is withheld](#)
- [If too little is withheld](#)

If your income is less than \$18,200

If you're certain your total annual income from all payers will be less than \$18,200 you can claim the tax-free threshold from each payer.

- If you do this, and your total income later increases to above \$18,200, you'll need to provide a new [Withholding declaration \(/Forms/Withholding-declaration/\)](#) to one of your payers to stop claiming the tax-free threshold from that payer.

Example

Jeff has a taxable pension of \$384.61 per fortnight (\$10,000 for the year) and also a part-time job earning \$307.69 per fortnight (\$8,000 for the year) during the 2016-17 year.

Jeff claims the tax-free threshold on his pension and no tax is withheld during the year.

If Jeff doesn't claim the tax-free threshold through his employer for his part-time job, \$68 per fortnight would be withheld and the total tax withheld from Jeff's payments during the year would be \$1,768.

Assuming that Jeff does not have other income, his tax payable at the end of the financial year would be nil. He would receive a refund of the total tax withheld of \$1,768.

In this case, Jeff could also claim the tax-free threshold for his part-time job through his employer so that no tax is withheld from payments made to him. This can be done by completing a [Withholding declaration \(/Forms/Withholding-declaration/\)](#).

If your income is over \$18,200 and too much is withheld

You can apply to reduce the amounts withheld from your payments by lodging a [PAYG withholding variation application \(/Forms/PAYG-withholding-variation-application/\)](#).

When we receive your application, we'll calculate the varied amount and provide your payers with new instructions for withholding tax. You should only apply for this variation if you're certain of your income amounts and are disadvantaged by the current withholding rates.

Example

Sue has two jobs during the 2016-17 year. As a part-time retail sales assistant she earns \$538.46 per fortnight (\$14,000 for the year). She also works in a restaurant earning \$384.62 per fortnight (\$10,000 for the year).

Sue claims the tax-free threshold from her retail employer and has no tax withheld.

If Sue doesn't claim the tax-free threshold from her restaurant employer, \$86 per fortnight would be withheld (\$2,236 for the year).

Assuming that Sue doesn't have other income, her tax payable when she lodges her return would be:

| | |
|--|-----------------|
| Taxable income | \$24,000 |
| Income tax payable on \$24,000 | \$1,102 |
| Less low income tax offset | \$445 |
| Plus Medicare levy (10% of income over \$21,655) | \$234.50 |
| Total tax and Medicare levy | \$891.50 |

| | |
|-------------------------------|-------------------|
| Credit for total tax withheld | \$2,236.00 |
| Refund due | \$1,344.50 |

The refund of \$1,344.50 arises because too much was withheld from the payments Sue received from her employers during the year. She can apply to us for a withholding variation to reduce the amounts withheld so that she receives extra net pay during the year, rather than a large tax refund at the end of the financial year.

If too little is withheld

Sometimes the total tax withheld from your payments may be too little to cover your likely tax liability.

To avoid an end-of-year tax debt, you can ask one or more of your payers to increase the amount they withhold from your payments. Your request should be in writing, but can be in any format – you can send an email request, or a paper or computer-based form.

Example

Pierre receives a taxable pension and has a part-time job. Over the course of the 2016-17 year, he receives:

- \$30,000 from the pension – Pierre's payer applies the Medicare levy and tax-free threshold to his fortnightly payments
- \$30,000 from the part-time job – Pierre's employer applies the Medicare levy and no tax-free threshold to his fortnightly payments.

The tax withheld is:

| | Annual income | Fortnightly income | Fortnightly tax withheld |
|----------------------|---------------|--------------------|--------------------------|
| Pension | \$30,000 | \$1,153.84 | \$108.00 |
| Part-time job | \$30,000 | \$1,153.84 | \$314.00 |
| Total | \$60,000 | \$2,307.68 | \$422.00 |

At the end of the financial year the total tax withheld from Pierre's payments continues to have tax withheld of \$422.00 each fortnight, which will be \$10,972 ($\422×26).

When Pierre lodges his tax return for the year, the actual amount of income tax he has to pay will be:

| | |
|-------------------------------------|-----------------|
| Taxable income | \$60,000 |
| Income tax payable on \$60,000 | \$11,047 |
| Less low income tax offset | \$100 |
| Plus Medicare levy (2% of \$60,000) | \$1,200 |
| Total tax and Medicare levy | \$12,147 |
| Credit for total tax withheld | \$10,972 |

| | |
|--------------------|----------------|
| Tax payable | \$1,175 |
|--------------------|----------------|

Pierre will have a tax debt of \$1,175 as insufficient tax was withheld during the year.

Pierre can ask one or both of his payers to withhold extra tax to cover the shortfall. Alternatively, he can put money aside to ensure that he can pay his tax bill when it falls due.

See also:

- [Varying your PAYG withholding \(/individuals/working/in-detail/payg-withholding/payg-withholding---varying-your-payg-withholding/\)](#)

If you're a resident for part of the year

Your tax-free threshold is less than \$18,200 in a financial year if you:

- entered with the intention to reside in Australia during the year
- left Australia with the intention to reside overseas during the year.

If you're a non-resident you're not entitled to the tax-free threshold. This means you pay tax on every dollar of income you earn in Australia.

If you were a resident for part of the year, you have a tax-free threshold of at least \$13,464. The remaining \$4,736 of the full tax-free threshold is pro-rated according to the number of months you were a resident:

$$\$13,464 + \frac{\$4,736 \times \text{number of months as a resident of Australia}}{12}$$

See also:

- [Tax-free threshold for newcomers to Australia \(/Individuals/Ind/Tax-free-threshold-for-newcomers-to-Australia/\)](#)
- [Tax-free threshold if you are leaving Australia with the intention to reside overseas \(/Individuals/Ind/Tax-free-threshold-if-you-are-leaving-Australia-with-the-intention-to-reside-overseas/\)](#)

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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