Question:

Why does the tax withheld for an employee on the *Tax Free Threshold Not Claimed* tax scale, who also has an SFSS or a HELP Debt, sometimes not agree with the ATO withholding figures from 2006/07?

Answer:

The ATO now assumes that employees who have not claimed the tax free threshold have already earned \$16,500 via their prime source of employment. This can affect the calculation of SFSS and HELP Debt withholding. The next release of Payroll Premier will include tax rates to reflect this decision.

In the meantime, the payroll administrator needs to create PAYG Tax scales and make changes to employee records for any employees who:

- have not claimed the tax free threshold, and
- are likely to earn \$411 or more per week in any pay, and
- have either a HELP or an SFSS debt, or both.

To calculate the correct tax for these employees, new tax scales are required that combine the thresholds and rates for the *Tax Free Threshold Not Claimed* tax scale, and SFSS/HELP Debt or both.

The scales required should be set up as in the tables below, so that upgrading to next years version is simple. To open the *Tax Scales List*, choose **Lists menu > Tax Scales**.

To set up each new tax scale:

- 1. Right-click in the list and choose New.
- 2. Enter the details from the appropriate tax scale below.
- 3. Click OK.

Tax Rate: 51 Description	Last Update: 1/07/2006 TFT Not Claimed With HELP	
Threshold	Multiplier	Subtract
163	0.1650	0.1650
411	0.3150	24.6842
495	0.3550	24.6842
578	0.3600	24.6842
625	0.3650	24.6842
696	0.3700	24.6842
781	0.3750	24.6842
839	0.3800	24.6842
956	0.3850	24.6842
1040	0.3900	24.6842
1125	0.3950	24.6842
2567	0.4950	137.1842
Over 2567	0.5450	265.5496

Tax Rate: 52	Last Update: 1/07/2006		
Description	TFT Not Claimed With SFSS		
Threshold	Multiplier	Subtract	
163	0.1650	0.1650	
411	0.3150	24.6842	
578	0.3350	24.6842	
956	0.3450	24.6842	
1125	0.3550	24.6842	
2567	0.4550	137.1842	
Over 2567	0.5050	265.5496	
Tax Rate: 53 Description	Last Update: 1/07/ TFT Not Claimed V & SFSS		
Threshold 163 411 495 578 625 696 781 839 956 1040 1125 2567 Over 2567	Multiplier 0.1650 0.3150 0.3750 0.3800 0.3950 0.4000 0.4050 0.4100 0.4150 0.4350 0.4350 0.5350 0.5850	Subtract 0.1650 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842 24.6842	

Once the tax scales you require have been set up, assign the appropriate scale to all affected employees.

For each of these employees:

- 1. Edit the employee record and select the *Taxation* tab.
- 2. Select the appropriate combined tax scale from the *Tax Scale* drop-down list.
- 3. Untick the SFSS and/or HELP Debt tick boxes for the employee (as you are now using a combined tax scale see the example below).

History Insu <u>r</u> e	r Compensation	Next-Of- <u>K</u> in	Notes	EBT	Custom Fields	OK
Personal Company	y Da <u>t</u> es P <u>a</u> y Rates	Deductions Allow	ances Ta <u>x</u> a	tion Supe	er Banking Lea <u>v</u> e	<u>C</u> ancel
Tax File Number:	11111111		Г	Exclude Pa	ays From Payroll Tax	Insert
ABN No:	Г		Г	Exclude Fr	om Payment Summary	Delete
Tax Scale:	TFT Not Claimed Wi			Labour Hire		Stelling Stellings
WorkCover:	35% Voluntary Agree			CDEP Fun	-	
Paumont Cummoru	TFT Not Claimed Wi TFT Not Claimed Wi Flat 15%	th SFSS th HELP & SFSS		SFSS Rep	1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 -	
Payment Summary:	No ABN No Supplie	1	<u> </u>	unti	ck these boxes	
– Extra Tax (+) Or F	Rebate (-)			1		
	0.00			sele	ect the combined tax	

Notes:

- Under this method, the HELP amount for affected employees will not be displayed on the HELP Debt report. HELP and SFSS amounts will not be displayed if you zoom into tax amounts for these employees.
- In previous years the onus was on these employees to request the employer to take out extra tax.