



Instructions for completing the PAYG withholding variation application 2014

1 July 2013 to 30 June 2014

Complete the application if you want to vary the rate or amount of pay as you go (PAYG) tax withheld from payments made to you for the year ending 30 June 2014. You must also complete the *PAYG withholding variation supplement 2014* (NAT 5423) if you have business income or non-commercial business or partnership losses (for more information, see 'Non-commercial losses' below).

WHAT YOU NEED TO DO

- Read these instructions.
- Complete the application.
- If you have business income or non-commercial business losses, you may also need to complete the *PAYG withholding variation supplement 2014*. To obtain a copy of the supplement phone **1300 360 221**.
- Sign and date the declaration.
- Send your completed application, and your completed supplement (where applicable), to us by **30 April 2014**.

You can lodge your application on a paper form or electronically over the internet. Applications lodged electronically may be processed faster than paper forms.

GENERAL COMMENTS

Section 15-15 in schedule 1 to the *Taxation Administration Act 1953* (TAA 1953) provides that the Commissioner of Taxation may, to meet the special circumstances of a particular case or class of cases, vary the amount an entity is required to withhold from a withholding payment.

The main purpose of varying the rate or amount of withholding is to ensure that amounts withheld during the income year best meet your end-of-year liability. An example is where the normal rate or amount of withholding would lead to a large credit at the end of the income year because your tax deductible expenses are higher than normal.

❗ Variations are issued at the Commissioner's discretion.

STARTING DATE

If this application is approved, the varied rate or amount of withholding will start from the next available payday after your pay office receives the notice of withholding variation from us.

FINISHING DATE

Your variation finishes on the expiry date shown on the notice of withholding variation from us. To continue to have reduced tax withheld from your payments after this date, you must lodge another *PAYG withholding variation application* – at least six weeks before the expiry date.

➔ For more information:

- visit ato.gov.au
- phone **1300 360 221**
- email ITWvariation@ato.gov.au
- if you are a tax agent, phone **13 72 86** Fast Key Code **1 2 3**.

Our phone services are available from 8.00am to 6.00pm, Monday to Friday.

WHERE TO SEND YOUR COMPLETED APPLICATION

Send your completed application to:

Australian Taxation Office
PO Box 3010
PENRITH NSW 2740

NAT 2036-03.2013

IMPORTANT INFORMATION

- We will process your application only if you:
 - have lodged all required tax returns and activity statements, or notified us in writing if you were not required to lodge tax returns in prior years
 - did not receive a debit assessment on your last tax assessment (if you also had an approved withholding variation for that year)
 - do not have any outstanding tax debt owing to the Australian Government
 - do not have any outstanding debts under any other Acts administered by us.
- We may seek more information from you before or after your application is processed. If you fail to provide more information as requested, your application may not be approved.
- If you are granted a variation, this does not mean we have accepted the tax treatment of the income and deductions on your application. Your actual tax liability will be determined after you lodge your tax return. You must keep records of your income and expenses in accordance with the requirements of the *Income Tax Assessment Act 1936* (ITAA 1936) and the *Income Tax Assessment Act 1997* (ITAA 1997).
- We process your application based on the information you provide. It is your responsibility to make sure that this information is adequate to enable us to calculate a withholding rate to meet your end-of-year tax liability.
- If your application is not approved, you can apply for a review of the decision. You must apply in writing, explain why the decision should be overturned and include information to support your claims.

Aggressive tax planning

In the past, promoters of managed investment schemes, tax effective investment products or arrangements have encouraged participants in such arrangements to apply for withholding variations to produce immediate tax savings. Often, promoters imply that the granting of such variations supports the tax deductibility of the investment and indicates that our acceptance of the arrangement as complying with the relevant tax laws. If you want more certainty about the tax treatment of an arrangement, ask the promoter if they have a product ruling from us. If the answer is:

- **yes**, ask for a copy and read it, or have an independent tax professional read it and explain how it applies to you
- **no**, ask why they don't have a product ruling for the project and apply to us for a private binding ruling or consult a tax professional who is not involved in promoting the investment.

If you have concerns about a promoter or a tax scheme, phone our hotline anonymously on **1800 177 006**.

➔ For more information about product rulings and private binding rulings, visit ato.gov.au

Non-commercial losses

If you have a net loss from a business activity you carry on as an individual, either as a sole trader or in partnership, the non-commercial loss rules will apply.

These rules determine if you can use your business loss to offset income from other sources. You can only offset your loss against assessable income from other sources if one or more of the following applies:

- one of the exceptions for primary production or professional arts businesses apply

- you meet the income requirement and one of the four tests is satisfied (profits test, assessable income test, other assets test, real property test)
 - the Commissioner has exercised his discretion to allow you to claim the loss
- If you do not satisfy the above criteria, you must defer the loss to a future year when both of the following apply:
- there is a profit from the business activity or a similar activity
 - you meet the income requirement and satisfy one of the tests.

➤ For information about the tests, visit ato.gov.au/ncl

➤ UPWARDS VARIATION

If you want to increase your rate or amount of withholding, you should complete the *Withholding declaration – upwards variation* (NAT 5367) and give this to your payer. To obtain this form, visit ato.gov.au or phone **13 28 61**.

PRIVACY

We are authorised by the ITAA 1936, ITAA 1997, *A New Tax System (Australian Business Number) Act 1999* and TAA 1953 to ask for the information on this application. We need this information to help us administer the tax laws.

Where authorised by law to do so, we may give this information to other government agencies. For example, law enforcement agencies such as state and federal police, assistance agencies such as Centrelink and the Child Support Agency, and other agencies such as the Australian Bureau of Statistics.

SECTION A: YOUR DETAILS

A1 Your tax file number (TFN)

We are authorised by the TAA 1953 to ask for your TFN. It is not an offence not to provide your TFN. However, your application may be delayed if you do not provide your TFN.

A2 Employment declaration or TFN declaration

If you are not exempt from quoting your TFN and have not quoted your TFN to your payer, you will not be granted a variation.

You are exempt from quoting your TFN if you are either:

- under 18 years of age and do not earn enough to pay tax
- a recipient of certain pensions, benefits or allowances from Centrelink, Department of Veterans' Affairs, or the Military Rehabilitation and Compensation Commission.

However, you **must** quote your TFN if you receive Austudy, Newstart, sickness or parenting allowance.

A6 Your phone numbers

Provide a phone number that we can contact you on between 8.00am and 6.00pm.

A7 Authorised contact person who completed the form

This item needs to be completed only if an authorised contact is completing this application on your behalf.

A10 Australian resident for tax purposes

If you are unsure of your residency status, visit ato.gov.au or phone **13 28 61**.

A12 Reason codes

There is a list of reason codes on page 4 of the instructions.

It is important to use the correct reason code. If your reason code begins with 05, you must select only one code. If your reason code category begins in the range 08–17, you may select more than one code within these ranges – for example, 11A0 plus Negative gearing 08A0.

SECTION B: YOUR PAYER'S DETAILS

Provide all the details requested in section B for each of your payers.

❗ You must complete B8 to B13 if your reason code at A12 begins in the range 08–17 (see page 4 of the instructions).

If you do not complete these items, your application will be returned to you for completion.

B1(b) Will you be receiving payments from this payer for the full year?

If you are receiving payments from only one payer and you will receive payments from this payer for only part of the year, you may have received payments from other payers previously in the year. If this applies to you, only complete details for payer 1. Include the total of your gross payments received and tax withheld since 1 July 2013 for your current payer and all previous payers at B12 and B13.

B2 Agreement with your payer to withhold amounts

You can enter into a voluntary agreement with a payer only if you have an Australian business number (ABN) (an independent contractor or consultant) and if no other provision requires an amount to be withheld from the payment. If you do not have an ABN, answer **No** at this item.

If you have entered into a voluntary agreement with a payer, you must provide all the details in section G on the *PAYG withholding variation supplement 2014* and attach a copy of the voluntary agreement.

B3–6 Payer's ABN, business name and pay office postal address

The varied rate or amount of withholding will start from the next available payday after your pay office receives the notice of withholding variation from us.

❗ The letter we send to you is not the official notice. Your pay officer cannot implement a variation using your letter.

The implementation of your variation may be delayed if you do not provide a correct ABN and direct pay office postal address (for example, if you give us your work location rather than the pay office postal address).

B12–13 Gross payments received and tax withheld since 1 July 2013

These items must include:

- the total of your gross payments received and tax withheld from your current payer and all previous payers since 1 July 2013
- tax withheld where your ABN was not quoted and where these amounts have not subsequently been refunded to you.

SECTION C: RENTAL DETAILS

You are required to complete all the details in this section **only** if you are a first time applicant or have applied for a withholding variation previously and your rental details have changed since you last lodged.

! If you are required to complete these items and you do not complete them, your application will be returned to you.

Percentage owned

Joint tenants and tenants in common must divide the income and expenses in accordance with their legal interest in the property. With joint tenancy, each tenant holds an equal interest in the property. For example, if you and your spouse are the only names listed on the title deed and you are listed as joint tenants, show 50% at the percentage owned item. A partnership agreement, either oral or in writing, cannot change this.

SECTION D: INVESTMENT DETAILS

Provide details of your investment.

! You must complete section D if you are applying for a variation using a reason code of 09, 16 or 17. You must also declare any deductions relating to this investment at F2.

SECTION E: ANNUAL INCOME AND TAX OFFSETS

For items not listed, visit ato.gov.au

! You must complete this section or the application will be returned to you. You must fill in at least one item at E1 to E5. Your varied rate will only apply to the type of income or payment you complete at E1 to E5.

E1(a) Payments for work and services

Do not include any reportable fringe benefits amounts at this item (for example, salary sacrifice amounts). Do not include payments for employment termination payments (ETP). Include ETP payments at E5(a) **Employment termination payments**. If your current approved variation does not include ETP details, and you will be receiving an ETP, your payer must withhold at normal withholding rates for the ETP. For reduced withholding to apply to the ETP, you need to lodge an amended application and include the ETP details at E5(a).

E1(a)(iv) Bonus payments

Include any bonus payments you have received and tax withheld from that payment at B12 and B13, Payer 1.

If you want your variation to apply to your bonus payments, you must mark the **Varied rate to apply to bonuses** box at E1(a)(iv).

If you want normal tax taken out of your bonus payments (that is, your new varied rate will not apply to your bonuses), you must mark the **Normal tax to be taken out of bonuses** box at E1(a)(iv).

For any bonus payments not yet received, you must include the bonus payment amount and the expected tax to be withheld from this payment at **Annual gross income** and **Annual tax** B1(a), Payer 2.

E4(a) and 4(b) Australian superannuation income streams

If you were born after 30 June 1954, show the total amount of the taxable components for any super income stream benefits you expect to receive from any payer(s). Show the amount of any tax offset that applies to this income at E13 **Tax offsets**.

If you were born before 01 July 1953, only include the taxable components you expect to receive if they comprise an element that is untaxed in the fund (paid from an untaxed source). Show the amount of any tax offset that applies to this income at E13 **Tax offsets**.

If you were born between 01 July 1953 and 30 June 1954 and your income is from a taxed source, only show the taxed element of the taxable component for any benefits you expect to receive before you turn 60 years old. If your super income stream has an element that is untaxed in the fund, show the total amount for the year.

! Your super income stream will be paid from an untaxed source primarily because it is paid, at least in part, from a super scheme that is not subject to tax, such as, a public sector super scheme. If you are not sure, check with your fund.

For more information about super income, visit ato.gov.au or phone 13 10 20.

E7 Net income or loss from business

Do not include at this item income or losses derived from an investment in a managed investment scheme that also has a product ruling or a private binding ruling. Income from this source is to be shown at E10 or E11 and the deductions at F2.

E9 Gross rent

Only include your portion of the rental income at this item. If the title deed shows that you are only a part owner of the property, include only your share of the rent. For example, if you own 50% of the property, you should show 50% of the rent.

E14 Income tests

There are new income tests for working out your eligibility to receive certain tax offsets and claim certain deductions. To apply these new income tests, we need your:

- reportable fringe benefits
- reportable employer super contributions
- exempt foreign employment income.

You must complete E14 if applicable. For more information, visit ato.gov.au/incometests

SECTION F: ANNUAL DEDUCTIONS

For items not listed, visit ato.gov.au

F1 Work-related expenses

Include uniform expenses at F1(e).

F2 Investment deductions

If you are claiming deductions at this item, you must complete the investment details in section D. You should show investment income at the appropriate items in section E.

F3 Expenses related to rental property

Show only rental deductions at this item. If the title deed shows that you are only a part owner of the property, include only your share of the rental expenses. For example, if you own 50% of the property you should show only 50% of the rental expenses.

F4 Tax losses of earlier income years claimed this income year

This is not your 2013–14 rental loss. This loss has already been included at F3.

You cannot claim a deduction for a tax loss of an earlier year if your taxable income last year was more than zero. For more information, visit ato.gov.au

F5 Personal superannuation contributions (deductible)

For more information, visit ato.gov.au/super

Section A: **Your details** (A12 reason codes)

Main category	Reason code	Sub-category
Mobile certificate	05A0	General
	05B0	Film and television
	05C0	Hospitality industry
Negative gearing	08A0	Real estate, that is, property investment ! Do not use if your property is controlled by a trust.
Other negative gearing – investments or financial products	09A0	Bonds – infrastructure
	09A1	Bonds – linked bonds and notes (including returns linked to shares, bank bill rates, exchange rates)
	09A2	Bonds – other
	09B0	Futures/forwards
	09C0	Managed funds/trusts – annuities
	09C1	Managed funds/trusts – equity, income, growth and multi-sector
	09C2	Managed funds/trusts – friendly society bonds
	09C3	Managed funds/trusts – insurance bonds
	09C4	Managed funds/trusts – super
	09D0	Options
	09E0	Trust – Real estate, that is, if owned by a trust and not rented to a beneficiary or unit holder by the trust
	09E1	Trust – Real estate, that is, owned by a trust and rented to a beneficiary or unit holder by the trust
	09F0	Securities lending arrangements
	09G0	Shares – capital protected loan products
09G1	Shares – other	
09H0	Stapled securities	
09I0	Warrants	
09J0	Other financial products not otherwise specified (deferred purchase agreements, swaps)	
Taxable income is below the tax-free threshold	10A0	General
	10A1	Senior Australian
Two or more payers	11A0	General
	11B0	Higher Education Loan Program (HELP) withholding required
	11B1	Financial Supplement withholding required
Other reasons	12A0	Entitled to foreign income tax offset
	12A1	Entitled to franking credit
	12A2	Excess withholding
	12A3	Below annual HELP threshold
	12A4	Below annual Financial Supplement threshold
Commission sales	13A0	Real estate
	13A1	General
Allowable deductions	14A0	General ➤ If your reason for completing this application relates to allowances only (such as, car allowance) and the allowances are shown separately on your payslip, use <i>PAYG withholding variation short application</i> (NAT 5425).
	14A1	Business loss current year
	14A2	Primary production loss current year
	14A3	Partnership or trust
Earlier year losses	15A0	Primary production
	15A1	Non-primary production
	15A2	Deferred non-commercial losses recouped
Other investments	16A0	Cattle
	16A1	Viticulture
	16A2	Afforestation
	16B2	Olive oil
	16C0	Mining
	16D0	Franchise
	16F0	Book publishing
	16G0	Miscellaneous
16H0	Other horticulture (including aquaculture, nuts or orchards)	
Super	17A0	Controlling interest super
	17A1	Other