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Claiming the tax-free threshold: getting it right

If you're an Australian resident for tax purposes, you don't have to pay income tax on the first $18,200 you earn each year, from any source. This is called the "tax-free threshold". If you have more than one job, change employers during the year, have a sole trader side gig or get government payments, it's important to think about the tax-free threshold and which employer, job or payment you'll claim it for.

The ATO advises claiming the tax-free threshold once from your "main" payer – typically the job, gig or payment that pays you the most during the year. That payer will not withhold income tax from the first $18,200 they pay you but will withhold tax from payments once your earnings go over the threshold.

At the end of the financial year, the ATO calculates your total income and tax withheld. If not enough tax has been withheld, you can expect a tax bill. If more tax has been withheld than you owe for your total earnings, you can expect a refund.

When starting a new job, your employer should ask you to complete a withholding declaration.

To claim the tax-free threshold, you must be an Australian resident for tax purposes on the declaration and answer "yes" to the question "Do you want to claim the tax-free threshold from this payer?". Where you answer "no", tax will be withheld from all income from that payer.

Avoid claiming the threshold from multiple payers simultaneously unless you're sure you'll earn less than $18,200 total for the year. Overclaiming might make your take-home pay higher each pay cycle but will likely mean a tax debt later.

When changing jobs you can claim the threshold from your new payer even if you have claimed it from your previous one.

If you add a job or side gig that will provide more income than your existing main payer, you can change your claim at any time using ATO online services, via your myGov account.

If you're earning income outside of employment (eg as a sole trader) you'll need to pay tax yourself on that income. Consider setting aside a percentage for tax or using pay as you go (PAYG) instalments each time you are paid.

Withholding for foreign residents: an ATO focus area

Does your business or investment structure make payments such as interest, dividends or royalties to any foreign residents? You may be required to withhold tax from these payments. The ATO is currently focusing on ensuring that taxpayers are aware of these obligations.

If these withholding requirements apply to you, you'll need to lodge a PAYG annual report or an annual investment income report, and withhold and pay the correct amount of tax.

Figuring out whether an obligation to pay withholding tax arises from a particular payment can be complex. Assuming your structure is resident in Australia, the starting point is that the withholding tax regime generally applies to interest, dividends and royalties derived by foreign residents, unless an exemption applies. This means the withholding tax obligation arises whether you make the payment to the foreign resident, credit it to their account, or deal with the payment on their behalf or at their direction. (Certain payments can also be captured if your structure is not resident but has a permanent establishment in Australia.)

However, a number of exemptions apply. These can be technical in operation, so it's important to seek

advice specific to your circumstances if you make any payments to non-residents.

The ATO is alert to payers who have not withheld and paid amounts (or have withheld and paid incorrect amounts), incorrectly relied on an exemption or treaty relief, or misclassified deductions for interest or royalty payments to an offshore entity.

trading stock, the roll-over cost is based on the transferor's cost or value at the beginning of the income year. Depreciating assets allow the transferee to continue deducting the decline in value using the transferor's method and effective life. Revenue assets are transferred without resulting in a profit or loss for the transferor.

Super guarantee a focus area for ATO business debt collection

The ATO has recently confirmed that collection of business debts – including debts relating to superannuation guarantee (SG), pay as you go (PAYG) withholding and GST – is among its key focus areas. This is a timely reminder for all businesses to ensure they're meeting their obligations.

The most recent ATO statistics show that although 94% of employers are meeting their SG obligations without ATO intervention, the ATO still raised over $1 billion in SG charge liabilities in the 2022–2023 financial year.

To ensure your business doesn't incur these extra liabilities, you must pay SG contributions for your employees and eligible contractors on time and to the correct funds. Some contracts and awards may require you to pay contributions more regularly than quarterly.

If you make contributions to a commercial "clearing house", the contribution is considered to be paid when it's received by the employee's fund, not by the clearing house. However, if you use the ATO's Small Business Superannuation Clearing House, the contribution is "paid" when received by that clearing house.

From 1 July 2026, employers will need to pay SG at the same time as salary and wages (commonly known as "payday super").

If you miss a payment, taking action promptly is essential to accessing the ATO's support services and minimising your exposure to penalties. You must lodge an SG charge statement with the ATO within one month of the missed quarterly due date. You can ask the ATO for an extension to the lodgement date, but you must do this before the due date.

You'll also need to pay the SG charge. This charge is more than the amount of contributions you would have paid if you had paid them on time, and it's not deductible. The charge is paid to the ATO, not your employee's fund. General interest charge will accrue on any outstanding SG charge, and the ATO may also issue a director penalty notice if it remains unpaid.

New "bring-forward" contribution thresholds for 2024–2025

You may have heard that the annual cap on non-concessional contributions (NCCs) has increased for 2024–2025. This is great news for superannuation members who want to maximise their retirement savings.

NCCs are your own after-tax contributions, meaning they're distinct and separate from concessional contributions such as compulsory employer contributions made for you, additional salary sacrifice contributions, and personal contributions you've made for which you claim a deduction. From 1 July 2024, the annual cap on NCCs increased from $110,000 to $120,000 due to indexation.

This increase means that the maximum amount that can be contributed under a "bring-forward" arrangement has also increased. A "bring-forward" arrangement allows eligible members to contribute up to three years' worth of NCCs in a shorter timeframe. This may be an attractive contribution strategy for those with an inheritance, a large bonus payment, or proceeds from the sale of an investment.

If you already commenced a bring-forward arrangement in the last year or two, you won't get the benefit of the increased NCC cap for that arrangement. However, if you've been thinking about commencing one of these strategies, now is great time to consider this further.

You must be aged under 75 at some point in the financial year when you commence a bring-forward arrangement, and your total superannuation balance (TSB) as at 30 June of the previous financial year affects your eligibility.

Be aware that the TSB eligibility limits have changed since last year – and they've decreased. So, while the NCC cap and the maximum bring-forward cap have increased, the cut-off points when your eligibility reduces or ceases are lower. Be careful about referring to older advice or information (eg online) that is based on the TSB thresholds for 2023–2024.

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