

Tax Calculation Changes For Leave Loading

This update only concerns those employers who pay leave loading. So if you do not pay leave loading you can ignore this update.

The ATO has changed the rules for calculation of tax on leave loading as from 1 July 2012.

Previously other payments were taxed at a slightly higher rate and then a portion of any leave loading payments were not taxed, with the slightly higher rate on other payments covering the tax that should have been paid on the leave loading.

As from 1 July 2012 leave loading will be taxed in the same way as any other normal payment. As a result the separate tax table from the ATO for employees who are paid leave loading will no longer exist. Because you will still have employees who are set up to use the leave loading table (table 020) the PAYSYS tax tables will still include this table, however the figures on this table will be exactly the same as for the non-leave loading table (table 070). So using either tax table for an employee will result in the same amount of tax being calculated for that person.

In addition, the special tax treatment of the leave loading payment code needs to change. This change must only be made after the last pay run for the financial year 2011-12 and before the first pay run for 2012-13. You can make this in one of two ways:

1. Change the payment code that you use for leave loading (usually code LVQ). This is found in Payment/Deduction Codes Maintenance (on the PAM menu). The Holiday Pay field on this code must be changed to No. This will switch off the special tax treatment of this code as a leave loading payment.
2. You can simply do a program upgrade which removes the Holiday Pay field from Payment/Deduction Codes Maintenance and from the tax calculation routine.