

Should I claim the Tax Free Threshold



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Should I claim the tax free threshold?

Tax free threshold on your Tax File Number Declaration

One Employer

If you are only working for one employer and are an Australian tax resident, you are able to claim the tax free threshold.

If you claim the tax free threshold your employer will not withhold tax on your income up to the tax free threshold (\$18,200 for the 2017 financial year). This tax free threshold will be spread evenly over the year to spread the benefit of this over the whole year.

This means the first \$350 (\$18,200/52 weeks) of your salary each week will not have tax taken out of it by your employer.

If you are receiving money from Centrelink – and have only one employer – we do not recommend claiming the tax free threshold. The reason for this is that Centrelink do not tax out of your Centrelink payments and this may result in you having an amount of tax to pay when you lodge your tax return.

More than one employer

If you have more than one employer, are an Australian tax resident – and expect to earn less than \$18,200 (which is the 2017 financial year tax free threshold) you are able to claim the tax free threshold from each of your employers. This means that your employers will not withhold tax on your payments until you earn over \$350 (\$18,200/52 weeks) in a week.

The risk with this is that your employers do not talk to each other about the amount of tax they are withholding from your wage. If you earn more than \$18,200 in total during the year you may end up with an amount of tax payable when you lodge your tax return because you may have earned less than \$18,200 from each of your employers – so had not tax withheld.

If you are receiving money from Centrelink – we do not recommend claiming the tax free threshold from any of your employers. Centrelink do not withhold tax from their payments to you, and their payments increase your taxable income. Claiming the tax free threshold from your employers when receiving money from Centrelink can result in you needing to pay tax on your earnings at the end of the financial year.

Not an Australian tax resident?

If you are not an Australian tax resident you are not able to claim the tax free threshold. You pay tax at a different rate than Australian tax residents and do not receive a tax free threshold. Claiming the tax free threshold will result in tax payable at the end of the year – and this can add up very quickly.

- Individual Tax
- Individual Tax, Tax Return

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