

INCOME TAX BY INSTALMENTS

New Act Explained

Our Enquiry Bureau

Readers, who are in any way perplexed regarding the payment of income tax by instalments, or deductions to be made from wages of employes, are invited to send their questions to "Taxation Problems," care of "The Advertiser." Replies will be furnished by experts and published in our columns.

Under the amended Taxation Act recently passed, persons receiving wages or salaries must pay their State income tax, either by means of special tax stamps or through a group scheme.

Where an employe has not entered into a group scheme, his employer must deduct from his wages or salary payable after September 1, one shilling for each pound or part of a pound over ten shillings earned by him, and issue to the employe tax stamps for an amount equivalent to the deduction.

Instead of paying an employe, for instance, £4, the employer will pay him £3 16/ and give him stamps to the value of four shillings. Employes on the basic wage will be paid £3 in cash and be issued with three shillings' worth of stamps. An employe earning £7 10/6 a week will receive £7 2/6 in cash and stamps to the value of eight shillings.

Where employes receive board and lodging as part of their wages, the value of this board and lodging is to be regarded as £1 a week, 15/ for the board and 5/ for the lodging. Thus a domestic servant earning £1 a week and her keep, would receive 18/ in cash and two shillings' worth of stamps, her total wages being regarded as £2 a week. If she slept at home and was provided with meals by her employer, she would still be liable to a deduction of 2/ her total wages being £1 a week in cash and 15/ a week in food.

Deductions are Compulsory

An employer must deduct the money and supply stamps in lieu in every case other than—

1. Where an employe works for him for fewer than two days in any week, or
2. Where an employe works for two or more days in any week, but is paid less than £1, or
3. Where an employe produces a certificate from the Commissioner of Taxes that no State income tax is owing, or
4. Where the employer has been notified that the employe is in a group scheme.

A person who employs a gardener or odd job man for one day a week need not make any deduction from his wages, irrespective of what he pays him. If, however, he employs a man for two or more days and pays him £1 or more, he must deduct one shilling for each pound or part of a pound in excess of ten shillings so paid, and issue him with stamps to the value of this deduction.

Tax stamps to the value of 1/ 5/ 10/ and £1 are obtainable at the Stamp Duty Office, the State Taxation Office and all post offices.

Obligations on Employes

Employes are required by the Act to stick the stamps they receive in a book. When they have obtained sufficient stamps to pay the amount of tax for which they have been assessed, they must forward the book to the Commissioner of taxes, who will issue to them a certificate stating that no other deductions need be made from their wages.

If sufficient stamps have not been received by an employe by the end of May to pay the State income tax, he must produce the book of stamps to the Commissioner and pay the difference in money by June 14, 1932. Should an employe possess stamps of greater value than the tax chargeable on his assessment, he can obtain a refund of the excess.

HOW NEW TAX WILL OPERATE

The following table shows the effect of the new taxation proposals on gross income from personal exertion. The present rates of tax are given in parentheses.

Gross income before making allowances for wife and children. £101	Single person with no dependents. £1 0 0	Married man, one child. £60 deduction. nil	Married man, 2 children. £90 deduction. nil	Married man, 3 children. £120 deduction. nil
£100	(£2 11 1)	(nil)	(nil)	(nil)
£180	(£7 8 6)	(nil)	(nil)	(nil)
£180	(£7 3 8)	(nil)	(nil)	(nil)
£180	(£9 18 0)	£1 13 0	nil	nil
£200	(£8 9 2)	(£3 14 1)	(nil)	(nil)
£200	(£12 9 9)	(£3 6 3)	£1 0 0	nil
£220	(£10 16 4)	(£4 18 8)	(£3 2 0)	nil
£220	(£14 19 3)	(£4 19 8)	(£2 9 8)	nil
£240	(£12 2 11)	(£6 3 8)	(£4 6 4)	(nil)
£240	(£17 8 9)	(£6 13 3)	(£4 3 0)	£1 13 0
£260	(£13 9 11)	(£7 9 3)	(£5 11 2)	(£3 14 1)
£260	(£19 18 3)	(£8 8 6)	(£5 16 5)	(£3 6 3)
£300	(£14 17 4)	(£8 16 4)	(£6 16 4)	(£4 18 8)
£300	(£24 19 6)	(£11 18 6)	(£9 5 5)	(£6 13 3)
£340	(£18 15 1)	(£11 9 11)	(£9 9 7)	(£7 9 2)
£340	(£29 18 6)	(£15 6 8)	(£12 13 7)	(£10 2 5)
£400	(£21 13 6)	(£14 6 8)	(£12 3 7)	(£10 2 11)
£400	(£37 9 3)	(£20 10 9)	(£17 18 6)	(£15 6 8)
£500	(£27 6 2)	(£18 13 6)	(£16 9 6)	(£14 6 8)
£500	(£49 19 0)	(£29 9 2)	(£26 15 8)	(£24 2 7)
£550	(£36 9 7)	(£26 9 6)	(£24 1 10)	(£21 15 3)
£550	(£56 5 0)	(£34 0 8)	(£31 6 8)	(£28 11 3)
£600	(£40 16 8)	(£30 12 10)	(£28 3 4)	(£25 13 5)
£600	(£62 8 9)	(£38 11 8)	(£35 17 0)	(£33 2 8)
£650	(£46 5 3)	(£34 17 9)	(£32 6 5)	(£29 16 2)
£650	(£68 14 9)	(£43 5 3)	(£40 10 0)	(£37 13 6)
£700	(£51 18 6)	(£39 7 3)	(£36 14 1)	(£34 0 6)
£700	(£74 18 6)		£53 12 11	
£800	(£58 13 3)		(£49 13 3)	
£800	(£87 8 3)		(£63 6 1)	
£900	(£67 13 7)		(£59 13 7)	
£900	(£99 18 0)		(£73 3 5)	
£1,000	(£79 6 3)		(£70 6 3)	
£1,000	(£112 10 0)		(£83 8 8)	
£2,000	(£91 13 4)		(£81 13 4)	
£2,000	(£275 0 0)		(£216 13 4)	
£5,000	(£230 16 8)		(£210 16 8)	
£5,000	(£1,062 10 0)		(£916 13 4)	
£7,000	(£948 6 8)		(£898 6 8)	
£7,000	(£1,837 10 0)		(£1,653 6 8)	
£7,000	(£1,676 13 4)		(£1,508 13 4)	

Old allowance ceases when income reaches £550.

State Tax on Property Incomes

Net Income	Taxable Income	Present Tax	Proposed Tax
£233	£147	£15 5 9	£16 10 9
£267	£185	£18 15 5	£20 16 3
£300	£222	£22 4 7	£24 19 6
£333	£258	£25 13 8	£29 0 6
£367	£296	£29 7 1	£33 6 0
£400	£333	£33 0 5	£37 9 3
£467	£407	£40 11 1	£45 15 9
£533	£481	£48 7 4	£54 2 3
£600	£555	£56 9 0	£62 8 9
£1,000	£1,000	£110 16 8	£112 10 0
£2,000	£2,000	£269 3 4	£275 0 0
£5,000	£5,000	£1,044 3 4	£1,062 10 0

How the New Income Taxes Will Operate

Income in £.	PERSONAL EXERTION.			PROPERTY.		
	Present Tax.	New Tax.	Increase.	Present Tax.	New Tax.	Increase.
50	£ 0 14 4	£ 0 15 0	0 0 8	£ 0 14 9	£ 0 15 6	0 0 9
100	1 10 4	1 11 10	0 1 6	1 12 0	1 13 7	0 1 7
200	3 7 6	3 10 10	0 3 4	3 13 11	3 16 7	0 2 8
300	6 2 6	6 8 7	0 6 1	6 18 4	7 5 3	0 6 11
400	8 18 2	9 7 1	0 8 11	10 6 3	10 16 6	0 10 3
500	12 1 4	12 13 4	0 12 0	14 5 2	14 19 5	0 14 3
600	17 18 7	18 16 6	0 17 11	22 9 2	23 11 7	1 2 5
750	24 16 5	26 1 1	1 4 9	34 11 8	36 6 7	1 14 11
1,000	38 8 6	40 6 10	1 18 4	59 19 3	62 19 2	2 19 11
1,500	73 12 11	77 6 6	3 13 7	128 1 7	134 9 8	6 8 1
2,000	124 19 6	131 4 5	6 4 11	225 7 1	236 12 5	11 5 4
3,000	254 8 4	267 2 9	12 14 5	462 6 3	485 8 6	23 2 3
4,000	447 2 5	469 9 6	22 7 1	789 9 11	828 19 5	39 9 6
5,000	675 6 9	709 2 1	33 15 4	1,134 0 11	1,190 14 11	56 14 0

Incomes shown are net, after exemption has been subtracted.

Features of the new rates are:—The special super-tax on incomes property is increased from 1/6 to 2/ in the pound; the rate of normal income tax payable by companies is increased from 1/4 to 1/4.8 in the pound.

PAYING THE NEW TAXES

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How Systems will Operate

ISSUE OF STAMPS

Employers and employes alike are anxious to learn the details of the methods to be adopted in the collection of taxes, under the new Taxation Bill, under the compulsory instalment principle.

Under the Bill, which passed the Assembly yesterday, and will be considered by the Legislative Council next week, the three classes of taxpayers affected by the measure are:—

- 1—Employes in group systems, which are being continued from the last financial year, and others who will join new groups, to be approved by the Commissioner of Taxes.
- 2—Employes who will pay by means of stamps issued to them by employers on every pay day, and
- 3—Persons engaged in professions and businesses, including farmers and companies, who may make special arrangements with the Commissioner for periodical payments up to June 15, 1932.

Two Systems

Under the group system, employes in any company or department will pay their income taxes in four, or five contributions, spread over the period from September to May inclusive.

Under the stamp tax payments, employers will issue to employes stamps of the following values—1/ 5/ 10/ and £1. These will be made available by the department for purchase at the taxation office or post offices by employers, immediately the Bill has passed. The stamps will be issued by them to employes, with the following exceptions:—

1. Where the employe works for less than two days in any week.
2. Those who produce to the employer a certificate from the Commissioner of Taxes indicating non-liability for taxation by reason of domestic deductions, or smallness of income (earning below £100 for the past year).
3. Those paying income tax through an approved instalment scheme.

Casual Labor

In regard to casual labor, there is provision for the deduction by an employer, at the rate of 1/ in the £, on all wages paid to an employe who works for the same employer on two, or more, days in any week, and who receives £1, or more for his work.

Employers and Stamps

In connection with the purchase of tax stamps by the employer, it is pointed out that this will not involve any additional outlay on pay day. He will, in future, draw the wages, or salaries, cheques in the usual way for the same amount as at present. The only difference the new system will make will be that, instead of paying, say, £5 to an employe, he will give him £4 15/ in money and a 5/ stamp. Thus, the ordinary wages cheque will be represented by so much in cash and the balance in stamps.

The only duty of the employer in connection with the stamp tax is that, when the deduction is made from wages, or salary, he must deliver to the employe adhesive tax stamps to the value of the amount deducted. There are no forms to fill in, or records to be kept by the employer.

The system of stamps means that the employer need not present to the Commissioner of Taxes on receipt of his assessment evidence that his taxation liability has been met. He will do this by the production of the stamps. It will be apparent to all employes, therefore, that the greatest care must be taken of the stamps, which can be cancelled only by the department when final payment is made.

Refunds by Department

If an employe is not taxable, and he produces evidence by means of his stamp book, that tax payments have been made, the department will give him cash for his stamps. Where an employe has stamps in excess of his full taxation liability, the department will give cash for the difference.

chargeable on his assessment, he can obtain a refund of the excess from the Taxation Department.

Persons who earned less than £100 during the year ended June 30, 1931, must fill in an income tax form and forward it to the Taxation Department with a request for a certificate of exemption. Employes who consider that they are not liable to pay State income tax because of the allowance for their wives and children, or other deductions, must submit an income tax return for the year ended June 30, 1931, and apply for an exemption certificate. By submitting such exemption certificates to their employers, employes can avoid the deduction of a shilling in the pound from their wages. Applications for these exemption certificates should be made without delay.

Group Schemes

Group schemes, permitting the payment of State income tax by periodical deductions from salary or wages, may be arranged, on application to the Taxation Department, which will supply full particulars. Persons desirous of taking advantage of this provision of the Act should get in touch with the department as early as possible, in order to spread their payments over as long a period as they can.

Certificates of Exemption

If an employe, by reason of the smallness of his income, or by reason of his domestic allowances, is of opinion that he will not be taxable, he must submit a return form to the Commissioner and ask for a certificate of exemption. This certificate will be an authority to the employer not to issue stamps at the time of paying wages or salary to such an employe.

Special Cases

The Commissioner of Taxes, at the request of an employe, in special cases, if he thinks 1/ in the £ is insufficient deduction to cover the employes' tax, may order a higher rate of contribution.

It will be compulsory for an employe to pay a minimum of 1/ in the £ by way of a stamp tax on every pay day. Some employes may prefer to meet only the compulsory deduction of 1/ in the £1, but there is nothing in the Bill to prevent him, for his own financial convenience, purchasing stamps periodically so as to reduce progressively the full amount of the tax, which must be met by June 14 next.

Commonwealth Employes

Under the Bill it will be possible for arrangements to be made by which Commonwealth employes may pay the State income tax by deductions from their salaries or wages, the Federal Parliament having already passed legislation to this effect.



COLLECTING INCOME TAX at its source is proposed by the State Government. Stamps will be issued to employes when they are paid, the value being deducted from wages. The taxpayer will keep them, and present them for payment of his tax. Shilling stamps will be peacock blue, 5/ green, 10/ magenta, and £1 purple.