

# Tax-free threshold and multiple income sources

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BLOCK

## Client information sheet

### What is the tax-free threshold?

If you are an Australian resident taxpayer, the first \$18,200 of income which you receive is tax-free. This is called the tax-free threshold.

If you earn less than \$18,200 from all sources, you won't pay tax. You will normally pay tax on the excess over \$18,200. The \$18,200 tax-free threshold equates to:

- \$350 a week
- \$700 a fortnight
- \$1,517 a month

When you start work for a new employer, you will need to complete a Tax File Number Declaration form. You advise your new employer that you want to claim the tax-free threshold by answering "Yes" at question 8 'Do you want to claim the tax-free threshold from this payer?'

If you have more than one job and your combined income exceeds \$18,200, you can only claim the tax-free threshold for one of those jobs (normally the higher paying one). If you claim for both jobs, not enough tax will be deducted and you will have a tax debt at the end of the year, when you lodge your tax return.

### Taxpayers with two or more income sources.

#### Beware of a possible tax trap caused by the tax-free threshold.

Some taxpayers with two or more jobs or other taxable income sources may be caught in an unintentional tax trap as a result of the tax-free threshold.

The problem occurs even if the taxpayer and the employers do the right thing – as determined by the [Australian Taxation Office \(ATO\) individual income tax rates](#). The problem is caused as the first job attracts the tax-free threshold while second and subsequent jobs are undertaxed. This means that taxpayers can be left with a tax bill at the end of the financial year.

### Common tax-free threshold questions

#### Why is my refund lower than last year or why do I have an unexpected amount owing?

Since the tax-free threshold was raised to \$18,200, it is likely that you had less tax withheld by your employer (and therefore received more money each pay) which has resulted in a smaller refund or a bill payable.

This is particularly the case for taxpayers with multiple jobs (and payment summaries). Even if each employer follows the ATO income tax rates properly to calculate tax withheld, the total tax paid on your income may not be enough to cover the tax payable because of the progressive tax rates.

#### What can I do to make sure this doesn't happen to me again next year?

Have one of your jobs deduct a greater amount of tax each pay period to cover the shortfall. Contact your payroll department to arrange this change. Your H&R Block tax consultant can advise you of the shortfall amount per pay period based on this year's tax.

Contact your nearest H&R Block office and advise how much you have earned from each job and how much tax you have paid and they can let you know any shortfall and you can adjust what you pay as you go.

#### I cannot afford to pay this back right now, what should I do?

H&R Block can defer your tax return for lodgement until the due date next year. You will need to finalise the tax return and we will hold for lodgement in May or your due lodgement date according to the ATO.

#### H&R Block can help

- We can identify exactly what you need to do to get into shape for the tax season and maximise your refund.
- Find your nearest H&R Block office and book an appointment
- Lodge your tax return online with H&R Block

#### Download our tax app to help you track your tax deductible expenses and trips