Payments to a non-resident by the University under an agreement may impose tax obligations on the University. The payments may result in the University having to withhold and remit to the Australian Taxation Office Pay As You Go (“PAYG”) withholding tax.

**PAYG Withholding tax**

Under the Australian PAYG withholding system a person who makes certain kinds of payments must withhold an amount from the payment and pay that amount to the Australian Taxation Office. PAYG withholding tax applies to certain payments made to non-residents of Australia.

The PAYG withholding tax represents a first and final tax on income, which means that income subject to PAYG withholding tax will not be subject to any other form of taxation in Australia.

Subject to a number of exclusions, PAYG withholding tax is required to be deducted from the following types of payments made to non-residents of Australia:

- Interest
- Royalties
- Dividends

University interest or royalty payments require PAYG withholding tax to be deducted at the applicable rate and remitted to the Australian Taxation Office. The Finance/Payroll Division is responsible for all PAYG withholding tax remittances.

There is potential for major penalties if the University fails to deduct and/or remit PAYG withholding tax.

**Interest**

PAYG withholding tax is imposed at the flat rate of 10% of the gross amount of interest paid to a non-resident. The rate of PAYG withholding tax is 10% regardless to whether Australia has entered into a Double Tax Agreement (“DTA”) with the relevant country.

**Royalties**

PAYG Withholding tax is also required to be deducted from royalties paid to non-residents of Australia. The standard rate of deduction is 30%, but this may be reduced pursuant to the provisions of a DTA.

Unlike dividends and interest, amounts constituting royalties may often be difficult to identify. It is therefore essential that any agreements providing for payments to non-residents be carefully reviewed to ascertain whether the payments constitute royalties.
Royalties are defined in the Australian domestic taxation legislation [6.2 (Attachment A)] and in DTAs (note: the definition of a royalty varies between DTAs).

**Dividends**

As no dividends are paid by the University they are not considered further in this guide.