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# Tax and your CAL distribution

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## More information

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Payments from Copyright Agency Limited (CAL)'s distributions are affected by Australia's tax system. This can include income tax, the Goods and Services Tax (GST), the Pay As You Go (PAYG) tax system and Royalty Withholding Tax (RWHT). Members may also be allocated Input Tax Credits (ITCs).

The effect of the tax system on distribution payments varies according to:

- whether the distribution payment is for copying under a statutory or voluntary licence;
- whether the payment is based on money received from an overseas collecting society;
- the period the copying relates to;
- whether you have an Australian Business Number (ABN);
- whether you are registered for GST;
- whether you have submitted a Statement by Supplier to CAL; and
- whether you are an Australian resident for tax purposes.

**Members should advise CAL of any changes in their tax status as these changes may affect their distribution payment.**

## Payments for copying before 1 July 2000

Distributions of licence fees for copying before 1 July 2000 are not affected by GST, PAYG and ITC's.

CAL's July 2001 distribution is the first distribution affected by GST, PAYG and ITC's. Distributions prior to July 2001 are not affected by GST, PAYG and ITC's.

However it should be noted that all of CAL's distributions are affected by Income tax and RWHT.

The tax system may also affect payments made by members to secondary recipients.

## CAL's licence schemes

CAL's licence schemes can be divided into statutory and voluntary licence schemes. There are also agreements with overseas collecting societies.

The licence scheme from which a distribution payment is made may affect the tax treatment of a payment.

### Statutory licence schemes

CAL has been appointed by the Commonwealth Government as the declared collecting society to administer some of the licence schemes created by the *Copyright Act 1968* (the Act). These licences are usually referred to as the statutory licence schemes.

These schemes include the licences that allow educational institutions and institutions assisting people with disabilities to reproduce and communicate works for educational purposes. They also include the scheme which allows Commonwealth, State and Territory governments to reproduce works for government purposes.

### Voluntary licence schemes

CAL also manages voluntary licence schemes where CAL grants a licence to copy on behalf of members who have elected to participate in that licence scheme.



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These include the Corporate, Press Clipping, Religious Organisations, Document Delivery, Associations, and Copyright Express licence schemes, and the online projects administered by CAL.

### Agreements with overseas collecting societies

In addition to its statutory and voluntary licence schemes, CAL has reciprocal agreements with a number of overseas copyright collecting societies. CAL receives money through these societies on behalf of Australian authors and publishers for copying of their works overseas.

These reciprocal agreements are also classified as voluntary licences.

### Income tax

All payments from CAL's distributions should be treated as income for taxation purposes.

Members should seek advice from their accountant or financial adviser on the income tax implications of CAL payments.

### Goods and Services Tax (GST) and payments from CAL's distributions

#### Statutory licences

The Australian Tax Office (ATO) has confirmed that GST is not payable in respect of distributions by CAL to members under the statutory licence schemes.

This is because licence fees distributed to rightsholders under the statutory licences are not considered to be payment for a 'taxable supply'.

#### Voluntary licences

CAL will add 10% to distribution payments from the voluntary licence schemes made to GST-registered members. These members must remit that GST to the ATO less any GST passed on to secondary recipients.

Where CAL makes a distribution that includes payments for copying done both before and after 1 July 2000, CAL will pro-rata the GST to the actual amount payable by the recipient.

If you have not informed CAL that you are registered for GST, CAL will not add GST to your distribution payment.

Any GST added to distribution payments is shown on both the Notification of Copied Works (Notification) and the Remittance Advice.

#### Overseas collecting societies

Distributions made by CAL of money received from overseas collecting societies are GST-free. This is because money received from overseas collecting societies is considered to be payment for an export of services, and therefore exempt.

### Input Tax Credits (ITCs) and payments from CAL's distributions

CAL deducts its operating costs from licence fees received. The balance of the money is available for distribution to members.

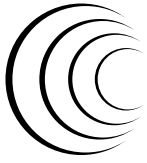
#### Statutory licence schemes

GST does not apply to the distribution of licence fees received under a statutory licence. However, GST is payable by CAL on the operating costs associated with administering the statutory licences, as this is considered to be provision of a 'taxable supply' to members. This payment results in the accumulation of input tax credits which CAL allocates equally between all statutory licence recipients calculated as a percentage of the amount allocated for copying of their works.

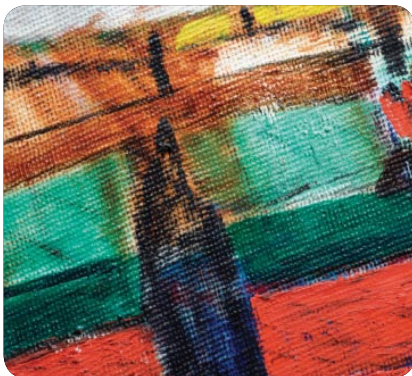
These credits may be set off against other tax liabilities by GST-registered members. Input tax credits cannot be used by members who are not registered for GST.

#### Voluntary licence schemes

GST is not payable by CAL in respect of the operating costs associated with voluntary licences, so there are no input tax credits available to members receiving distributions from those voluntary licences.



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#### Overseas collecting societies

CAL deducts 7.5% from money received from overseas collecting societies. This deduction is made to cover CAL's costs in distributing this money to members.

There is no GST payable by CAL on this deduction, as it is also considered to be a payment in relation to an export of services. As a result there are no input tax credits available to members in relation to the amounts deducted from money received from overseas collecting societies.

#### Pay As You Go (PAYG) tax and CAL's distributions

The PAYG system requires CAL to retain tax on some payments.

##### Statutory licence schemes

CAL is not required to withhold PAYG from distribution payments under the statutory licence schemes.

##### Voluntary licence schemes

If you receive a distribution under a voluntary licence scheme and you have not quoted an Australian Business Number (ABN), CAL must withhold PAYG tax from your distribution payment at the highest marginal rate.

An ABN quoted to CAL should be that assigned to the same name as your membership.

There are exceptions to this general rule. CAL does not need to withhold PAYG tax from payments under the voluntary licence schemes to overseas residents (although these payments are subject to royalty withholding tax). In addition, CAL is not required to withhold PAYG tax from payments to an individual member or 'natural person' who has advised CAL that their writing activity is a private recreational pursuit or hobby.

If you believe that you come within this exception, then you must supply CAL with a completed Statement by Supplier. These forms are available from the ATO or through their website [www.ato.gov.au](http://www.ato.gov.au) (form NAT3346).

PAYG deducted from a distribution payment is shown on the Notification and Remittance Advice provided to members.

##### Overseas collecting societies

CAL is not required to deduct PAYG from payments of money received from overseas collecting societies as this is considered to be payment for export of services.

#### Royalty Withholding Tax (RWHT) deducted by CAL from payments to overseas residents

Payments from CAL's distributions made to non-residents of Australia are subject to Australian RWHT. The normal rate of RWHT is 30%, except where paid to a resident of a country with which Australia has a comprehensive double taxation treaty. The rate for treaty countries varies between 5% and 15%.

Australian RWHT applies to ALL distributions payments made to overseas residents regardless of the licence scheme under which they are made.

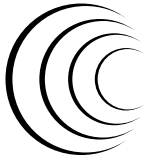
RWHT deducted from payments is shown on the Remittance Advice sent to members with their payments.

Members may be entitled to offset the amount of RWHT deducted from their payment against other tax liabilities.

CAL is not required to deduct RWHT from payments to members who live overseas but are still Australian residents for tax purposes. These payments are affected by the taxation system in the same way as payments made within Australia.

#### Royalty Withholding Tax (RWHT) deducted by overseas collecting societies from payments to CAL

As already mentioned, CAL is required to deduct RWHT from payments made to non-residents. Similarly, many overseas collecting societies are required to deduct RWHT from payments made to CAL.



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Any RWHT deducted by an overseas collecting society from a payment made to CAL is shown on the Notification provided to members.

Members may be entitled to offset the amount of RWHT deducted from their payment against other tax liabilities.

## Distribution documentation provided to members

### Notification of Copied Works

CAL's Notification of Copied Works (Notification) identifies the amounts members are entitled to claim from CAL's distributions. For each work listed the Notification will show any:

- GST added;
- PAYG deducted;
- ITC's allocated; or
- RWHT deducted by another collecting society.

These figures will be based on information about the member's tax status provided to CAL at the time the Notification was issued. If the member's tax status changes, the GST, or PAYG amounts shown on the Notification will also change.

CAL will recalculate these amounts at the time the payment is made to ensure they are correct.

### Claim Form, Remittance Advice and Recipient Created Tax Invoices

The Claim Form includes an agreement authorising CAL to issue a Recipient Created Tax Invoice (RCTI) where necessary on behalf of GST-registered members. This means members do not need to raise a tax invoice to CAL.

The terms of the RCTI agreement do not affect any Claim Form where CAL is not required to issue a RCTI.

The remittance advice accompanying payments made to GST-registered members under the voluntary licence schemes will constitute a RCTI, generated by CAL on behalf of the member.

The RCTI will state the total GST paid to, and payable by, GST-registered members.

The remittance advice will also advise non GST-registered members of any PAYG tax or RWHT deducted by CAL from the distribution payment. Any ITCs available to the member from the payment will also be shown.

## Tax invoices should not be supplied to CAL

As previously mentioned, CAL generates a RCTI for payments made to GST-registered members under the voluntary licence schemes. This replaces the tax invoice a GST-registered member would otherwise be required to provide to CAL.

In signing a Claim Form prior to receiving distribution payments from voluntary licence schemes, members agree not to issue a tax invoice to CAL.

Members should therefore not issue a tax invoice to CAL for any distribution payments.

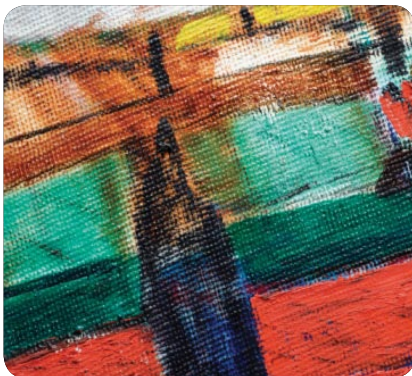
## Effect on payments by members to other authors and publishers (secondary recipients)

CAL's current policy is to distribute all money for copying of a work to one member only. That member must then account to any other rightsholder in the work who is entitled to a share of the distribution.

In accounting to secondary recipients members should consider the following:

### CAL has added GST to the payment

- Members should add GST to any payments made to secondary recipients who are registered for GST. GST should not be added to any payments made to secondary recipients who are not registered for GST.
- The GST received from CAL must be accounted for in the member's Business Activity Statement (BAS) including pro-rata payments to secondary recipients.



### More information

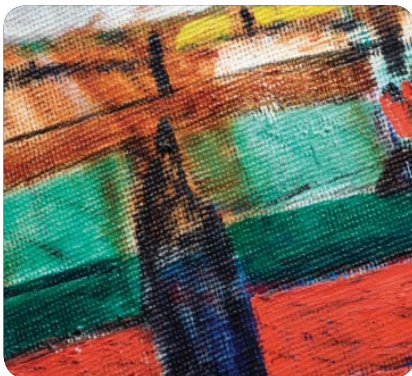
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- Members should consider if they are required to deduct PAYG from any payments to secondary recipients who do not have an ABN.

### ITCs shown on Notification

- Member should advise secondary recipients of their share of the ITCs.
- The ITCs allocated by CAL and then allocated to secondary recipients should be accounted for in the member's BAS.

### PAYG shown on Notification

- Members should advise secondary recipients of their share of the PAYG retained by CAL from the original CAL payment.
- Any PAYG not deducted from payments to secondary recipients may be used to reduce the member's tax liabilities.

### RWHT shown on Notification of Remittance Advice

- Members should advise secondary recipients of their share of RWHT deducted from the payment.
- Members may be able to use the balance to reduce their tax liabilities.

### Members should seek advice

This information sheet is a general guide only.

CAL strongly recommends that members seek independent financial advice from their accountant or financial advisor regarding how the tax system will affect them.

### Further information

For further information or if you have a question relating to tax and your CAL distribution please contact CAL's

### Who is CAL?

Copyright Agency Limited (CAL) is a not-for-profit company set up by Australian authors, journalists, visual artists, photographers and publishers to manage part of their copying and communication rights. CAL is owned by its members, membership is free and members give CAL a non-exclusive licence in respect of their works.

### Code of Conduct

CAL is a signatory to the Code of Conduct for Copyright Collecting Societies (the Code). It is designed to ensure that the rights of all members and licensees are clearly stated, and that the operations of collecting societies are transparent and accessible.

The Code includes requirements for the Complaints Handling and Dispute Resolution procedures that collecting societies must follow. The Code and these procedures are available from CAL's website and on request.