



# Voluntary agreement for PAYG withholding

How to set up a voluntary agreement to bring a contract worker's payments into the PAYG withholding system (NAT 2772).

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A voluntary agreement is an agreement between a business (the Payer) and a contract worker (Payee) to bring work payments into the pay as you go (PAYG) withholding system.

## How to obtain this publication

You can download a sample of this publication in Portable Document Format (PDF).

### Get it done

Download Voluntary agreement for PAYG withholding (NAT 2772 PDF 204KB) form.



**If you prefer to complete by hand, print a blank copy of the form.**

## How to fill in this form

- Print clearly in BLOCK LETTERS using a black or blue pen.
- Place X in ALL applicable boxes.

### Part A

Complete all payee details.



**The agreement is only valid if the payee:-**

- has an ABN
- is an individual person.

### Part B

Complete all payer details.

### Part C

The rate of withholding is notified at Part C of the form and it will be either the payees instalment rate or a flat rate of 20%. The payer then withholds at that rate from the gross amount payable after deducting any goods and services tax (GST) charged.

The payees instalment rate is a percentage figure normally used to calculate PAYG instalments. We will notify a payee of their instalment rate. For the purpose of voluntary agreements, the instalment rate

used must be the rate notified by us – this is called the Commissioner's instalment rate (CIR).

The payee must disclose to the payer their CIR or state that they do not have one.

If the payee's CIR is greater than 20%, the payer must withhold at the payee's CIR.

If the payee's CIR is less than or equal to 20%, the rate the payer must withhold will be 20%, unless the payee and payer agree that the payee's CIR will apply.

If the payee's CIR is not known at the time of the agreement, then the flat rate of 20% applies.

When the payee is first advised of their CIR, or advised of a new CIR, they may need to enter into a new agreement after considering the rules. They must terminate the current agreement before entering into a new one.

## **Part D**

For this agreement to be valid both parties to the agreement must identify the nature of the work to which the payments relate and must sign and date the agreement.

## **Other information**

### **For payers**

Payers need to:

- complete and lodge their activity statements with us, including any amounts withheld under voluntary agreements
- give each payee a PAYG payment summary – business and personal services income (NAT 72545) by 14 July after the financial year (or earlier if requested)
- complete an annual report of all payments made under voluntary agreements and send this to us by 14 August each year.

### **For payees**

## **GST implications**

Payees who have indicated that they are registered for GST on the form will need to consider the response the payer provided regarding GST tax credit entitlement and where the payer has answered:

(a) 'YES' to this question, the payee does not charge GST on supplies to which this agreement relates.

(b) 'NO' to this question, the payee **MUST** charge GST on taxable supplies made to which this agreement relates.

If the payee is registered for GST, they can claim input tax credits on goods or services bought and used in performing the work under a voluntary agreement.

## **Lodging activity statements**

A payee needs to lodge their activity statements to report on their business tax obligations and entitlements, including PAYG instalments and GST. If you have nothing to report for a particular reporting period, you must still sign and date your activity statement and return it to us by the due date.

When completing your activity statement, remember that your instalment income does not include income you receive under a voluntary agreement.

## **Lodging tax returns**

A voluntary agreement does not change a payees obligation to lodge an income tax return. All the income you earn, including income from voluntary agreements, must be included in your return.

The payer and the payee must keep a copy of the voluntary agreement while it is in force and for five years after the last payment is made under the agreement. Copies do not have to be sent to us.

Payers are required to lodge annual reports of all payments made under voluntary agreements with us each financial year. We will use this information to check details contained in tax returns.

## **After completing this form**

- Sign the declaration.
- Both parties keep a copy for their records.

For details about the personal information we collect from you see  
Privacy notice – Voluntary agreement for PAYG withholding.

### **Find out more**

PAYG withholding – voluntary agreements (NAT 3063).

QC 16223

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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