

# Plant & Associates

## Voluntary Agreements

### What is a Voluntary Agreement?

This is an agreement between a contractor (payee) and a payer to introduce the payee into the PAYG withholding system. The payee must not be under any salary and wages PAYG arrangements or being paid under a labour hire agreement already. A contractor can only be entered under this system if being paid under a contractor basis.

### Which industry is the arrangement suited for?

A voluntary agreement is usually put in place where the payment is partly or wholly for the performance of work or services especially for the following contractors in the certain industries:

- Computer consultants where they may be contracting for a manufacturing company to develop an electronic reporting system
- Electricians/Plumbers/Plasterers who may be contracted to do work on new resort units
- Marketing consultant for one of the large retail organisations to undertake market research

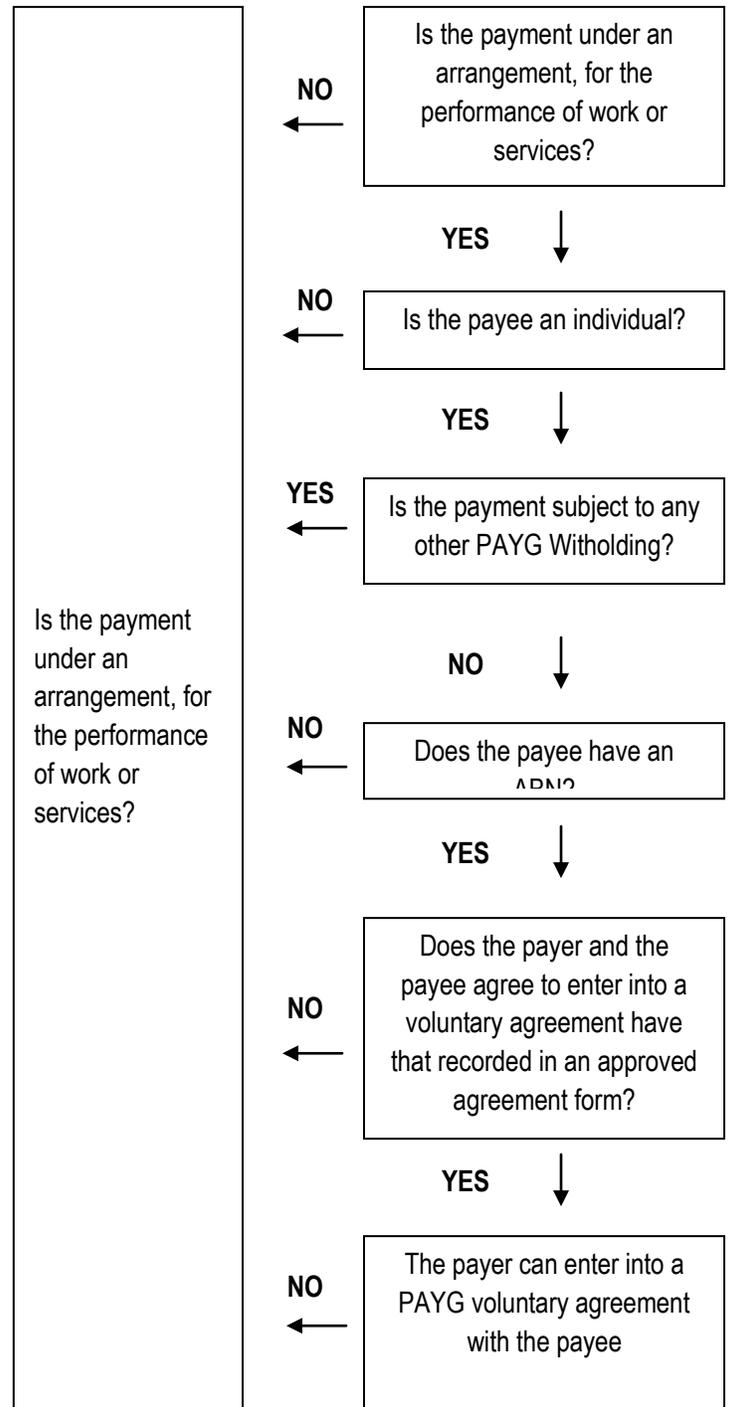
### What are the benefits of a Voluntary Agreement?

A voluntary agreement is a great strategy for helping independent contractors meet their tax obligations. Rather than being hit with a big lump sum of tax to pay at the end of the year, the contractor can make regular contributions towards their expected tax debt at the end of the year. The rate of tax withheld is usually advised by the ATO. This is also called the Commissioner's Instalment Rate (CIR) which is in most cases at a rate of 20%.

### How does GST get accounted?

If the contractor is not registered for GST, there is no GST charged on supply or are they entitled to GST credits on acquisitions. If GST registered, GST on purchases can be claimed if acquisitions are for work/business related purposes as per voluntary agreement. It is important to know that a contractor does not need to charge GST on supply of goods or services under this agreement if the payer is entitled to full GST credits. If not (usually if supplying financial/education/medical services) the contractor must charge GST on supply provided. The voluntary agreement must indicate if the payer is entitled to full GST credits or not.

### Circumstances where a contractor can enter into a voluntary agreement with a payee:



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