Royalty payments, Editorial payments – monies deposited into Consulting Funds

Issues:

Royalties, Editorial Fees are a service
Royalties, Editorial Fees are payment for a service supplied and may be subject to GST. If unsure please contact the Tax Accountant.

Royalties (outside of Australia) are NOT subject to GST because there is no connection with Australia i.e. Books are sold O/Seas. (Use tax code : No Tax)

Timing of Royalties i.e. is it affected by when the book is written or sold?
Royalties are based on sales. Publishers hold onto royalties for a specified period and then remit to author. Any arrangements entered into pre GST should be referred to the Tax Accountant.

When the Academic is providing a service personally?
Individuals require an ABN otherwise PAYGWT (46.5%) will be deducted. Major publishers are advising authors that royalty payments will not be redirected i.e to the University and will only pay royalties to the author they have contracts with.

If the Author has an ABN and is not registered for GST, the payment from the Publisher will not include GST.

Author can send their own (ie not a University) invoice to the Publisher with their ABN (no GST will be charged because not registered for GST) or providing Publisher has ABN number of Author could make payment without Author’s invoice.

Decision on whether to still deposit into consulting fund or use the monies for personal use. (flowchart below)

If depositing royalty or editorial payments into a consulting fund the following will happen:

- This becomes a separate transaction. The University will withhold 1/11\(^\text{th}\) and remit to the ATO. For example, if the value is $550, $500 will be credited to consulting fund and $50 forwarded to ATO. This separate transaction is effectively a fee that the University is charging the Academic for use of University resources (tax invoice must be given to the Academic).

- For the purpose of the Academic staff member’s personal tax obligations, any royalties or editorial fees derived by the Academic are considered to
be ordinary income and form part of their assessable income, a deduction may be available to them for the amount paid to Flinders. Accordingly, the Academic should consult their personal tax advisor on this issue.

If the Academic decides to solely keep the royalty/editorial income then that also forms part of their assessable income and should consult their personal tax advisor.

The flowchart below illustrates the process. Illustrated example:

For further enquiries please contact the Tax Accountant on 8201 2301.