Australian Government
Australian Taxation Office

Working

- https://www.ato.gov.au/Individuals/Working/
- Last modified: 15 Nov 2016
- QC 27102

Being an employee is different from being a contractor. If you're a contractor, you're self-employed and you're running your own business. If you're an employee, you're working in another person's business.

Whether you're a contractor or an employee could change for each job you do.

If the business you work for incorrectly classifies you as a contractor, when you should really be treated as an employee, you could be missing out on things like sick leave, holiday pay, super and work cover.

If you are working as an apprentice, labourer or trainee you will always be an employee for tax and super purposes.

Follow the links below for more information on:

- Working as a contractor
- Working as an employee

See also:

- Employee or contractor - what's the difference
- Common myths
- What to do if you're unsure

Working as an employee

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/
- Last modified: 29 Jun 2018
- QC 43436

Employees have both rights and obligations. When you leave or change jobs – or take a second job – your rights and obligations may change, just as they will if you move overseas, or if you leave the workforce or retire.

While you're working, you must pay income tax on payments you receive from your employer. Your employer will deduct tax from your pay and send it to us.

At the end of the financial year you need to lodge a tax return. You may receive a refund after claiming any deductible expenses to which you are entitled. Your employer will generally be required to pay super contributions for you.

This page explains:

Starting your job

Your employer is required to withhold tax on your behalf from your wages and, in most cases, to pay super into your super account.

When you start a job, you need to make sure that you have a tax file number (TFN) and that you've completed a TFN declaration. Your employer uses your TFN declaration to work out how much tax to withhold from your pay.

Next steps:

- Getting a TFN
- Making a TFN declaration

See also:

- Information if you're new to Australia or you are on a working holiday

What your employer must do

Your employer will withhold tax for you from your wages and send it to us. When you lodge your tax return, the amount already withheld during the year reduces the final amount of tax you have to pay, if any.

We produce tax tables and calculators to help your employer work out how much to withhold from your payments (you can use these too if you want to check how much tax should be withheld from your pay). Your employer reports the amount they have withheld from your pay on your annual payment summary at the end of the year.

Your employer (or another payer, such as Centrelink) must give you a payment summary by 14 July each year. If you have more than one payer during the year, each one will give you a payment summary. Your payment summary contains information you will need to help you complete your tax return.

Generally you will have super contributions paid in addition to your salary or wages. Your employer must make these contributions on your behalf.

Some people receive fringe benefits as part of a salary package. These are a non-cash benefit either you or an associate, such as your spouse or children, receive because of your employment. Benefits can be provided by your employer, or sometimes by your employer's associate or a third party under an arrangement with your employer.

Your employer should provide a work place free of unlawful discrimination and promote diversity. If you're a working parent, have carer responsibilities and/or a disability, you should discuss ways your employer can support you.

See also:

- Super
- Fringe benefits tax
- Work out your rights - information for employees
- Supporting working parents

Paying tax

You pay income tax on your salary and wages, most Centrelink payments, investment income from rent, bank interest or dividends you receive, profits from selling shares or property and income from your business.

The amount of income tax and the tax rate you pay depends on your circumstances and how much you earn. The more you earn, the higher your rate of tax.

If you're an Australian resident, the first $18,200 you earn is tax free, although in some circumstances this is reduced. You can claim the tax-free threshold when you complete your TFN declaration.

If you earn additional income (for example, from a second job or a taxable pension) your second payer is required to withhold tax at the higher, 'no tax-free threshold' rate. Otherwise you might have a tax debt at the end of the financial year.

You may also need to pay a Medicare levy, generally 2.0% of your taxable income.

If you have an accumulated Higher Education Loan Program (HELP), Student Start-up Loan (SSL), Trade Support Loan (TSL) or Financial Supplement debt, you need to include this information on your TFN declaration. Depending on how much you earn, you may have to make repayments on this debt as part of your income tax payment.

You need to lodge a tax return each year. You may be eligible to claim tax deductions for expenses you directly incur in earning your income. However, you cannot claim the cost of normal domestic or private expenses.

See also:

- Lodging your tax return
- Income and deductions

Super contributions

When you start a job you need to:

- choose a super fund for your employer to pay your super into
- make sure that your super fund has your TFN to minimise the tax paid on your super contributions.

When you change jobs, or have more than one job at a time, be sure to keep track of your super.

Check that your super fund has your TFN. If your super fund does not have your TFN they may not accept the payment or will deduct extra contributions tax. It is also easier for them and you to keep track of your super accounts.

See also:

- Keeping track of your super

While you are working

You and your employer both continue to have these tax and super obligations while you are working.

Your day to day working arrangements may include:

- Receiving cash for the work you do
- Salary sacrifice and salary packaging
- Employee share schemes
- Workplace giving programs
- Working overseas

Claiming the tax-free threshold

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Claiming-the-tax-free-threshold/
- Last modified: 29 Apr 2019
- QC 50527

If you're an Australian resident for tax purposes, the first $18,200 of your yearly income isn't taxed. This is called the tax-free threshold. You can claim the tax-free threshold to reduce the amount of tax that is withheld from your pay during the year.

When you start a job, your payer (employer) will give you a *Tax file number declaration* to complete. Centrelink is also a payer and they will give you this form if you apply for their payments.

You tell your payer you want to claim the tax-free threshold by answering Yes at question 8 'Do you want to claim the tax-free threshold from this payer?'

The $18,200 tax-free threshold is equivalent to:

- $350 a week
- $700 a fortnight
- $1,517 a month.

When your taxable income exceeds the tax-free threshold you pay tax on the excess.

On this page:

- If you have income from two payers
- If you're a resident for part of the year

If you have income from two payers

You may be paid by two or more payers at the same time. For example, you may:

- have two jobs
- receive a taxable pension or government allowance and also have a regular part time job.

If you have more than one payer at the same time, we generally require that you only claim the tax-free threshold from the payer who usually pays the highest salary or wage.

Your second payer is required to withhold tax at the higher, 'no tax-free threshold' rate. The same applies to any additional payers. This reduces the likelihood of you having a tax debt at the end of the financial year.

Sometimes the total tax withheld from all sources may be less or more than needed to meet your end-of-year tax liability. You won't be out of pocket because the withheld amounts are credited to you when you lodge your income tax return. But if you want, you can apply to change the amounts withheld to more closely match your end-of-year tax liability:

- If your income is less than $18,200
- If your income is over $18,200 and too much is withheld
- If too little is withheld

If your income is less than $18,200

If you're certain your total annual income from all payers will be less than $18,200 you can claim the tax-free threshold from each payer.

- If you do this, and your total income later increases to above $18,200, you'll need to provide a new Withholding declaration to one of your payers to stop claiming the tax-free threshold from that payer.

Example

Jeff has a taxable pension of $384.61 per fortnight ($10,000 for the year) and also a part-time job earning $307.69 per fortnight ($8,000 for the year) during the 2017–18 year.

Jeff claims the tax-free threshold on his pension and no tax is withheld during the year.

If Jeff doesn't claim the tax-free threshold through his employer for his part-time job, $66 per fortnight would be withheld and the total tax withheld from Jeff's payments during the year would be $1,716.

Assuming that Jeff doesn't have other income, his tax payable at the end of the financial year would be nil. He would receive a refund of the total tax withheld of $1,716.

In this case, Jeff could also claim the tax-free threshold for his part-time job through his employer so that no tax is withheld from payments made to him. This can be done by completing a Withholding declaration.

If your income is over $18,200 and too much is withheld

You can apply to reduce the amounts withheld from your payments by lodging a PAYG withholding variation application.

When we receive your application, we'll calculate the varied amount and provide your payers with new instructions for withholding tax. You should only apply for this variation if you're certain of your income amounts and are disadvantaged by the current withholding rates.

Example

Sue has two jobs during the 2017–18 year. As a part-time retail sales assistant she earns $538.46 per fortnight ($14,000 for the year). She also works in a restaurant earning $384.62 per fortnight ($10,000 for the year).

Sue claims the tax-free threshold from her retail employer and has no tax withheld.

If Sue doesn't claim the tax-free threshold from her restaurant employer, $84 per fortnight would be withheld ($2,184 for the year).

Assuming that Sue doesn't have other income, her tax payable when she lodges her return would be:

Taxable income	$24,000
Income tax payable on $24,000	$1,102
Less low income tax offset	$445
Plus Medicare levy (10% of income over $$21,980)	$202.00
Total tax and Medicare levy	$859.00
Credit for total tax withheld	$2,184.00
Refund due	$1,325.00

The refund of $1,325.00 arises because too much was withheld from the payments Sue received from her employers during the year. She can apply to us for a withholding variation to reduce the amounts withheld so that she receives extra net pay during the year, rather than a large tax refund at the end of the financial year.

If too little is withheld

Sometimes the total tax withheld from your payments may be too little to cover your likely tax liability.

To avoid an end-of-year tax debt, you can ask one or more of your payers to increase the amount they withhold from your payments. Your request should be in writing, but can be in any format – you can send an email request, or a paper or computer-based form.

Example

Pierre receives a taxable pension and has a part-time job. Over the course of the 2017-18 year, he receives:

- $30,000 from the pension – Pierre's payer applies the Medicare levy and tax-free threshold to his fortnightly payments
- $30,000 from the part-time job – Pierre's employer applies the Medicare levy and no tax-free threshold to his fortnightly payments.

The tax withheld is:

	Annual income	Fortnightly income	Fortnightly tax withheld
Pension	$30,000	$1,153.84	$108.00
Part-time job	$30,000	$1,153.84	$314.00
Total	$60,000	$2,307.68	$422.00

At the end of the financial year the total tax withheld from Pierre's payments continues to have tax withheld of $422.00 each fortnight, which will be $10,972 ($422 × 26).

When Pierre lodges his tax return for the year, the actual amount of income tax he has to pay will be:

Taxable income	$60,000
Income tax payable on $60,000	$11,047
Less low income tax offset	$100
Plus Medicare levy (2% of $60,000)	$1,200
Total tax and Medicare levy	$12,147
Credit for total tax withheld	$10,972
Tax payable	$1,175

Pierre will have a tax debt of $1,175 as insufficient tax was withheld during the year.

Pierre can ask one or both of his payers to withhold extra tax to cover the shortfall. Alternatively, he can put money aside to ensure that he can pay his tax bill when it falls due.

See also:

- Varying your PAYG withholding

If you're a resident for part of the year

Your tax-free threshold is less than $18,200 in a financial year if you:

- entered with the intention to reside in Australia during the year

- left Australia with the intention to reside overseas during the year.

If you're a non-resident you're not entitled to the tax-free threshold. This means you pay tax on every dollar of income you earn in Australia.

If you were a resident for part of the year, you have a tax-free threshold of at least $13,464. The remaining $4,736 of the full tax-free threshold is pro-rated according to the number of months you were a resident:

$13,464 + $4,736 × (number of months as a resident of Australia ÷ 12)

See also:

- [Tax-free threshold for newcomers to Australia]
- [Tax-free threshold if you are leaving Australia with the intention to reside overseas]

Receiving cash for work you do

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Receiving-cash-for-work-you-do/
- Last modified: 27 Apr 2018
- QC 27111

Your employer may pay your wages to you in cash (or with a cash cheque), rather than into your bank account. Paying wages in cash is legal and may be more convenient.

Some businesses deliberately use cash transactions (for example, pay their employees 'cash-in-hand') to avoid meeting their tax and employee responsibilities.

If you receive cash for work you do, you need to:

- be paid (at least) the correct award wages
- ensure you don't end up with a large tax bill because your employer hasn't taken tax out of your pay
- get the benefit of super contributions
- be covered by your employer's workers compensation insurance in case of an accident.

Your rights and responsibilities

If you are being paid cash, you:

- must declare the cash as income when you lodge your tax return
- should still receive a pay slip showing all your earnings and the amount of tax

taken out
- should receive a payment summary at the end of the year setting out your full earnings for the year and the amount of tax deducted
- should check that your employer is making super contributions on your behalf.

Declare your tips

Tips are income. If you receive cash tips, you must declare them on your tax return – regardless of how you receive them. It makes no difference if tips come from your employer or direct from customers.

Some tips are collected for all workers (like in a tip jar) by employers and shared between employees. These tips are part of your wages.

See also:

- Unpaid super
- PAYG withholding
- Fair Work Ombudsman

Salary sacrifice and salary packaging

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Salary-sacrifice-and-salary-packaging/
- Last modified: 19 May 2017
- QC 27113

A salary sacrifice arrangement is also referred to as salary packaging or total remuneration packaging. It is a formal arrangement between an employer and an employee, where the employee agrees to receive a lower amount of pay each payday in return for the employer providing them with benefits of a similar value to the reduction in pay.

Effective salary sacrifice

The requirements for an effective salary sacrifice arrangement are:

- the arrangement should be entered into before you perform the work
- there should be an agreement between you and your employer – the contract is usually in writing, but may be a verbal one
- there should be no access to the sacrificed salary – the sacrificed salary must be permanently forgone for the period of the arrangement.

If a fringe benefit that has not been provided is cashed out at the end of a salary sacrifice arrangement accounting period, the amount cashed out is salary and is taxed as normal income.

Salary and wages, leave entitlements, bonuses or commissions that accrued before the arrangement was entered into cannot be part of an effective salary sacrifice arrangement.

You cannot include payments you have direct debited from your pay, such as health insurance premiums, loan repayments, union fees or credit card repayments. These payments are made from after-tax or net amounts of salary.

There is no restriction on the types of benefits that can be sacrificed. The important thing is that the benefits form part of your remuneration, replacing what would otherwise be paid as salary.

Salary sacrifice may affect super and some government benefits

It's important to understand the potential implications of entering into a salary sacrifice arrangement with your employer. The following may apply to you:

- you pay a lesser amount of income tax on the reduced amount of salary or wages you receive
- your employer may be liable to pay fringe benefits tax (FBT) on the non-cash benefits provided
- salary sacrificed super contributions are classified by your super fund as employer contributions rather than your own. This reduces the amount of super guarantee contributions that your employer is required to make for you. That is unless the terms of the agreement between you and your employer specify that they continue to pay the minimum super guarantee amount.
- your employer may be required to report certain benefits on your payment summary. The value of these reported benefits is taken into account in assessing your eligibility for the Medicare levy surcharge, for some tax offsets, for child support payments, and for assessing entitlement to some government benefits.

The Fair Work Commission regulates employment agreements and conditions. To check your conditions contact Fair Work Commission.

See also:

- Salary sacrificing super
- Implications of entering into an agreement
- Fringe benefits tax (FBT)

Employee share schemes (ESS)

- https://www.ato.gov.au/Individuals/Working/Working-as-an-

employee/Employee-share-schemes-(ESS)/
- Last modified: 09 Jun 2015
- QC 27114

Some companies encourage employees to take part in employee share schemes (ESS). They offer their employees shares, stapled securities or rights, or options to acquire them at a discount.

Where you acquired ESS interests at a discount, the discount is taxed, although some concessions may apply.

You will need an ESS statement from your employer in order to complete your tax return.

See also:

- Employee share schemes

Accessing your payment summary

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Accessing-your-payment-summary/
- Last modified: 01 May 2019
- QC 58694

How you get your end of financial year information from your employer showing your earnings for the year (also known as a payment summary or income statement) depends on how your employer reports your income, tax and super information to us. You will be provided with either:

- An income statement – if your employer reports through Single Touch Payroll (STP) they are no longer required to give you a payment summary, this information will be made available to you through ATO online services via myGov and finalised by 31 July.
- A payment summary – if your employer is not yet reporting through STP they will continue to provide you with a payment summary by 14 July (as they do now).

Your employer will let you know if they won't be giving you a payment summary this year. You should talk to your employer if you are unsure how they will be providing this information to you.

If you have more than one employer, you may receive both a payment summary and an income statement. You will need to check that income from your payment summaries is included in your return. This information may be pre-filled for you or you might need to enter it manually.

If your employer is reporting through STP and you can't access your information via myGov, you can contact us on 13 28 61 for a copy of your income statement.

Learn more about getting your end of financial year information through:

- ATO online service via myGov
- your tax agent.

Through ATO online services via myGov

If your employer has started reporting through STP, they are no longer required to give you a payment summary. You will instead receive an income statement. You will be able to access this information through your ATO online services via myGov.

Your income statement will show your year-to-date salary and wages, the tax that has been withheld and the reported amounts of your employer super.

Your income statement/s will be ready to use in your tax return when your employer marks it as 'Tax ready'. They have until 31 July to do this but will often do it earlier. It is important that you don't use any information that is not marked 'Tax ready' as your employer may finalise your income statement with different amounts which means you may have to amend your tax return.

We will send a notification to your myGov inbox when all of your income statements are 'Tax ready'.

How to access your income statement

If your myGov account is set up and linked to ATO online services, you need to:

- Log in to myGov using your email address or mobile phone number.
- Select ATO online services.
- Select Employment and then view my Income statement.

On the screen you will see the income you have earned from your employer or employers for the financial year, and the tax that has been withheld.

If you can't access your information via myGov, you can contact us on 13 28 61 for a copy of your income statement.

Next steps:

- Link the ATO to your myGov account
- Sign in to myGov

Your tax agent

Your tax agent will be able to access your payment summary or income statement information through their software or the Tax Agent Portal, this has not changed.

If your employer is reporting through STP, your agent will need to wait until the income statement has been marked as 'Tax ready' to prepare and lodge your return. Employers have until 31 July to do this.

We will send a notification to your myGov inbox when all of your income statements are 'Tax ready'.

See also:

- Single Touch Payroll for employees

Leaving your job

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Leaving-your-job/
- Last modified: 15 Nov 2016
- QC 27125

The payments you receive when you leave a job may be taxed differently to your normal income.

This information is for individuals who are just leaving a job. If you want information on stopping working entirely see:

- Leaving the workforce

If you leave a job during the year, you can ask for your payment summary at the time you leave, otherwise you will receive it at the end of the financial year.

If you are changing address or travelling, make sure you give your employer a postal address where they can send your payment summary.

Payments you receive for unused leave, termination of employment or redundancy may be taxed differently to your normal income.

If you received any lump sum payments from your employer for unused annual leave or unused long service leave, these may be taxed at a lower rate than your other income. If you have received such a lump sum payment it will appear at either 'Lump sum A' or 'Lump sum B' on the payment summary or statement you received.

Find out about:

- Employment termination payments
- Redundancy payments

Employment termination payments

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Leaving-your-job/Employment-termination-payments/
- Last modified: 21 Sep 2018
- QC 27127

An employment termination payment (ETP) is a lump sum payment made as a result of the termination of a person's employment. It can include:

- payments for unused sick leave or unused rostered days off
- payments in lieu of notice
- a gratuity or 'golden handshake'
- an employee's invalidity payment (for permanent disability, other than compensation for personal injury)
- compensation for loss of job or wrongful dismissal
- genuine redundancy payments or early retirement scheme payments that exceed the tax-free limit
- certain payments made after the death of an employee
- the market value of the transfer of property (less any consideration given for the transfer of this property).

ETPs do not include:

- lump sum payments for unused annual or long service leave
- the tax-free part of a genuine redundancy payment or an early retirement scheme payment
- superannuation benefits (for example, a lump sum or income stream from a super fund)
- foreign termination payments.

An ETP is taxed in the year in which it is received.

You can't roll over your ETP to your superannuation.

Your ETP is concessionally taxed if it is received within 12 months of your termination. There are different caps on the concessional treatment of ETPs paid to you or your dependants.

See also:

- Termination payments for employees
- Recipients of death benefit termination payments

Redundancy payments

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Leaving-your-job/Redundancy-payments/
- Last modified: 03 Oct 2018
- QC 27128

A genuine redundancy payment is a payment made to you as an employee who is dismissed because the job you were doing has been abolished - that is, your employer has made a decision that your job no longer exists, and your employment is to be terminated.

Depending on your employment conditions, for example, amounts your employer is required to pay under the industrial agreement or employment contract, a genuine redundancy payment may include:

- payment in lieu of notice
- severance payment of a number of weeks' pay for each year of service
- a gratuity or 'golden handshake'.

The following payments are not included in a genuine redundancy payment:

- salary, wages or allowances owing to you for work done or leave already taken for work completed
- lump sum payments of unused annual leave or leave loading paid on termination of employment
- lump sum payments of unused long service leave paid on termination of employment under a formal arrangement
- payments made in lieu of superannuation benefits.

Any payments that meet the conditions of a genuine redundancy are tax free up to a limit based on your years of service with your employer. The tax-free limit is a flat dollar amount plus an amount for each year of completed service in your period of employment with your employer. Indexation changes the tax-free limit on 1 July each year.

See also:

- Taxation of termination payments
- Working out and reporting the tax free amount

Leaving the workforce

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Leaving-the-workforce/
- Last modified: 09 Jun 2015
- QC 27129

For people who are retiring, there are a range of options for making the transition.

Under the transition to retirement rules, if you have reached your preservation age you may be able to reduce your working hours without reducing your income. You can do this by topping up your part-time income with a regular 'income stream' from your super savings. If you are over 60 years old, this income stream may be tax free.

However, you must be aware of the impact this can have on you and your circumstances. We recommend you see a financial adviser, accountant or your tax agent to help you decide if this option is right for you.

Employers still need to make compulsory super guarantee contributions for all their eligible employees – including people who are making the transition to retirement.

See also:

- Accessing your super to retire
- Preservation age
- Approved early retirement schemes

Accessing your super to retire

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Leaving-the-workforce/Accessing-your-super-to-retire/
- Last modified: 09 Jun 2015
- QC 27130

You can access your super:

- when you reach preservation age and retire
- when you turn 65 years old
- under the transition to retirement rules (if you are eligible), while you continue to work.

Under the super laws, you don't have to cash out your super just because you've reached a certain age but the rules of your particular super fund may specify otherwise.

Your preservation age is not the same as your pension age. Your preservation age is the age you must reach before you can access your super and depends on when you were born.

If you are 60 years old or older your super payments may be tax free.

See also:

- Preservation age
- Approved early retirement schemes

Approved early retirement schemes

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Leaving-the-workforce/Approved-early-retirement-schemes/
- Last modified: 09 Jun 2015
- QC 27131

An approved early retirement scheme is a scheme that an employer puts into place to encourage certain groups or classes of employees to retire early or resign.

Early retirement scheme payments are tax free, up to a limit based on the number of years the employee has worked for their employer. Any amount over the tax-free limit is treated as an employment termination payment. The tax-free limit is a flat dollar amount, plus an amount for each year of completed service with that employer. Indexation changes the tax-free limit on 1 July each year. For employees to be entitled to get the special concessional tax rates, the Commissioner of Taxation must approve the scheme before payments are made.

Beware of people offering to help you gain access to your super savings before you reach your preservation age. Many of these schemes are illegal and heavy penalties apply if you participate.

See also:

- Illegal super schemes – beware of offers to withdraw your super early
- Taxation of termination payments
- Super
- Preservation age

Workplace giving programs

- https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Workplace-giving-programs/
- Last modified: 08 Apr 2019
- QC 27123

Workplace giving is a simple way to regularly donate to charities or organisations that are entitled to receive tax deductible donations.

Your employer must ensure the participating charities or other organisations have ongoing deductible gift recipient (DGR) status. To check whether a charity is a DGR visit abr.business.gov.au/

If your employer offers workplace giving, you can choose your preferred charities from a selection and the amount to be deducted. Your employer then pays the donation directly to the charities each payday.

The workplace giving program does not affect the way your gross income, super guarantee payments or fringe benefits are worked out.

There is no minimum or maximum contribution required to participate, but the total amount must be claimed through your tax return regardless of whether you have been getting payday tax benefits for your donations.

At the end of the financial year, your employer will include the total amount you donated to charities in your payment summary, letter or email.

You report donations made under a workplace giving arrangement and donations made directly by you to charities in the same way on your tax return.

Example - employee workplace giving

Jane works in the advertising industry and earns $65,000 per annum.

Through a recent marketing campaign she was working on, she became interested in donating to a local animal shelter. She is now looking at entering into a workplace giving program her employee has set up with this shelter, but is unsure of the tax implications.

Jane’s fortnightly income is $2,492. She has organised with her employers to make a regular fortnightly donation of $15, and her employer will take this out of her income and reduce the amount of tax taken out each fortnight.

In her situation, Jane estimates that she will reduce her tax payable by $6 a fortnight or $156 per annum. She also won’t have to worry about hanging on to receipts, and can claim a tax deduction equal to the amount of donations in her payment summary.

See also:

- How to set up a workplace giving program
- Workplace giving vs. salary sacrificing arrangements
- Estimated tax savings for workplace giving

Working as a contractor

- https://www.ato.gov.au/Individuals/Working/Working-as-a-contractor/
- Last modified: 04 Jul 2018
- QC 43442

As a contractor, you can be an individual (sole trader) or working in your own company, partnership, or trust. You might even call yourself an independent contractor, sub-contractor or a 'subbie'.

Contractors have different tax and super obligations to employees.

As a contractor, you're running your own business. You need an Australian business number (ABN), and you need to pay tax and super. You're not entitled to paid leave if you get sick or injured. You may have to pay the cost to fix anything you damage in the course of your work. You may also have to pay the costs incurred by someone else if you cause an accident on someone else's property.

It's essential to find out what your tax and super obligations will be as a contractor. Knowing these obligations from the start can save you time, money and stress later on.

Next steps:

- ABN and other business registrations
- Starting your own business
- Employee or contractor - tax and super obligations compared

See also:

- Report income and claim deductions
- Super
- Do you work as a contractor in the building and construction industry
- Personal services income for contractors

Employee or contractor - what's the difference

- https://www.ato.gov.au/Individuals/Working/Employee-or-contractor---what-s-the-difference/
- Last modified: 04 Aug 2015
- QC 43437

If you are working as an apprentice, labourer or trainee you will always be an employee for tax and super purposes.

The main differences between working as an employee and working as a contractor

Situation	If you're a contractor	If you're an employee
Ability to sub-contract or delegate - who does the work?	You're free to pay someone else to do the work instead of you.	You can't pay someone else to do the work.
Basis of payment - how does the person who pays you work out how much to pay you?	You're paid all or the majority of the amount of your quote once you finish the work (to an agreed standard). You generally supply an invoice to the other business before they pay you.	You're paid either: • for the amount of time (normally hours or shifts) you worked • a price for each item or for each activity you do • a commission.
Equipment, tools and other assets - what you need to do your work?	You bring to the job all or most of the things you need to do your work. You have to buy or hire your tools of trade or any equipment you need to do the work.	The business you work for provides you with all or most of the things you need to do your work. or You provide all or most of the things you need to do your work but the business you work for gives you an allowance or pays you back for the cost of the things you bought.
Commercial risks - if you make a mistake, who pays to have it fixed?	You're responsible for fixing your own mistakes at your own expense.	The business you work for is responsible if you make a mistake. They pay for the cost of fixing it.
Control over the work - who tells you how to do the work?	You can do the work in any way you like as long as the work is completed to an agreed standard, or to the specific terms in your contract or agreement.	You follow any reasonable work requests your supervisor or the business you work for makes.
Independence - are you	You’re operating your own business independently. You	You’re seen to be part of the business and are not

seen to be a part of the business or separate?	complete the tasks or services as agreed to in your contract or agreement and are free to accept or refuse extra work.	independent from it.

Next steps:

- Employee or contractor - tax and super obligations compared
- Common myths
- What to do if you're unsure

Employee or contractor - tax and super obligations compared

- https://www.ato.gov.au/Individuals/Working/Employee-or-contractor---what-s-the-difference/Employee-or-contractor---tax-and-super-obligations-compared/
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The table below outlines the main tax and super obligations a business has when you're working for them as a contractor compared to working as an employee.

As a contractor	As an employee
You: • put money aside to cover the tax owed from your contracting work (or you have a voluntary agreement for the business to take tax out of payments they make to you) • complete and lodge activity statements you get from the ATO • report and pay GST on an activity statement if you are registered • keep records of your income (including invoices you issue) and business expenses • complete your tax return and the business and professional items schedule using your records • look after your own super unless you are contracted mainly for your labour	You: • provide your tax file number (TFN) to your employer by filling out a TFN declaration and the employer withholds tax from your salary and wages • keep records for any work related expenses • complete your tax return using the payment summary from your employer(s) and other information provided by the ATO's prefilling service to assist you • can choose which super fund your employer super contributions are paid into.

• provide your own business insurances, including personal income protection for yourself and workers' compensation for anyone working for you • put money aside to pay for any holidays or if you get sick • work out if you are receiving personal services income.	
The business: • pays you for the work you do based on the working arrangement, generally after you have submitted an invoice	The business: • pays you your wages or salary on a weekly, fortnightly, or monthly basis • withholds tax from the money they pay you and sends it to us • provides you with a payment summary after the end of the financial year • makes super contributions as required into your super fund • pays you any sick leave, annual leave and any other leave you may entitled to • provides workers compensation and insurances • provides pay and conditions as required by the Fair Work Ombudsman.

Common myths

- https://www.ato.gov.au/Individuals/Working/Employee-or-contractor---what-s-the-difference/Common-myths/
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- QC 43439

Don't get caught out by common myths about being a contractor. You need to consider all the terms and conditions of your working arrangement to help you decide if you're a contractor or employee.

Common myths:

- You must have an ABN to work
- The work is only for a day or two
- You want to be a contractor
- The business decides you are a contractor
- Everyone else in the industry has to have an ABN
- You have a contract.

You must have an ABN to work

Just because a job advertisement says you must have an ABN doesn’t mean that you will automatically be a contractor. Even if you have an ABN, you may not be a contractor for every job you do. You may not be a contractor at all.

Some businesses advertise jobs as 'must have ABN' as a way of lowering their costs.

The work is only for a day or two

The length of a job or how often you work does not determine if you're a contractor or an employee. Depending on the tasks and the working arrangements, short-term work can be employment.

Both contractors and employees can be used for:

- casual, temporary, on call and infrequent work
- busy periods
- short jobs, specific tasks and projects.

These arrangements alone do not determine whether you're a contractor or an employee.

You want to be a contractor

Just because you want to be a contractor doesn’t mean the business you are working for can engage you as a contractor. It's not just about what you want – it's the working arrangement you agree to that makes the difference.

If you should be classified as an employee but the business you work for treats you as a contractor, they can face penalties and charges for not meeting their employer tax and super obligations.

The business decides you're a contractor

Many employers don't understand the differences between being a contractor or an employee, and can get the working arrangement wrong.

Whether you're a contractor or employee is determined by the terms and conditions in your working arrangement – what you agreed to and how it will be done. A business can't just decide to treat you as a contractor.

Everyone else in the industry has to have an ABN

Just because everyone in an industry treats their workers as contractors doesn't mean that you'll be a contractor. If you're an employee for tax and super purposes, your boss cannot choose to treat you as a contractor.

You have a contract

If you're legally an employee, entering into a contract with the business you work for specifying you're a contractor makes no difference to the true working relationship and will not:

- override the real employment relationship or change you into a contractor
- change the tax and super obligations the business is required to meet on your behalf.

If the business you work for should be treating you as an employee, you don't have to wait until the arrangement ends to make the change. You can talk to the business, seek legal advice or get help from the Fair Work Ombudsman.

- Contact the Fair Work Ombudsman
- Get legal advice in your state or territory

What to do if you're unsure

- https://www.ato.gov.au/Individuals/Working/Employee-or-contractor---what-s-the-difference/What-to-do-if-you-re-unsure/
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- QC 43441

What if the job you've been offered is described as contracting, but it looks more like being an employee?

Or, what if you have been a contractor, but the job has changed and now you think you might be an employee?

First, talk to the business to make sure you understand all the terms and conditions of your working arrangement.

If you have a written contract, it will contain your terms and conditions.

Often a business that is asking workers to wrongly apply for an ABN simply doesn't understand the differences between contractors and employees. They might not know that they risk penalties for failing to treat their workers as employees. Some employers use this as a deliberate tactic to try and avoid their responsibilities.

You can also have a look at the information on the Fair Work Ombudsman website to help you understand more about working arrangements and how they affect you, your entitlements and responsibilities.

If you've signed a contract, consider whether you need to re-negotiate the terms and conditions. Getting legal advice can help you to understand what you are agreeing to and what you can or cannot change. The fact that you have a written agreement doesn't necessarily make it legal for tax and super purposes.

A business that treats its employees as contractors gets an unfair advantage over others who are doing the right thing. You can report this to us anonymously to help stop unfair business practices.

Next steps:

- Employees treated as contractors
- Contact the Fair Work Ombudsman
- Get legal advice in your state or territory

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.