



Your workers

- <https://www.ato.gov.au/Business/Your-workers/>
- Last modified: 04 Sep 2018
- QC 24944

Thinking about hiring people to work in your business? To help you get on the right track, here are some checklists and tools to help you.

Next step:

- Attend our [Employer obligations webinar](#) – which explains the tax issues and obligations relevant to employers.

Find out about:

- [Hiring workers for the first time – checklist](#)
- [Employee – checklist](#)
- [Contractor – checklist](#)
- [No longer hiring workers – checklist](#)
- [Work out tax to withhold and super to pay](#)
- [Keeping records](#)
- [Fair Work Ombudsman – Small business showcase](#)[↗]

Hiring workers for the first time – checklist

- <https://www.ato.gov.au/Business/Your-workers/Hiring-workers-for-the-first-time---checklist/>
- Last modified: 13 Feb 2018
- QC 47988

Hiring workers for the first time

If you haven't hired workers in your business before, use this checklist to make sure you're ready.

Before you enter into a work agreement or contract with someone:

- Confirm they are legally allowed to work in Australia
 - Australian citizens, permanent residents and New Zealand citizens are legally allowed to work here.
 - If you believe the worker is a foreign national (other than a New Zealander), you must confirm they have a visa with permission to work. The Department of Home Affairs [Employing legal workers](#)[↗] explains how.
- Check whether they will be an employee or contractor
 - You can use the [Employee/contractor decision tool](#).
 - It's important you get this right – it affects your tax, super and other obligations and getting it wrong can be very costly to your business.
- Before paying, check if you need to [register for PAYG withholding](#) to
 - withhold tax from your employees' wages
 - withhold tax from payments to contractors if they don't quote an ABN or have a voluntary PAYG withholding agreement with you.
- If you're hiring someone on a working holiday visa (subclass 417 or 462) you must also register as an [employer of working holiday makers](#).
- Check if they're eligible for super (some contractors are eligible)
 - select a [default super fund](#)
 - set up to report and pay super electronically using the [SuperStream](#) standard.
- Set up a system to manage payments and [keep records](#) of your workers.
- [Register for fringe benefits tax \(FBT\)](#) if you're providing fringe benefits to your employees or their associates in respect of their employment with you.
- Consider setting up a [workplace giving program](#) for your employees.
- Check if you need to [register for payroll tax](#) with your state or territory revenue office. You'll only need to do this if your total payments to employees and certain contractors exceed the threshold in your state or territory.
- Meet other obligations to promote diversity, respect human rights and prevent discrimination in your workplace.

See also:

- [Work out which registrations you need](#)
- [Australian Human Rights Commission – Employer resources](#)[↗]

Next steps:

- [Employee – checklist](#)
- [Contractor – checklist](#)

Employee – checklist

- <https://www.ato.gov.au/Business/Your-workers/Employee---checklist/>
- Last modified: 28 Aug 2019
- QC 47989

On this page:

- [Employee starts](#)
- [Employee working for you](#)
- [Employee leaves](#)

Employee starts

- If this is the first time you've hired a worker, complete the [Hiring workers for the first time checklist](#) before continuing.
- Ask your employee to complete a [Tax file number \(TFN\) declaration](#). They can complete this form either
 - through [ATO online services](#) linked to [myGov](#) – the employee will need to print out the completed form summary and return it to you, you do not need to send this back to us
 - on paper, download the [Tax file number \(TFN\) declaration \(NAT 3092, PDF, 402KB\)](#) – you must send the completed form to us within 14 days after the form is either signed by the payee or completed by you (if not provided by the payee). You need to retain a copy of the form for your records.
- If your employee is entitled to superannuation guarantee, check if they're eligible to choose a superannuation (super) fund. If yes, request the employee completes the pre-filled [Standard Choice Form](#) through our online services. You'll need to give them
 - employers Australian business number (ABN)
 - employment type (for example, full time, part time, casual)
 - employers default super fund details
 - name
 - unique superannuation identifier (USI) of your nominated super fund
 - ABN
 - a [Standard choice form](#) (or equivalent) within 28 days of them starting, so they can nominate their preferred super fund
 - check that the fund they've nominated is a complying fund
 - if your employee gives you their tax file number, you must give it to their super fund the next time you make a payment for them (or within 14 days, whichever is the later)
 - you'll need to set up an electronic system in preparation for reporting and paying your first super contributions in the [SuperStream](#) standard.

- Start [keeping records](#) about the employee. You'll need these to meet your tax and super obligations
- If you'll be providing fringe benefits to your employee or their associates you should be registered for fringe benefits tax (FBT).
- If you're entering into a [salary sacrifice arrangement](#) with your employee, make sure the arrangement is agreed by both parties and preferably documented. You may be liable for FBT on the fringe benefits provided as part of the arrangement

See also:

- [Super for employers](#)
- [Fringe benefits tax](#)

Employee working for you

Each pay period:

- work out the Pay as you go (PAYG) amount to withhold from payments to your employee using the [tax withheld calculator](#) or [tax tables](#) online
 - take into account the information provided by your employee in their [TFN declaration](#) and any [withholding variations](#) or [withholding declarations](#)
- give the employee a payslip showing the amount paid and the amount withheld.

Each Business activity statement (BAS):

- [report and pay the PAYG withholding amounts](#) to us (quarterly or monthly for most businesses – large withholders report and pay more often)
- if you provide fringe benefits to your employees you may need to pay a [quarterly FBT instalment](#) – if so, this will be shown on your BAS.

Each quarter:

- work out [how much super to pay](#) for each employee
- using the SuperStream standard
 - report and pay super contributions by the due date (28 days after the end of the quarter) electronically
 - if you don't pay enough super for an employee by the due date, you may have to pay the super guarantee charge.

Each year:

- by 14 July – provide a [payment summary](#) or income statement to each employee showing the amounts paid and withheld
- by 14 August – lodge a [PAYG payment summary annual report](#) with us (but you can make it easier for your employees if you lodge it as soon as you provide their payment summaries)
- if you provide fringe benefits to your employees

- by 14 July – include [reportable fringe benefits](#) on their payment summary
- by 21 May – lodge your [FBT return](#) (if a tax agent prepares your FBT return the lodgment arrangements may be different – your agent will tell you).

[Keep records](#) of all of the above.

The following may also apply for some employees:

- If your employee acquires a Higher Education Loan Program (HELP), Student Start-up Loan (SSL), Trade Support Loan (TSL) or Financial Supplement from the Australian government after they start working for you, they must tell you by completing a [withholding declaration](#) because it might affect the amount you withhold.
- Services Australia may ask you to deduct child support payments from an employee's pay
 - if this happens, you'll receive an employer package telling you what to do
 - child support deductions are not tax amounts, so you don't report them on payment summaries or income statements
- An employee may ask to change their choice of super fund, if it's
 - more than 12 months since their last choice you must accept it
 - less than 12 months you can accept it if you wish.
- If an employee gives you their TFN, you must give it to their super fund the next time you make a payment for them or within 14 days, whichever is the later.
- If you're a director
 - you have the same requirements for super guarantee and PAYG withholding as an employee
 - you will be held personally responsible for the business's super and PAYG obligations if they aren't paid.

You will have other obligations when employing people including preventing unlawful discrimination in your workplace and supporting working parents, people with a disability and those with carers responsibilities.

See also:

- [Director penalties](#)
- [Child support information for employers](#) ^{CA} – Services Australia
- [Employer resources](#) ^{CA} – Australian Human Rights Commission
- [Supporting working parents](#) ^{CA} – Australian Human Rights Commission

Employee leaves

- Work out if any part of your employee's final payment is an [employment termination payment \(ETP\)](#). ETPs are certain lump sum payments that are

taxed at concessional rates depending on your employee's age and length of employment.

- For the part of the final payment that isn't an ETP
 - work out the PAYG amount to withhold from the payment as you normally would using the [tax withheld calculator](#) or [tax tables](#) online
 - send a [payment summary](#) or income statement to your employee by 14 July, or earlier if requested.
- For the part of the final payment that is an ETP
 - [calculate the amount](#) to be withheld from the ETP
 - give a [PAYG payment summary – employment termination payment](#) to the employee within 14 days of the ETP being paid.
- Include the details of the entire final payment, both the non-ETP and ETP components, in your [PAYG payment summary annual report](#) when you lodge it with us by 14 August.
- Work out how much super to pay as normal and pay the final contribution by the usual due date (28 days after the end of the quarter).
- If you provided fringe benefits to the employee, include reportable fringe benefits in their final payment summary or income statement.
- [Keep records](#) of all of the above. Keep your former employee's TFN declaration for the current and next financial year.
- Ensure the reason and manner your employee leaves complies with anti-discrimination laws.

See also:

- [Taxation of termination payments](#)
- [No longer hiring workers – checklist](#)
- [Employer resources](#)[↗] – Australian Human Rights Commission

Contractor – checklist

- <https://www.ato.gov.au/Business/Your-workers/Contractor---checklist/>
- Last modified: 18 Oct 2019
- QC 47990

On this page:

- [Contractor starts](#)
- [Contractor working for you](#)
- [Contractor leaves](#)

Contractor starts

If the contractor is a company, partnership or trust, go to [contractor working for you](#).

If the contractor is an individual:

- If this is the first time you're hired a worker, complete the checklist [Hiring workers for the first time](#) before continuing.
- Check your working arrangements to know whether the person will be a contractor or employee – if the person is really an employee, use the [employee checklist](#).
- The contractor may wish to enter a [voluntary agreement](#) for you to deduct PAYG withholding amounts from their payments. This arrangement helps the contractor manage their tax by making contributions towards their expected income tax liability.
- If the contractor is eligible for super guarantee, check if they're eligible to choose a super fund. If so
 - give the contractor a [Standard choice form](#) (or equivalent) within 28 days of them starting, so they can nominate their preferred super fund
 - check that the fund they've nominated is a complying fund
 - if the contractor gives you their tax file number, you must give it to their super fund the next time you make a payment for them, or within 14 days, whichever is the later
 - you'll need to set up an electronic system to report and pay your super contributions using SuperStream.
- Start [keeping records](#) about the contractor – you'll need these to meet your tax and any super obligations.

See also:

- [Super for employers](#)

Contractor working for you

PAYG

If the contractor doesn't provide you with their ABN:

- you generally need to withhold 47% (from 1 July 2017) from payments to them
- give a completed [PAYG payment summary – withholding where ABN not quoted](#) to the contractor with their net payment, or as soon as practicable afterwards
- include the payments in your [PAYG withholding where ABN not quoted – annual report](#) and lodge the report with us by 31 October.

If the contractor is an individual who has a PAYG withholding voluntary agreement with you:

- work out the PAYG amount to withhold from payments to the contractor
 - use the [tax withheld calculator](#) or [tax tables](#) online
 - take into account any information provided by the contractor in a withholding variation or [withholding declaration](#)

- by 14 July, provide a [PAYG payment summary – business and personal services income](#) to the contractor showing the total amounts paid and withheld
- include the payments in your [PAYG payment summary annual report](#) and lodge the report with us by 14 August.

If you have to withhold PAYG amounts for any reason:

- if you haven't withheld before you need to register for PAYG withholding straightaway
- report and pay the PAYG withholding amounts to us in your BAS which is usually quarterly or monthly for most businesses. Business withholding more than \$1 million per year report and pay more often.

See also:

- [PAYG withholding](#)

Super

If the contractor is an individual and eligible for super:

- work out how much super to pay
- use SuperStream to report and pay super contributions by the due date electronically
- you may have to pay the [super guarantee charge](#) if you don't pay enough super for an eligible contractor by the due date
- contractors can ask to change their choice of super fund
- if the contractor gives you their tax file number, you must give it to their super fund the next time you make a payment for them, or within 14 days, whichever is the later.

See also:

- [Super for employers](#)

Taxable payments annual report

The *Taxable payments annual report* (TPAR) tells us about payments that you make to contractors for providing services.

You may need to lodge a TPAR by 28 August each year if you are a:

- business providing
 - [building and construction services](#)
 - [cleaning services](#)
 - [courier services](#)
 - [road freight services](#) for contractor payments from 1 July 2019 (first report due by 28 August 2020)
 - [information technology \(IT\) services](#) for contractor payments from 1 July 2019 (first report due by 28 August 2020)
 - [security, investigation or surveillance services](#) for contractor payments

from 1 July 2019 (first report due by 28 August 2020)

- [mixed services](#) (a business that provides one or more of the services listed above)

- [government entity](#).

See also:

- [Taxable payments annual report](#)

Other obligations

You will have other obligations when employing people including preventing unlawful discrimination in your workplace, and supporting working parents, people with a disability and those with carers responsibilities.

See also:

- Australian Human Rights Commission's [employer resources](#)[Ⓔ] and [supporting working parents](#)[Ⓔ]
- [Keeping records](#)

Contractor leaves

For contractors who don't provide you with their ABN:

- give a completed [PAYG payment summary – withholding where ABN not quoted](#) to the contractor with their net payment, or as soon as practicable afterwards

When the contractor is an individual who has a PAYG withholding voluntary agreement with you:

- work out the PAYG amount to withhold from the contractor's final payment (use the [tax withheld calculator](#) or [tax tables](#) online)
- send your contractor a [PAYG payment summary – business and personal services income](#) by 14 July, or earlier if requested
- include the details of any final payments made to your contractor in your [PAYG payment summary statement](#).

If the contractor is an individual who is eligible for super guarantee, work out how much super to pay as normal and pay the final contribution by the due date, usually 28 days after the end of the quarter.

[Keep records](#) of all of the above.

Ensure the reason and manner your contractor leaves complies with anti-discrimination laws.

See also:

- Australian Human Rights Commission's [employer resources](#)[Ⓔ]

- [No longer hiring workers – checklist](#)

No longer hiring workers – checklist

- <https://www.ato.gov.au/Business/Your-workers/No-longer-hiring-workers---checklist/>
- Last modified: 27 Mar 2017
- QC 24969

If you stop hiring workers, you should [cancel your PAYG withholding registration](#).

There are no special requirements for super.

If you're registered for FBT and no longer need to be, you should advise us by completing either a:

- final [fringe benefits tax return](#) – if you need to pay FBT or if you've paid FBT instalments for the current year
- [fringe benefits tax – notice of non-lodgment](#) – if there are no payments to be made or instalments to be refunded.

See also:

- [Taxation of termination payments](#)
- [Changing, selling or closing your business](#)

Work out tax to withhold and super to pay

- <https://www.ato.gov.au/Business/Your-workers/Work-out-tax-to-withhold-and-super-to-pay/>
- Last modified: 27 Mar 2017
- QC 47991

Use the:

- [tax withheld calculator](#) to work out how much tax to withhold from payments to workers, taking into account any information provided by your worker in a
 - [TFN declaration](#)
 - [withholding variation](#)
 - [withholding declaration](#)

- [Superannuation guarantee contributions calculator](#) to work out how much super to pay for your workers.

Use the tables below to work out which payments are subject to tax and super:

- [Earnings under awards and agreements](#)
- [Allowances](#)
- [Expenses](#)
- [Paid leave](#)
- [Termination payments](#)
- [Bonuses](#)

See also:

- If you're not sure whether your worker is an employee or a contractor, use the [Employee/contractor decision tool](#)

Earnings under awards and agreements

Amounts paid to employees for their services.

Payment type	Withhold tax?	Pay super?
Ordinary hours	Yes	Yes
Overtime – employee works additional hours for which they are paid overtime rates	Yes	No
Overtime – component of earnings based on hourly driving-rate method stipulated in award	Yes	No
No ordinary hours of work specified	Yes	Yes – for all hours worked
Piece rates	Yes	Yes – for all hours worked
Commissions	Yes	Yes
Casual employee shift loadings – ordinary hours	Yes	Yes
Casual employee shift loadings – overtime hours	Yes	No

Allowances

Additional amounts paid to employees to recognise or compensate for certain conditions about their employment.

Payment type	Withhold tax?	Pay super?
Unconditional allowance – paid for working conditions, qualifications or special duties: danger allowance, dirt allowance, first aid officer, safety officer etc	Yes	Yes
Expense allowance (expected to be fully spent): used to pay for tools, compulsory uniform, phone/internet access etc	Yes	No
Meal allowance (excluding award overtime meal allowance)	Yes	Yes
Part-day travel allowance (no overnight absence)	Yes	Yes
Motor vehicle allowance for non-deductible travel (home to work etc)	Yes	Yes
Retention allowance	Yes	Yes
On-call allowance (during ordinary hours of work)	Yes	Yes
On-call allowance (outside ordinary hours of work)	Yes	No
Cents per kilometre car expense allowance using the approved rate (up to 5,000 business kilometres)	No	No
Cents per kilometre car expense allowance using the approved rate (over 5,000 business kilometres)	Yes – for excess over 5,000 kms	No
Cents per kilometre car expense allowance above the approved rate (up to 5,000 business kilometres)	Yes – for excess above rate	No
Laundry allowance (up to threshold amount)	No	No
Laundry allowance (above threshold amount)	Yes – for excess above threshold	No
Award overtime meal allowance (up to reasonable	No	No

allowances amount)		
Award overtime meal allowance (above reasonable allowances amount)	Yes – for excess above threshold	No
Travel allowance involving an overnight absence from employee's ordinary place of residence (up to reasonable allowances amount)	No	No
Travel allowance involving an overnight absence from employee's ordinary place of residence (above reasonable allowances amount)	Yes – for excess above threshold	No
Award transport allowance (for deductible transport expenses)	No	No
Award transport allowance (for non-deductible transport expenses)	Yes	Yes

Expenses

Amounts paid to employees to cover or reimburse expenses incurred while providing services.

Payment type	Withhold tax?	Pay super?
Reimbursements	No	No
Petty cash	No	No

Paid leave

Amounts paid to employees while on leave.

Payment type	Withhold tax?	Pay super?
Annual leave, sick leave or long service leave	Yes	Yes
Parental leave (maternity, paternity, adoption)	Yes	No
Ancillary leave (jury duty, defence force reserves)	Yes	No

Workers' compensation (returned to work)	Yes	Yes
Workers' compensation (not working)	Yes	No

Termination payments

Amounts paid to employees upon termination of employment.

Payment type	Withhold tax?	Pay super?
Annual leave, sick leave or long service leave	Yes	No
Parental leave (maternity, paternity, adoption)	Yes	No
Ancillary leave (jury duty, defence force reserves)	Yes	No
Workers' compensation (returned to work)	Yes	Yes
Workers' compensation (not working)	Yes	No

Bonuses

Additional amounts paid to employees as a reward for good performance.

Payment type	Withhold tax?	Pay super?
Performance bonus	Yes	Yes
Ex-gratia bonus paid for ordinary hours of work	Yes	Yes
Christmas bonus	Yes	Yes
Bonus paid for overtime work only	Yes	No

Next step:

- [Keeping records](#)

Keeping records

- <https://www.ato.gov.au/Business/Your-workers/Keeping-records/>
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Keeping employment and contractor records is an essential part of running your business and helps you to claim all your deductions.

All employee and contractor records must be kept for five years. Records may be paper or electronic and must be in English.

If you decide to keep records electronically, you may want talk to a tax professional or software provider to find out more.

On this page:

- [PAYG withholding](#)
- [Super](#)
- [Fringe benefits tax](#)

PAYG withholding

For employees and contractors, you need to keep:

- copies of tax file number declarations and withholding declarations
- copies of any contracts you have with contractors
- records of wages, allowances and other payments made to workers
- copies of payments and reports provided to the ATO
- copies of payment summaries.

Super

You must keep records showing:

- how you calculated the amount of super you contributed for each employee
- that you've met your choice of super fund obligations.

If you make super contributions under an award or employment agreement, you may have additional record keeping obligations. Check your relevant award or regulation.

Fringe benefits tax

You must keep records that are adequate to assess your fringe benefits tax (FBT) liability. Your records need to show the:

- taxable value of each fringe benefit provided to each employee and how it was determined
- justification of claims for exemptions or concessions that reduce your FBT liability
- fringe benefits provided by an associate. That associate is required to supply these records within 21 days of the end of the FBT year.

See also:

- [Managing your small business records](#)
- [Super for employers - Choice-of-fund records](#)
- [Fringe benefits tax record keeping](#)
- [How to get SBR](#) ^{external}

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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