



Your workers

- <https://www.ato.gov.au/Business/Your-workers/>
- Last modified: 16 Apr 2021
- QC 24944

Thinking about hiring people to work in your business? Here are some checklists and tools to help you.

Next step:

- Attend our [Employer obligations webinar](#)s that explain employer-related tax issues and obligations

Find out about:

- [Tax and super when engaging an employee](#)
- [Contractor – checklist](#)
- [No longer hiring workers – checklist](#)
- [Work out tax to withhold and super to pay](#)
- [Keeping records](#)
- [Employment Contract Tool](#)^{EQ}
- [Hiring employees checklist](#)^{EQ}
- [Fair Work Ombudsman – Small business showcase](#)^{EQ}

Tax and super when engaging an employee

- <https://www.ato.gov.au/Business/Your-workers/Tax-and-super-when-engaging-an-employee/>
- Last modified: 16 Apr 2021
- QC 47989

When you hire an employee, you need to meet your tax and superannuation (super) obligations.

You can use the [Hiring employees checklist](#)^{EQ} and [Employment Contract Tool](#)^{EQ} to help you meet all your obligations as an employer under Australian law.

On this page:

- [Before an employee starts](#)
- [While an employee works for you](#)
- [When an employee leaves](#)

Before an employee starts

Tax and super information for when your employee starts working for you:

- 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](#)²⁷ has more information..
- Check whether they will be an employee or contractor
 - Use the [Employee or contractor decision tool](#).
 - It's important to get this right as it affects your tax, super and other obligations. Making a mistake might result in penalties and charges for your business.
- 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](#) before paying them.
- Ask your employee to complete a [Tax file number \(TFN\) declaration](#). They can complete this form:
 - through [ATO online services](#) linked to [myGov](#)²⁷ – the employee will need to print the completed form summary and return it to you. You do not need to return this to us
 - electronically, by downloading and completing the [Tax file number \(TFN\) declaration \(NAT 3092, PDF, 402KB\)](#)  form on a computer. After completing the form, the employee needs to print a signed and dated copy and give this to you
 - on paper, by downloading 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 employee or completed by you.
- [Register for pay as you go \(PAYG\) withholding](#) to:
 - withhold tax from your employees' wages
 - withhold tax from payments to contractors if they don't provide an ABN or have a voluntary PAYG withholding agreement with you.
- If your employee is entitled to superannuation guarantee, check if they're eligible to choose a superannuation fund. If yes, ask them to complete the pre-filled [Standard Choice Form](#) through ATO online services within 28 days of

their start date. They'll need to know:

- their employer's Australian business number (ABN)
 - their employment type – for example, full-time, part-time or casual
 - their employer's [default super fund](#) details:
 - name
 - unique superannuation identifier (USI) of your nominated super fund
 - ABN.
 - Or, they can download a [Standard choice form](#) (or equivalent) within 28 days of starting, so they can nominate their preferred super fund
 - Check they've nominated a complying fund.
 - If your 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 later.
 - You'll need to set up an electronic system in preparation for reporting and paying your first super contributions in the [SuperStream](#) standard.
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- You'll need to start [keeping records](#) about the employee so you can meet your tax and super obligations
 - Report your employees' payroll information through [Single Touch Payroll \(STP\)](#). You can report through STP-enabled payroll software or [ask a third party to report for you](#)
 - If you'll be providing fringe benefits to your employee or their associates, and have an FBT liability, you must register for [fringe benefits tax \(FBT\)](#)
 - If you're entering into a [salary sacrifice arrangement](#) or a [workplace giving program](#) with your employee, make sure it is agreed by both parties and documented
 - Check if you need to [register for payroll tax](#)²⁷ 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.

See also:

- [Super for employers](#)
- [Fringe benefits tax](#)
- [Contractor - checklist](#)
- [STP checklists](#)

Next step:

- Use the [Hiring employees checklist](#)²⁷ to help you meet all your employer obligations under Australian law.

While an employee works 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 your employee provides in their [TFN declaration](#) and any [withholding variations](#) or [withholding declarations](#).

- report tax and super information for each employee through STP-enabled software or a third-party, each time you pay your employees
- give the employee a payslip showing all necessary details including amounts paid and amounts withheld. The [Fair Work Ombudsman](#)¹⁷ lists all [details you need to show in a payslip](#)¹⁷.

Business activity statements (BAS):

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

Each quarter:

- work out [how much super to pay](#) for each employee using the SuperStream standard,
- electronically report and pay super contributions by the due date (28 days after the end of the quarter). 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:

- complete an [end of year finalisation through STP](#) of the information you've reported by 14 July. This should be part of your end of financial year reconciliation process
- when you report and finalise employee information through STP you are exempt from:
 - providing payment summaries to your employees
 - lodging a payment summary annual report.
- for employee payments not reported through STP, you must still:
 - give your employees a payment summary
 - provide us with a [payment summary annual report](#) for these payment summaries.
- if an employee is terminated, a payment summary must be provided within 14 days of an eligible [employment termination payment \(ETP\)](#) being paid.
- if you provide fringe benefits to your employees:
 - report these amounts through STP and include [reportable fringe benefits](#) on their payment summary by 14 July
 - lodge your [FBT return](#) by 21 May –if a registered tax agent prepares your FBT return the lodgment arrangements may be different. Your tax agent will tell you
- [Keep records](#) 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](#) –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 need to 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 choose if you accept it.
- 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
 - will be held personally responsible for the business's super and PAYG obligations if they aren't paid.

See also:

- [Director penalties](#)
- [Single Touch Payroll \(STP\) reporting checklists](#)
- [Child support information for employers](#)^{EQ} – Services Australia
- [Employer resources](#)^{EQ} – Australian Human Rights Commission
- [Supporting working parents](#)^{EQ} – Australian Human Rights Commission

Next step:

- Use the [hiring employees checklist](#)^{EQ} to help you meet all your employer obligations under Australian law.

When an 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 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 pay as you go (PAYG) amount to withhold from the payment as you normally would, using the [tax withheld calculator](#) or [tax tables](#) online
 - send your employee an income statement or [payment summary](#) by 14 July, or earlier if requested.
- For the ETP part of the final payment:

- [calculate the amount](#) to be withheld from the ETP
 - when making an ETP, you must report it through STP in a pay event on or before the day you make the payment
 - give a [PAYG payment summary – employment termination payment](#) to the employee within 14 days of the ETP being paid, unless you have reported it through STP
- Include 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 and pay the final contribution 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 the above as well as your former employee's TFN declaration for the current and next financial year.
 - Ensure the reason and manner in which your employee leaves is compliant with anti-discrimination laws.

See also:

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

Next step:

- Use the [Hiring employees checklist](#)^{EQ} to help you meet all your employer obligations under Australian law.

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](#)^{EQ} and [supporting working parents](#)^{EQ}
- [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](#)^{EQ}
- [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?
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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 allowances amount)	No	No
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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- QC 24970

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:

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

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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