

When Employing Workers

The following topics relate to what a business needs to do when they employ workers

Wages and Wages Tax

Each new employee needs to complete a Tax File Number declaration form when they start their employment, which then needs to be sent to the ATO. This assists if you are required to withhold tax from their wages to be declared and paid to the tax office. The minimum wage rates should also be considered when agreeing on a wage rate with the employee

Once a payment comes within the Withholding Rules, the employer must

- Register as a PAYG Withholding Payer
- Withhold an amount from the wages of the employee at the required rate
- Each quarter on the employer's BAS, they must notify the tax office of the amount withheld and pay that amount to the tax office by the required due date; and
- At the end of the year, prepare a payment summary for each employee (reports gross wages and tax withheld for the year) and give a copy to the employee, keep one copy on file and send one copy together with the annual summary report to the ATO.

Superannuation

When a new employee starts, you are required to offer them a super choice form.

Employers are required to pay superannuation contributions for their employees when the employees



- Are aged between 18 and 70, and
- Are paid \$450 (before tax) or more in a calendar month

If you employ someone falling into the above category, as an employer you should

- Calculate the super contribution of the employees earning base for each quarter, and
- Pay this amount to a complying superannuation fund by the 28th day following the quarter ending.

If the employer does not make these superannuation contributions as required, they will be liable for the

Superannuation Guarantee Charge (which is not tax deductible) which consists of

- The superannuation guarantee shortfall amount
- Interests on that amount and
- An administration fee

The Superannuation Guarantee Charge is not tax deductible so ensure you pay employee's super on time.

Work Cover

If you engage employees or contractors deemed to be workers and you pay, or if you engage apprentices or trainees, you must take out a WorkCover Insurance policy. This applies to you even if you are a small company, partnership or sole trader with only one or a small number of clients.

If you do not have a policy when you should, you will face heavy penalties and may be liable for the full cost of any claims incurred while you were uninsured.

To take out a policy, fill in an application form for a WorkCover Insurance policy and send it to the WA Agent of your choice.

Each year you will be required to complete an annual WorkCover reconciliation form that states the total paid in wages and superannuation paid to employees, and also give an estimate for the future income tax year.

Payroll Tax

Payroll tax is payable in each state if the total employee costs exceeds a set amount. In WA, if total wages and benefits exceeds \$850,000 per year, payroll tax of 5.5% is payable on the wages over the set amount.

Contact Prosperity Accountants team today at enquiries@prosperityaccountants.com.au or call +61 8 9443 5199 for assistance.

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Note: This information is of a general nature only and is not intended to be relied upon, nor to be a substitute for, specific professional advice. Also as changes in legislation may occur quickly we recommend that our formal advice be sought before acting in any of the above areas.

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