Australian Government
Australian Taxation Office

Jobs and employment types

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/
- Last modified: 20 Apr 2022
- QC 27102

When you start working you need to work out what type of worker you are, such as, if you're an employee or contractor. Whether you’re a contractor or an employee could change for each job you do.

If you're an Australian resident for tax purposes and leave Australia to work overseas you may need to declare foreign income.

Working as an employee
Check if you're an employee, what rights you have and what obligations your employer has, such as deducting tax from your pay or paying super contributions.

Working as a contractor
Check if you're a contractor or employee and if you need to register for an ABN or certain tax roles.

Employee or contractor – what's the difference
Find out what the main differences between employees and contractors are so you can make a decision about your employment type.

Working overseas
Find out if you need to declare your income if you work outside of Australia.

Working as an employee

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/
- Last modified: 21 Apr 2022
- QC 43436

When you start work as an employee you need to know your specific rights such as and obligations. Employees work in another person's business and receive a salary or wages.

On this page

Employee rights and obligations

When you're working as an employee, you must pay income tax on payments you receive from your employer. Your employer deducts tax from your pay and sends those amounts to us.

Your rights and obligations may change, if you:

- leave or change jobs
- have income from more than one job
- work overseas
- are a working holiday maker
- leave the workforce (retire).

At the end of the income year, you need to lodge a tax return. When you lodge a tax return you include how much money you earn (income) and any expenses you can claim as a deduction.

You may receive a refund after claiming any deductible expenses.

Starting your job

When you start a job, you need to make sure that you:

- have or apply for a tax file number (TFN) – without a TFN you pay more tax on your income
- complete a TFN declaration
- choose a super fund where your employer can pay your super contributions.

We produce tax tables and calculators to help your employer work out how much to withhold from your payments. You can also use the Tax withheld calculator to check how much tax should be withheld from your pay.

What your employer must do

Your employer withholds tax on your behalf from your salary or wages and, in most cases, pays super into your super account. Your employer uses your TFN declaration to work out how much tax to withhold from your pay.

Most employers now report your income, tax and super information at the same time they pay you. This reporting is called Single Touch Payroll (STP).

Your income statement will include the tax and super information your employer reports to us. Most employers have until 14 July to finalise their data, they will let you know if there are any delays in the finalisation of your income statement.

You need to link your myGov account to the ATO to access your income statement. If you don’t have a myGov account you will be able to contact us for a copy.

Some employees receive fringe benefits as part of a salary sacrifice arrangement. Fringe benefits are a non-cash benefit either you or an associate, such as your spouse or children, receive because of your employment. Your employer usually provides these benefits or sometimes your employer's associate or a third party under an arrangement with your employer provide the benefit.

Your employer should provide a workplace free of unlawful discrimination and promote diversity. If you’re a working parent, have carer responsibilities or a disability, you should discuss ways your employer can support you. Find out more about these responsibilities, see:

- Work out your rights – information for employees
- Supporting working parents.

Paying tax on your income

You pay income tax on most sources of income including:

- your salary and wages
- most Centrelink payments
- investment income you receive from rent, bank interest or dividends
- profits from selling shares or property
- 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.

Your employer and other payers use the information you provide on your tax file number declaration to work out how much tax to withhold.

A simple way of working out how much tax should be withheld from your pay is to use the Tax withheld calculator.

You can also use the PAYG withholding tax tables to calculate the amount that should be withheld from your pay.

If you're an Australian resident, the first $18,200 you earn is usually tax free. You can choose to claim the tax-free threshold when you complete your TFN declaration.

If you earn income from more than one source (for example, from a second job or a taxable pension) you need to tell your second payer to withhold tax at the higher rate. You can tell the payer by selecting the, 'no tax-free threshold' rate on the TFN declaration. If you don't have tax withheld at the higher rate you might have a tax debt (bill) to pay when you lodge your tax return.

If you want to know the amount of tax you will be liable for over the full year, see Individual income tax rates.

Australian residents may also pay the Medicare levy. This is generally 2.0% of your taxable income in addition to the tax withheld from your income. The Medicare levy helps fund some of the costs of Australia's public health system known as Medicare.

You also need to include on your TFN declaration if you have a debt for a:

- Higher Education Loan Program (HELP)
- Student Start-up Loan (SSL)
- Trade Support Loan (TSL)
- VET Student Loan (VSL)
- Student Financial Supplement Scheme (SFSS).

Depending on how much you earn, you may have to make repayments on this debt as part of your income tax payment.

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

Super contributions

Your employer may also need to pay super contributions into your super account for you.

When you start working you should:

- choose a super fund where your employer can pay your super contributions
- make sure that your super fund has your TFN, this will
    - minimise the tax you pay on your super contributions
    - ensure they accept the contribution payments
    - make it easier for you and them to keep track of your super accounts.

If you're eligible to choose a super fund, you can do so using the Superannuation (super) standard choice form. Your employer may give you this form when you start employment.

From 1 November 2021, your employer may have an extra step to take to comply with choice of fund rules if you don't choose a super fund. They may need to request details of a 'stapled super fund' from the ATO.

A stapled super fund is an existing super account which is linked, or 'stapled', to an individual employee so that it follows them as they change jobs.

If you change jobs or have more than one job, be sure to keep track of your super. Having multiple super accounts could mean you are paying fees you are unaware of, which could reduce your retirement savings.

Use the YourSuper Comparison Tool to compare super products and choose a super fund that meets your needs.

While you are working

While you are working your day to day working arrangements may include understanding and making choices about:

- Receiving cash for the work you do
- Salary sacrifice arrangements as an employee
- Employee share schemes
- Workplace giving programs for employees

Income from more than one job

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Income-from-more-than-one-job/
- Last modified: 12 Apr 2022
- QC 50527

Your income may be from one or more payers, such as an employer or government agency or work you do under an ABN. Claiming the tax-free threshold ($18,200) reduces the amount of tax withheld from your income.

On this page

How to claim the tax-free threshold

You can usually claim the tax-free threshold on the first $18,200 of income you earn in the income year. This is called the tax-free threshold.

If you're an Australian resident for tax purposes you can claim the tax-free threshold each income year.

You can choose to claim or not claim the tax-free threshold on the TFN declaration you give to your payer (including Centrelink).

If you choose to do so:

- you will not pay tax where your income is under $18,200

- your payer will withhold tax when you earn above $18,200.

The tax-free threshold is equivalent to earning:

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

When to claim the tax-free threshold

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

You may receive your income from 2 or more payers at the same time if you:

- have a second job or more than 2 jobs
- have a regular part time job and also receive a taxable pension or government allowance
- are working under an ABN as a contractor, sole trader or other business structure.

You should also check the [tax and super obligations] you have as a contractor compared to employees.

Where you have more than one payer, you should advise your other payers to withhold tax from your income at a higher rate. This is the 'no tax-free threshold' rate. Doing this reduces the chance of you having a tax debt at the end of the income year.

Sometimes the total tax withheld from all sources may be more or less than the amount you need to meet your end-of-year tax liability. When you lodge your income tax return we assess the tax withheld amount and if:

- too much tax was withheld, it may result in a tax refund
- you have not had enough tax withheld, you may receive a tax bill to pay the difference.

Depending on your circumstances, you can request a change to the amounts of tax withheld from your income. This will help you to more closely match your end-of-year tax liability.

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

If your income is $18,200 or less

If you're certain your total income for the income year from all your payers will be $18,200 or less, you can choose to 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 one of your employers with a withholding declaration. The withholding declaration will advise them you want to stop claiming the tax-free threshold from that payer.

Example: income of $18,200 or less

During the 2021-22 income year Jeff has a:

- taxable pension of $384.61 per fortnight ($10,000 for the income year)
- part-time job earning $307.69 per fortnight ($8,000 for the 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, $64 per fortnight would be withheld.

Assuming that Jeff doesn't have other income, his taxable income for the income year will be $18,000. His tax payable at the end of the income year would be nil ($0). He would receive a refund of the total tax withheld when he lodges his 2022 income tax return.

If Jeff expects to receive same income for the next income year, he could choose to claim the tax-free threshold for his part-time job as well through his employer, so that no tax is withheld from payments made to him. He can do this by completing a withholding declaration and providing it to his employer.

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

If your income is more than $18,200 and too much tax was withheld in the income year, you can apply to reduce the amount of tax withheld from your payments. You will need to complete and lodge a PAYG withholding variation application with us.

When we receive your application, we'll calculate the variation amount and provide your payers with new instructions for withholding your 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: too much tax withheld during the year

Sue has 2 jobs during the 2021–22 income year. As a part-time retail sales assistant, she earns $615.38 per fortnight ($16,000 for the income year). She also works in a restaurant earning on average $384.62 per fortnight ($10,000 for the income year).

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

As Sue doesn't claim the tax-free threshold from her restaurant employer, $82 per fortnight is being withheld. In total $2,132 was withheld for the income year.

Since Sue doesn't have any other income, her tax payable or refundable when she lodges her tax return would be calculated as follows:

Taxable income	$26,000
Income tax payable on $26,000	$1,482
Less, Low income tax offset	$700
Less, Low and middle income tax offset	$675
Plus, Medicare levy	$263.50
Total tax and Medicare levy	$370.50
Credit for total tax withheld	$2,132.00
Tax refund due to Sue	$1,761.50

The tax refund of $1,761.50 arises because too much tax was withheld from Sue's income from her employers during the income year. If this situation is likely to continue, Sue can apply to us for a withholding variation to reduce the amounts of tax withheld. So, Sue will receive extra net pay during the income year, rather than receiving a large tax refund at the end of the income year.

If too little tax is withheld

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

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, a paper or computer-based form.

Example: too little tax withheld

Pierre receives a taxable pension and has a part-time job. Over the course of the 2021–22 income 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.

Pierre's tax withheld is:

Income type	Taxable annual income	Fortnightly income	Fortnightly tax withheld
Pension	$30,000	$1,153.84	$106.00
Part-time job	$30,000	$1,153.84	$272.00
Total	$60,000	$2,307.68	$378.00

At the end of the income year, the total tax withheld from Pierre's income will be $9,828 ($378 × 26).

When Pierre lodges his tax return for the income year, the actual amount of income tax he has to pay, or tax refundable to him, will be calculated as follows:

Taxable income	$60,000
Income tax payable on $60,000	$9,967
Less, Low income tax offset	$100
Less, Low and middle income tax offset	$1,500
Plus, Medicare levy (2% of $60,000)	$1,200
Total tax and Medicare levy	$9,987
Credit for total tax withheld	$9,828
Tax payable	$159

Pierre will have a tax debt of $159 as insufficient tax was withheld during the income 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.

If you are an Australian resident for part of the year

If you are an Australian resident for tax purposes during the income year, you will receive a part-year tax-free threshold.

The part year tax-free threshold has 2 components:

- a flat amount of $13,464
- an additional $4,736 – we work on the number of months you were in Australia during the income year, including the month you arrived.

If you're a non-resident for the full income year, you can't claim the tax-free threshold. This means you pay tax on every dollar of income you earn in Australia. Find out about the [Tax-free threshold for newcomers to Australia].

Receiving cash for work you do

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Receiving-cash-for-work-you-do/
- Last modified: 24 Feb 2022
- QC 27111

You may receive some or all of your salary or wages as a cash payment. Payments in cash are legal, however you should always check the amounts are correct and that your employer is paying super.

On this page

- What you need to do
- Declare your tips

What you need to do

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 your employer is paying you cash, you:

- must declare the cash as income when you lodge your tax return
- should still receive a payslip showing all your earnings and the amount of tax your employer takes out (withholds)

- should receive an income statement at the end of the income year that shows your full earnings and the amount of tax your employer takes out
- should check your employer is making super contributions
- should check your employer is paying (at least) the correct award wages – refer to Fair Work Ombudsman
- should check your employer is taking tax out of your pay – this helps to make sure you don't end up with a large tax bill
- should check your employer's workers compensation insurance covers you in case of an accident.

Use our:

- Tax withheld calculators to help you work out if your employer is taking enough tax from your pay
- Am I entitled to super? tool to work out if you should get super contributions.

Declare your tips

Cash tips are income, regardless of how you receive them. It makes no difference if tips come from your employer or direct from customers.

You may share tips between employees that come from a collection by all workers (like in a tip jar).

If you receive cash tips, you must declare them in your tax return at Allowances, earnings, tips, directors fees etc.

Salary sacrificing for employees

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Salary-sacrificing-for-employees/
- Last modified: 28 Jun 2022
- QC 27113

Find out what salary sacrificing is, how to set up an effective arrangement and the tax implications of an arrangement.

On this page

What is salary sacrificing?

Salary sacrificing is also known as salary packaging or total remuneration packaging. You and your employer agree for you to receive less income before tax and in return your employer pays for certain benefits of similar value for you. This means you pay less tax on your income.

A salary sacrifice arrangement reduces your taxable income, meaning you may pay less tax on your income.

We don't provide advice on entering or rejecting a salary sacrifice arrangement. You should seek financial advice before entering into a salary sacrifice arrangement.

Benefits you can include in the arrangement

There is no restriction on the types of benefits you can include in a salary sacrifice arrangement. The important thing is that these benefits form part of your remuneration. The benefits replace what you would otherwise receive as salary.

Fringe benefits

Some of the benefits you can include in a salary sacrifice arrangement are fringe benefits. Your employer will have to pay FBT on the value of the benefit they provide you. If your employer has to pay FBT, they may ask you to make an employee contribution to reduce the FBT they have to pay.

Common fringe benefits include:

- cars
- goods
- shares
- payment of your expenses for loan repayments, school fees and childcare costs.

Example: Salary sacrifice of a motor vehicle

Sam earns $65,000 a year and is considering entering into an effective salary sacrifice arrangement.

Under this arrangement, his employer will provide the use of a $35,000 car and pay all the associated running expenses of $11,500. The $11,500 running expenses includes registration, which is GST-free.

The GST-exclusive value of the car expenses is $10,509. A flat statutory rate of 20% applies for FBT purposes, regardless of the distance travelled.

The salary packaging provider calculates that:

- the taxable value of the car fringe benefit will be $7,000 (which is the cost of the car multiplied by the statutory rate, in this case $35,000 × 0.20) and
- Sam will sacrifice

- $17,353 if no employee contributions are made
- $4,145 if employee contributions of $7,000 are made.

The following table illustrates how salary sacrificing and employee contributions work, by comparing the net disposable income for Sam in 3 scenarios for 2021–22:

1. no salary sacrifice arrangement
2. a salary sacrifice arrangement without any employee contributions
3. a salary sacrifice arrangement where employee contributions are provided.

Three salary sacrifice scenarios

Calculation	1. Salary only (no packaging)	2. Salary + car (without employee contributions)	3. Salary + car (with employee contributions)
Annual remuneration	$65,000.00	$65,000.00	$65,000.00
Less salary sacrifice	nil	$17,353.00	$4,145.00
Taxable income	$65,000.00	$47,647.00	$60,855.00
Less income tax (2021–22 rates)	$11,592.00	$5,952.28	$10,244.88
Less 2% Medicare	$1,300.00	$952.94	$1,217.10
Income after tax and salary sacrifice amount	$52,108.00	$40,741.78	$49,393.12
Less employee contribution	nil	nil	$7,000.00
Less car expenses	$11,500.00	nil	Nil
Net disposable income	$40,608.00	$40,741.78	$42,393.12
Reportable	nil	$13,207.60	Nil

fringe benefits amount for employee's income statement or payment summary		(car fringe benefit taxable value of $7,000 × 1.8868)	

Exempt benefits

Your employer won't have to pay FBT on exempt benefits, such as:

- a portable electronic device
- computer software
- protective clothing
- a briefcase
- a tool of trade.

Super

Salary-sacrificed super contributions under an effective salary sacrifice arrangement are considered to be employer contributions. These are not fringe benefits if your employer pays them to a complying super fund.

Entering an effective salary sacrifice arrangement

We don't provide advice on entering or rejecting a salary sacrifice arrangement. You should seek financial advice before entering a salary sacrifice arrangement.

To have an effective salary sacrifice arrangement, you must:

- enter the arrangement before you perform the work
- have an agreement between you and your employer
- have no access to the sacrificed salary.

An effective salary sacrifice arrangement can't include salary and wages, leave entitlements, bonuses or commissions that you accrue before you enter an arrangement.

Expenses paid with direct debits from your pay are not salary sacrificed.

If the arrangement doesn't meet the requirements of an effective salary sacrifice arrangement, you pay tax on the benefits as assessable (or taxable) income at the time you receive the benefit.

The Fair Work Commission regulates employment agreements and conditions.

Agreement between you and your employer

There should be an agreement between you and your employer. The contract is usually in writing but may be verbal.

Subject to the terms of any contract of employment or industrial agreement, you can renegotiate a salary sacrifice arrangement at any time.

Your contract of employment should detail your remuneration, including any salary sacrifice arrangement.

No access to sacrificed salary

You can't access the salary amount you sacrifice for the period of your arrangement. If you don't receive a fringe benefit and it is cashed out, the amount becomes salary and you pay tax on the amount as normal income.

How salary sacrifice affects tax, super and government benefits

Under a salary sacrifice arrangement, you should pay less tax than you would have without an arrangement. However, before entering into a salary sacrifice arrangement you should consider impacts and associated costs. This includes either:

- the amount to be sacrificed and any surcharges
- having the benefits reported on your income statement in myGov or payment summary.

The benefit you receive may affect your eligibility for:

- the Medicare levy surcharge
- some tax offsets
- child support payments
- some government benefits.

Your salary-sacrificed super contributions are additional to your super guarantee entitlements. Your employer must still pay your full super guarantee entitlements as though there was no salary sacrifice.

You will not be able to claim a tax deduction for an expense your employer pays for as part of your salary package.

Access your income statement

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Access-your-income-statement/

- Last modified: 17 Nov 2022
- QC 58694

How to find your income statement in ATO online services through myGov or the ATO app.

On this page

How you receive your income statement

Your employer will provide you with your end of year statement as either:

- an income statement – if your employer reports to us through Single Touch Payroll (STP)
- 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.

Your employer should let you know if you will receive an income statement or payment summary. You should talk to them if you are unsure.

There is no requirement for your employer to give you a payment summary if they report through STP. This information will be made available to you through ATO online services through myGov or the ATO app. If you don't have a myGov account, you will need to create a myGov account and link it to the ATO.

Most employers have until 14 July to finalise their data, they will let you know if there are any delays in the finalisation of your income statement.

If your income statement or payment summary information is incorrect, you should contact your employer (or employers). If they have made an error, they can usually correct it.

If you have more than one employer

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

To access a summary factsheet of the changes to accessing your payment summary, see Single Touch Payroll for employees.

Your income statement through ATO online services

If your employer is reporting through STP, you will receive an income statement.

You can find your income statement in ATO online services through myGov or the ATO app.

Your income statement will show your year-to-date:

- salary and wages
- tax that has been withheld
- super.

You will need to wait until your employer marks your income statement as 'Tax ready' before you prepare and lodge your tax return. Most employers have until 14 July to finalise their data, they will let you know if there are any delays in the finalisation of your income statement.

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. If you lodge before the statement is 'Tax ready', 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'.

If after 31 July your income statement is not marked as 'Tax ready' in ATO online services, you will need to speak to your employer to find out when they will finalise your statement.

Find your income statement in ATO online services

To find your income statement, you can either sign in to:

- ATO online services through myGov
- ATO online services through the ATO app

ATO online services through myGov

If you're accessing ATO online services through myGov, you need to:

- Sign in to myGov
- select, ATO online services
- select, Employment
- select, Income statement.

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

ATO online services through the ATO app

If you're accessing ATO online services through the ATO app, you need to:

- login to ATO online services in the app
- select, Employment.
- select, the income year.

If you can't access your information through ATO online services, you can contact us for a copy of your income statement information.

Access your income statement via your tax agent

Your tax agent will be able to access your income statement or payment summary information through either:

- their software
- Online services for agents.

Your agent will need to wait until the income statement has been marked as 'Tax ready' to prepare and lodge your return. Most employers have until 14 July to finalise their data, they will let you know if there are any delays in the finalisation of your income statement.

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

When your income statement is not tax ready

If your income statement information isn't marked as 'Tax ready' by your employer, you will see a red box in ATO online services that says, 'Not tax ready'. You will need to speak to your employer to find out when they will finalise your statement.

If you choose to lodge your tax return before your income statement is tax ready, you will need to:

- review any information that is available through pre-fill
- confirm the information is correct and you wish to use it before you submit your tax return.

If you choose to use information from your income statement before it is 'Tax ready' to lodge your tax return, you will need to acknowledge that:

- your employer may finalise your income statement with different amounts
- you may need to amend your tax return and additional tax may be payable.

Leaving your job

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-your-job/
- Last modified: 20 Apr 2022
- QC 27125

When you leave a job the tax on payments you receive may be different to your normal income. This depends on the reason for leaving and type of payments.

On this page

Reasons for leaving your job

You may leave your job as the result of termination or redundancy. In these circumstances, payments you receive are:

- Employment termination payments (ETP) – a payment made as the result of termination that includes amounts for some unused entitlements like sick leave, rostered days off and payment in lieu of notice or a gratuity.
- Redundancy payments – a genuine or non-genuine redundancy payment is a type of ETP that you receive for a specific reason.
- Payments for accrued annual and long service leave.

Tax on unused entitlements when you leave a job

The tax you pay on unused leave, termination of employment or redundancy payments may be different to the tax you pay on your normal income. The tax you pay depends on both:

- the reason for leaving the job
- any unused entitlements you may have accrued, such as long service leave or sick leave.

If you receive any lump sum payments from your employer for unused annual leave or long service leave, you may pay tax at a lower rate than your other income. These lump sum payments will appear at either 'Lump sum A' or 'Lump sum B' on your income statement or payment summary.

Employment termination payments

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-your-job/Employment-termination-payments/
- Last modified: 20 Apr 2022
- QC 27127

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

On this page

- [Accrued leave]
- [Other amounts]

Tax on an ETP

ETPs have up to 3 parts:

- tax-free
- concessionally taxed (generally taxed at a lower rate than your marginal tax rate)
- taxed at your marginal tax rate.

The rate of tax you pay depends on the type of payment you receive. The payment is taxed in the year you receive the payment. 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.

Amounts to include and exclude from an ETP

An ETP 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
- 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 don't 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.

Accrued leave

If you receive an ETP, your employer will also pay out any unused annual or long service leave. Lump sum payments for unused annual leave and long service leave don't form part of your ETP.

Your employer will record payments of unused leave separately on your income statement or *PAYG payment summary – individual non-business* at lump sum A or B.

These payments may be concessionally taxed. The [tax withholding rate] depends on the:

- type of termination
- date of accrual
- type of leave.

Other amounts

Your employer may pay you other amounts that are not redundancy benefits or accrued leave. A common example is a payment for a [non-genuine redundancy].

Other examples include gratuities, golden handshakes and severance pay.

We treat these payments as an ETP, which means they are concessionally taxed.

If your employment is terminated because of ill health, or part of your payment relates to your employment before 1 July 1983, some of your payment may be exempt from tax.

Redundancy payments

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-your-job/Redundancy-payments/
- Last modified: 20 Apr 2022
- QC 27128

Certain redundancy payments are tax-free up to a limit. The tax-free limit depends on the number of years you work for the employer paying the redundancy.

Redundancy payments are a type of employment termination payment (ETP).

On this page

Genuine redundancy

A genuine redundancy payment is a payment made to you as an employee if your job is abolished and you no longer have a job. This means your employer has made a decision that your job no longer exists, and your employment is to be terminated.

Your genuine redundancy payment is:

- tax-free up to a limit depending on your years of service
- concessionally taxed as an employment termination payment (ETP) above your tax-free limit
- taxed at your usual marginal tax rate for any amount above certain caps

The tax-free amount of a genuine redundancy is not part of the ETP. Your employer will report any lump sum amounts on your income statement or *PAYG payment summary – individual non-business.*

Any amount over the tax-free limit is part of the employee's ETP.

Changes to genuine redundancy and early retirement scheme payments

On 29 October 2019 changes to the age employees can access concessional tax treatment for genuine redundancy and early retirement scheme payments became law. The age-based limit of 65 years old has changed to the age pension age. The age pension age from 1 July 2021 is 66 years and 6 months old (previously 66 years old between 1 July 2019 and 30 June 2021).

This change applies to payments made to employees who are dismissed or retire on or after 1 July 2019.

Non-genuine redundancy

A non-genuine redundancy occurs when as an employee:

- your dismissal is because you reach normal retirement age
- you're age pension age or older on the day of dismissal
- you're leaving voluntarily
- you're leaving on termination of your contract
- your dismissal is for disciplinary or inefficiency reasons.

You pay tax on a non-genuine redundancy as part of your ETP. This means, you generally pay tax at a lower rate than your normal income, if the payment doesn't exceed certain caps.

Amounts you include from a genuine redundancy

Depending on your employment conditions, 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'.

Any payments that meet the conditions of a genuine redundancy are tax-free up to a limit depending on your years of service with your employer.

The tax-free limit is a whole dollar amount plus an amount for each year of service you complete in your period of employment with your employer. Indexation changes the tax-free limit on 1 July each year.

Your employer will report the tax-free amount as a lump sum on your income statement or *PAYG payment summary – individual non-business*.

Amounts you exclude from a genuine redundancy

You need to exclude the following payments from 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.

Leaving the workforce

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-the-workforce/
- Last modified: 20 Apr 2022
- QC 27129

Individuals leaving the workforce because they are retiring have a range of options for making the transition.

If you're Leaving your job for other reasons, such as termination, change of industry or leaving Australia the tax on payments you receive may be different.

In this section

Planning to retire
Find out about access to your super, CGT concessions and the tax treatment of payments you may receive

Transition to retirement
Find out how you may be able to reduce your working hours without reducing your income

Accessing your super to retire
Check how and when you can access your super to fund your retirement

Approved early retirement schemes

A scheme that an employer puts into place to encourage certain groups or classes of employees to retire early or resign

Related page

Withdrawing and using your super

Planning to retire

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-the-workforce/Planning-to-retire/
- Last modified: 21 Apr 2022
- QC 31878

If you're planning to retire, you need to consider

- your age including if you have reached your preservation age
- when you can access your super
- how much tax you will pay on amounts you receive
- if good leaver conditions apply if you are part of an Employee Share Scheme
- if the retirement capital gains tax concession applies, if you sell your small business.

Special rules apply if you receive an employment termination payment, genuine redundancy payment or payments from an approved early retirement scheme.

On this page

- Payments leading into retirement
- After you retire
- Employee share schemes
- CGT retirement exemption for small business

Payments leading into retirement

If you receive a lump sum payments from your employer for unused annual or long service leave, you may pay tax on it at a lower rate than your other income. Your employer will report any lump sum payments at either 'Lump sum A' or 'Lump sum B' on your income statement or payment summary. You will need these details when you prepare your tax return.

A redundancy payment is a payment made to you when you are dismissed. This usually occurs because the job you have been doing has been abolished. Payments under redundancy are tax-free to a limit depending on the number of years you worked for that employer.

Your employer may offer staff an early retirement scheme to encourage certain groups of employees to retire early or resign. You may pay less tax on payments you receive under an early retirement scheme.

After you retire

Once you retire, you can access a number of tax offsets, such as:

- Seniors and pensioners tax offset
- Superannuation income stream tax offset

If you have income from an Australian superannuation income stream, you may be able to claim a tax offset if you're:

- receiving a disability superannuation benefit
- receiving a death benefit income stream
- 60 or over.

Employee share schemes

If you are a member of an employee share scheme (ESS), you need to consider the 'good leaver' conditions. Good leaver conditions in an ESS may allow employees to retain ESS interests if they cease employment to retire from the workforce permanently during the forfeiture period.

Whether ESS interests acquired under an ESS with good leaver conditions are at a real risk of forfeiture will depend on the facts and circumstances. This includes how the ESS operates and the employee's personal circumstances.

CGT retirement exemption for small business

If you are selling your small business assets, the capital gains tax retirement concession may apply. The retirement concession can exempt a capital gain on a business asset, up to a lifetime retirement exemption limit of $500,000. This concession allows you to provide for your retirement.

If you choose the retirement exemption, there is no requirement to terminate any activity or cease business.

If you are under 55 years old just before you choose to use the retirement exemption, you must make a personal contribution equal to the exempt amount to a complying superannuation fund or a retirement savings account.

Transition to retirement

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-

an-employee/Leaving-the-workforce/Transition-to-retirement/
- Last modified: 21 Apr 2022
- QC 31882

Under the transition to retirement rules, when you reach your preservation age, you may be able to reduce your working hours without reducing your income. You can do this by choosing to start a transition to retirement income stream (TRIS).

The TRIS tops up your part-time income with a regular 'income stream' from your super savings. Previously, you could only access your super once you were 65 years old or retired. For the Guidance Note, see GN 2019/1 – *Changes to transition-to-retirement income streams.*

Under these rules, you can only access your super benefits as a 'non-commutable' income stream. A non-commutable income stream is one that you can't convert into a lump sum. This generally means you can't take your benefits as a lump sum cash payment while you are still working. You must take your super benefits as regular payments.

Employers still need to make compulsory super guarantee contributions for all their eligible employees. This includes people on a TRIS.

We recommend you seek financial advice when considering:

- super withdrawal options
- how tax applies to your retirement, transition to retirement or superannuation income streams.

If a TRIS is not in the retirement phase:

- the earnings from the assets supporting the TRIS will not be eligible for exempt current pension income (ECPI), and are taxed at the relevant tax rate
- it will not count towards your transfer balance cap (until it goes into the retirement phase).

A TRIS isn't in the retirement phase until you meet one of the following conditions of release:

- you're 65 years old or older
- retirement
- permanent incapacity
- terminal illness.

Accessing your super to retire

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-the-workforce/Accessing-your-super-to-retire/

- Last modified: 20 Apr 2022
- QC 27130

When you reach your preservation age and retire, you can access your super to fund your retirement.

You can also access your super:

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

You don't have to cash out your super just because you've reached a certain age, however, you need to check if the rules of your particular super fund 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.

You may receive your super benefits as:

- a super income stream
- a super lump sum
- a combination of both.

If you're 60 years old or older and your only source of income is super benefits from a taxed source, you won't need to lodge a tax return. However, you need to lodge a tax return if you have income from other sources or if you have tax withheld on your PAYG *payment summary – superannuation income stream*. This includes investments or some public sector super funds.

The tax payable on super benefits depends on a number of things, including:

- your age
- the amount of the payment
- whether you receive your super benefits as a super income stream or a super lump sum
- whether your super comes from a taxed or untaxed source.

Some super benefits have a tax-free component and a taxable component. The tax-free component generally includes:

- amounts you have contributed to your super fund without claiming those amounts as a tax deduction
- certain other tax-free amounts you may have rolled into your super fund.

We recommend you seek financial advice when considering:

- super withdrawal options
- how tax applies to your retirement, transition to retirement or superannuation

income streams.

Approved early retirement schemes

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Leaving-the-workforce/Approved-early-retirement-schemes/
- Last modified: 20 Apr 2022
- QC 27131

An approved early retirement scheme is a payment which is tax-free to a limit. These schemes are put in place by employers to encourage certain groups or classes of employees to retire early or resign.

For employees to get special concessional tax rates, the Commissioner of Taxation must approve the scheme before payments start.

The tax-free amount of the early retirement scheme payments depends on the number of years you worked for your employer. The tax-free limit is a whole dollar amount, plus an amount for each whole year of service with that employer. Indexation changes the tax-free limit on 1 July each year.

The tax-free amount is not part of your employment termination payment (ETP). Any payment amount over the tax-free limit is treated as an ETP.

The concessional taxation treatment for genuine redundancy and early retirement scheme payments now extends to individuals who are 65 years of age or older, if they are dismissed or retire before they reach pension age. This applies to payments made on or after 1 July 2019. Before 1 July 2019 this tax treatment only applied to individuals under 65 years old.

You need to be wary of Illegal super schemes people offer to help you gain access to your super savings before you reach your preservation age. Heavy penalties apply if you participate in these schemes.

Related pages

Employment termination payments
Find out how employment termination payments are taxed

Redundancy payments
Work out if your payment is a genuine or non-genuine redundancy and how it is taxed

Genuine redundancy and early retirement scheme changes
Find out if changes will affect the tax-free amount of the payment you receive

Workplace giving programs for employees

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Workplace-giving-programs-for-employees/
- Last modified: 20 Sep 2022
- QC 27123

Find out what a workplace giving program is, how to donate, and responsibilities your employer has.

On this page

What is a workplace giving program

A workplace giving program is a simple way to regularly donate to charities or organisations eligible to receive tax deductible donations. These organisations have a deductible gift recipient (DGR) status.

Your employer must ensure the participating charities or other organisations have ongoing DGR status. You can check the DGR status of an organisation at ABN Look-up: Deductible gift recipients.

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

What happens if you get involved

To be involved both you are your employer must agree to participate. Your employer will then start collecting the donation amount from your pay 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. However, you must claim the total through your tax return. This is regardless of whether you have been getting payday tax benefits for your donations.

You claim a deduction for workplace giving donations in the same way you claim gifts and donations you make directly to DGR charities in your tax return. If you donate on a regular basis, you can estimate the tax savings.

Example: employee workplace giving

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

Through a recent marketing campaign, Jane becomes interested in donating to a local animal shelter. She looks into entering into a workplace giving program her employee has set up with the shelter. However, she is unsure of the tax implications.

Jane's fortnightly income is $2,492. She wants to make a regular fortnightly donation of $15. Under workplace giving, her employer will take this out of her pay and reduce the amount of tax taken out each fortnight.

Jane estimates that this will reduce her tax payable by $6 a fortnight or $156 per annum. She also won't have to worry about keeping receipts and can simply claim a tax deduction equal to the amount of donations in her payment summary.

Your employer's responsibilities

Your employer may ask if you want to participate in their workplace giving program. They should provide you with:

- a list of the charities
- details of the donation amount per pay for each participating employee
- details of if they will reduce the amount of tax withheld from your pay to account for the amount donated each pay.

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

Reportable fringe benefits for employees

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Reportable-fringe-benefits-for-employees/
- Last modified: 12 Jan 2023
- QC 58427

Find out if fringe benefits you receive are reportable and may affect your obligations and government benefits.

On this page

- [Employment finished between 1 April and 30 June]

What are reportable fringe benefits?

If you receive fringe benefits with a total taxable value of more than $2,000 in a fringe benefits tax (FBT) year (1 April to 31 March), your employer will report this amount to us.

Some benefits don't have to be reported to us.

To find out which benefits are excluded, and how your employer calculates the amount to report, see [Reportable fringe benefits].

Reportable fringe benefits amount

The amount your employer reports is known as your reportable fringe benefits amount (RFBA).

Your RFBA is 'grossed-up' to reflect the pre-tax income you would have had to earn, at the highest marginal tax rate (plus the Medicare levy), to buy the benefits yourself.

You aren't taxed on your RFBA. It is included in income tests for some [government benefits and obligations].

Your RFBA will be shown on either your:

- income statement in ATO online services through myGov
- payment summary.

Completing your income tax return

If you lodge your tax return through a tax agent or online through myTax, you generally don't have to do anything. Your pre-filled tax return should include any RFBA.

If you lodge a paper tax return, you include your RFBA at label IT1.

Reducing your reportable fringe benefits amount

You can reduce your reportable fringe benefits by:

- cashing out benefits – arranging with your employer to replace your fringe benefits with cash salary
- making employee contributions out of your after-tax income towards the cost of the benefits – for example, you can make an employee contribution towards a car fringe benefit by paying for some of the operating costs
- changing the benefits you receive to things that are [exempt from FBT], such as work-related items.

Employment finished between 1 April and 30 June

If you finish employment between 1 April and 30 June, and receive fringe benefits during this time, your employer will report your RFBA for the income tax year ending on 30 June in the following year.

Consequences of having a reportable fringe benefits amount

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-an-employee/Reportable-fringe-benefits-for-employees/Consequences-of-having-a-reportable-fringe-benefits-amount/
- Last modified: 12 Jan 2023
- QC 58436

How your reportable fringe benefits amount affects eligibility and income tests for government benefits and obligations.

On this page

How the reportable fringe benefits amount is used

Your reportable fringe benefits amount (RFBA) is the 'grossed up' value of fringe benefits you received from your employer (or employers).

You aren't taxed on your RFBA. However, it is used to determine:

- your liability for the Medicare levy surcharge
- your child's adjusted taxable income, which affects whether they are considered a dependant for Medicare levy purposes
- your entitlement to the private health insurance rebate
- whether you are liable for Division 293 tax for superannuation contributions
- your eligibility for the government co-contribution for personal super co-contributions you made
- your eligibility for the low-income super tax offset for concessional (before tax) super contributions that you or your employer pay into your super fund
- whether you can offset your business loss against other income (non-commercial losses)
- if you are entitled to reduce your employee share scheme discount
- the amount you must repay against your debt for
    - Higher Education Loan Program (HELP)
    - Vocational Education and Training Student Loan (VETSL)
    - Student Financial Supplement Scheme (SFSS)
    - Student Start-up Loan (SSL)

    - ABSTUDY Student Start-up Loan (ABSTUDY SSL)
    - Trade Support Loan (TSL)
- your entitlement to a tax offset for
    - contributions you made to your spouse's super
    - invalid and invalid carer
    - zone or overseas forces
    - Medicare levy surcharge (lump sum payment in arrears)
    - seniors and pensioners
- your eligibility for family assistance payments, including
    - Family Tax Benefit Part A and Part B
    - Child Care Subsidy (from 2 July 2018)
    - Child Care Benefit for approved care (prior to 2 July 2018)
    - Parental Leave Pay
    - Dad and Partner Pay
- your child support obligations.

Example – RFBA used to work out the amount of HELP to repay

Olivia has a Higher Education Loan Program (HELP) debt of $10,000.

Olivia estimates her taxable income will be $60,000 in 2022–23. Based on this taxable income, Olivia would have a compulsory HELP repayment of $1,500 for 2022–23.

However, in 2022–23 Olivia also expects to receive fringe benefits from her employer with a reportable fringe benefit amount (RFBA) of $17,000. The RFBA isn't taxable, but it is added to Olivia's taxable income to determine her 'repayment income', which is the amount used to work out how much Olivia will need to repay towards her HELP debt in 2022–23.

If Olivia receives an RFBA of $17,000, then her HELP compulsory repayment estimate is worked out as:

> Taxable income + RFBA
>
> $60,000 + $17,000 = $77,000
>
> This means Olivia would have a HELP compulsory repayment of $3,465 for 2022–23.

Example – RFBA used by Services Australia for Child Care Subsidy

Elijah's taxable income is $100,000 for the 2021–22 income year. Elijah's employer provides him with a car fringe benefit with a taxable value of

$3,500. Elijah also receives a housing fringe benefit with a taxable value of $1,000. These fringe benefits are both reportable.

The taxable value of Elijah's fringe benefits is $3,500 + $1,000 = $4,500. The grossed-up taxable value of these benefits is $8,490 ($4,500 × 1.8868 (the lower gross-up rate for 2022)).

This means Elijah has a reportable fringe benefits amount (RFBA) of $8,490.

Elijah receives the Child Care Subsidy from Services Australia. When Services Australia works out how much Elijah is entitled to, they include both his taxable income and his RFBA:

$100,000 + $8,490 = $108,490

Services Australia will use the income amount of $108,490 to work out Elijah's CCS entitlement.

Employees of FBT-exempt organisations

If you're an employee of one of the following organisations, 53% of your RFBA is taken into account to determine your eligibility for family assistance and youth income support payments:

- public benevolent institution
- health promotion charity
- public or not-for-profit hospital
- public ambulance service.

Working as a contractor

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-as-a-contractor/
- Last modified: 19 Sep 2022
- QC 43442

Check if you're a contractor or employee and if you need to register for an ABN or certain tax roles.

On this page

What you need to know

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

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'.

As a contractor, you're starting or running your own business, therefore you:

- need an Australian business number (ABN)
- need to choose a business structure
- may need other business tax registrations, such as GST
- need to pay tax and super
- need to know if your income is subject to the rules for personal services income
- are not entitled to paid leave if you get sick or injured
- may have to pay the cost to fix anything you damage in the course of your work
- may also have to pay the costs incurred by someone else if you cause an accident on someone else's property.

If you're a contractor in the building and construction industry, you must also lodge a taxable payments annual report (TPAR).

Check if you are an employee or contractor

Contractors have different tax and super obligations to employees. Use, employee or contractor - what's the difference to check whether you should be an employee or contractor.

You can also review common myths about being a contractor which may help you work out your work type and position.

Employee or contractor - what's the difference

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Employee-or-contractor---what-s-the-difference/
- Last modified: 21 Apr 2022
- QC 43437

Find out the main differences between working as an employee and working as a contractor. These will help you work out how you should be receiving your income.

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

On this page

- Common things to check
- Employees
- Contractors

Common things to check

There are 6 key things to check to help you work out if you're a contractor or employee.

1. Ability to sub-contract or delegate
   Who does the work?
2. Basis of payment
   How does the person who pays you work out how much to pay you?
3. Equipment, tools and other assets
   What you need to do your work?
4. Commercial risks
   If you make a mistake, who pays to have it fixed?
5. Control over the work
   Who tells you how to do the work?
6. Independence
   Are you seen to be a part of the business or separate?

You also need to know as either an Employee or contractor the different tax and super obligations you need to meet.

These Common myths about being a contractor will help you work out your work type and position.

We tell you What to do if you think you're an employee.

Employees

As an employee, you:

- can't pay someone else to do the work
- receive payments
  - for the amount of time (normally hours or shifts) you work
  - for each item or for each activity you do
  - as commission
- use tools, equipment or other assets that either
  - your employer (work) gives you to do your work
  - you provide to do your work, but the business you work for gives you an allowance or pays you back for the cost of the items

- don't personally pay for mistakes, the business you work for is responsible if you make a mistake and they pay for the cost of fixing it
- follow any reasonable work requests your supervisor or the business you work for makes
- are seen to be part of the business and are not independent from it.

Contractors

As a contractor, you:

- can pay someone else to do the work instead of you
- receive all or the majority of the amount of your quote once you finish the work (to an agreed standard)
- supply an invoice to the other business before they pay you
- bring to the job all or most of the things (tools and equipment) you need to do your work
- have to buy or hire your tools of trade or any equipment you need to do the work
- are responsible for fixing your own mistakes at your own expense
- can do the work in any way you like as long as you complete the work to an agreed standard, or to the specific terms in your contract or agreement
- are operating your own business independently – meaning you complete the tasks or services as agreed to in your contract or agreement and are free to accept or refuse extra work.

Employee or contractor - tax and super obligations compared

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Employee-or-contractor---what-s-the-difference/Employee-or-contractor---tax-and-super-obligations-compared/
- Last modified: 21 Apr 2022
- QC 43440

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.

Comparison of contractors and employees for you and the business

As a contractor	As an employee
You: • put money aside to cover the tax	You: • provide your tax file number (TFN) to

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 • 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.	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 or income statement 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.
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 about being a contractor

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Employee-or-contractor---what-s-the-difference/Common-myths-about-being-a-contractor/
- Last modified: 21 Apr 2022
- QC 43439

Don't get caught out by these common myths about contractors. You should consider all the terms and conditions of your work arrangements. The terms and conditions of a contract helps you to work out if you're a contractor or employee.

On this page

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

These arrangements alone don't 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 your working conditions meet all the criteria of being an employee, but the business treats you as a contractor, they can face penalties and charges. These charges apply 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. As such the employer can get the working arrangement wrong.

It is the terms and conditions in your working arrangement that determine if you're an employee or contractor. That is, what you agree 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 can't choose to treat you as a contractor.

You have a contract

If your working conditions meet all the criteria of being an employee, you are legally an employee.

If you enter into a contract with the business you work for specifying you're a contractor, this makes no difference to the true working relationship. The contract will not:

- override the real employment relationship or change you into a contractor
- change the tax and super obligations the business must 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.

What to do if you think you're an employee

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Employee-or-contractor---what-s-the-difference/What-to-do-if-you-think-you-re-an-employee/
- Last modified: 21 Apr 2022
- QC 43441

If you take a job as a contractor or there has been a change in your job description since starting, you can still work out if you should be an employee.

On this page

What you can do

Some businesses or business owners might not know that they risk penalties for failing to treat their workers as employees. However, some employers use this as a deliberate tactic to try and avoid their responsibilities.

A business that wrongly 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.

You can follow the steps below to find out about what you can do if:

- the job is described as contracting, but it looks more like being an employee
- you have been a contractor, but the job changes and now you think you might be an employee.

Steps you can take

1. Talk to the business (employer) to make sure you understand all the terms and conditions of your working arrangement.
2. Check the terms and conditions in your written contract (if you have one).
3. Ask your employer to read Employee or contractor - what's the difference – often a business that is asking workers to apply for an ABN simply doesn't understand the differences.

Additional support you can access

You can have a look at the information on the Fair Work Ombudsman website to help you understand:

- more about working arrangements
- how working arrangements affect you
- your entitlements and responsibilities.

If you sign 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 can't change. Even if you have a written agreement it doesn't necessarily make it legal for tax and super purposes.

Working overseas

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-overseas/
- Last modified: 21 Apr 2022
- QC 33247

Australian residents working overseas need to be aware of their tax obligations before they leave Australia. Such as, if you have a higher education study or training support loan, you have an obligation to repay these while overseas.

You must declare all foreign income, even if you pay tax in the country where you earn the income. This is because as an Australian resident for tax purposes you pay tax on your worldwide income. This includes:

- if you provide a foreign service in a foreign country you need to include the foreign earnings in your tax return
- declaring exempt foreign employment income in your tax return –we use this information to work out the amount of tax you have to pay on your assessable income.

When you pay tax on foreign income in the country you earn it, you may be able to Claim a foreign income tax offset.

The easiest way to declare your foreign income while overseas is online. If you have a myGov account and you link to the ATO, you can access your account from overseas to:

- prepare and lodge your tax return
- manage and check your super
- manage your contact details and other tax obligations.

Related page

Bilateral agreements - individuals
Bilateral social security agreements are international agreements Australia has entered into with certain other countries

Foreign service and foreign earnings

- https://www.ato.gov.au/Individuals/Jobs-and-employment-types/Working-overseas/Foreign-service-and-foreign-earnings/
- Last modified: 20 Apr 2022
- QC 17198

Foreign service is service Australian residents provide in a foreign country as an employee or an office holder.

On this page

- Work out if you’re an employee
- What are foreign earnings?
- Annual leave while working overseas
- Supplements paid under the Australian Staffing Assistance Scheme

Work out if you’re an employee

You are an employee if you are a person who works:

- for a government or an authority of a government
- for an international organisation
- as a member of a disciplined force.

If you earn fees for independent services you provide overseas you're not an employee or an office holder in the foreign country.

Service on a ship in international waters is not foreign service because international waters do not form part of the territory of a foreign country.

What are foreign earnings?

Your foreign earnings include income you earn such as:

- salary and wages
- commissions or bonuses
- allowances
- income you receive under the employee share scheme provisions.

You will need to include any foreign income from working overseas that is subject to tax as assessable income in your tax return in the year you earn it.

You may be able to claim a foreign income tax offset for amounts of foreign tax you pay, when you lodge your tax return.

Foreign earnings don't include:

- continuing pensions, annuities or superannuation payments
- foreign termination payments
- the tax-free amount of a genuine redundancy payment or an early retirement scheme payment
- payments made as an advance loan, restraint of trade payments or payments for personal injury
- transfers between superannuation funds.

A payment can still qualify as foreign earnings even if it is paid in Australia or not derived at the time you worked overseas – however, the payment must be attributable to a period of foreign service.

Income from certain types of foreign employment and approved overseas projects may be exempt from tax.

Australia has treat treaties with more than 40 jurisdictions.

For more information, see:

- TR 2013/7 *Income tax: foreign employment income: interpretation of subsection 23AG(1AA) of the Income Tax Assessment Act 1936*
- TD 2012/8 *Income tax: what types of temporary absences from foreign service form part of a continuous period of foreign service under section 23AG of the Income Tax Assessment Act 1936*

Annual leave while working overseas

Annual leave that you accrue while you are working overseas is still taken to be foreign earnings from foreign service where you both:

- work for an Australian employer
- are not paid until you take the leave (even after you return to Australia).

If your period of foreign service qualifies you for exemption from Australian tax, your leave payment is also exempt. This is the case even if you receive the payment while you are in Australia. Other leave payments, such as long service leave you take after your foreign service ends, may also be exempt.

Supplements paid under the Australian Staffing Assistance Scheme

Under the Australian Staffing Assistance Scheme (ASAS) or a similar arrangement, you usually receive a base salary as well as a supplement.

You pay tax on the base salary in the foreign country. Your supplement amounts are taxable by Australia and exempt from tax in the foreign country. However, the supplement (in common with the base salary) is still considered to be foreign earnings you derive from foreign service.

The supplement is exempt from Australian tax if the other earnings from your foreign service are also exempt.