



BE A BOSS: MODULE 5

All about contractors

The learning outcomes of this module are:

- 5.1 Understand what your responsibilities are**
- 5.2 Identify if you have any Tax, Superannuation, Workers' Compensation and Workplace Health and Safety obligations**
- 5.3 Identify what should be in any agreements or invoices**
- 5.4 Know what records to keep**



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Don't forget!

Make sure you save your work by downloading and saving this PDF to your own computer before you write in it.

Activity 1: Beginning Reflection

Here is a list of some of the common questions about contractors. Have a go at answering them yourself:

Does a contractor always need an ABN?

Do contractors pay their own tax?

Do contractors pay their own superannuation?

What insurance covers a contractor if they are injured as a result of work? Who needs to have this insurance - the employer or contractor?

Activity 2:

What is needed for a contractor?

Introduction: Questions 1 – 2

1. Which laws are State-based laws and may differ depending on which State or Territory you live in? (Select two)
 - a) Health and Safety
 - b) Workers' Compensation
 - c) Taxation
 - d) Superannuation

2. Which laws are Australian laws and apply to you no matter where you live? (Select two)
 - a) Health and Safety
 - b) Workers' Compensation
 - c) Taxation
 - d) Superannuation

Part A:

We've extended the questions from Activity 1. Have your answers changed?

1. TRUE OR FALSE: Contractors generally need an ABN, and it's their responsibility to know whether they need one. (Tick one)

True / False

2. TRUE OR FALSE: If a contractor is not eligible for an ABN, they may be able to use an ATO form called a Statement by Supplier. (Tick one)

True / False

3. TRUE OR FALSE: You generally do not need to withhold tax if you have a contractor. (Tick one)

True / False

4. It is possible that your worker may be a contractor for taxation purposes – but an employee for superannuation purposes.

What is the extended definition of 'employee' under superannuation law that may mean you need to pay your worker superannuation?

5. When it comes to Workers' Compensation insurance, you need to understand who is defined as a 'worker'. Where is the best place to go for advice?

6. TRUE OR FALSE: Your Workplace Health and Safety obligations for contractors are similar to what they are for employees. (Tick one)

True / False

Part B - What do you need to do with your contractor/s?

Take some time to think about anything you need to do for your contractor around tax, superannuation, Workers' Compensation, Workplace Health and Safety, and any checks.

Record any actions you need to take in the table below. We have given examples.

Issue	Any actions I need to take
Tax, ABN and Statement by Supplier	Example: I need to ask my contractor whether they have an ABN.
Superannuation	Example: I think my contractor is an employee for superannuation purposes. I need to check.
Workers' Compensation	Example: I need to contact my insurer for advice on whether I need to get Workers' Compensation insurance for my contractor.
Workplace Health and Safety	Example: I need to add a clause in contracts about their safety responsibilities.
Other insurances (e.g. public liability)	Example: I need to renew the insurance coverage on my van.
Police check	Example: I need to find out whether my contractor's police check has been processed.
Working With Children check	Example: I need to check that my contractor's Working With Children Check clears them for paid work.

Activity 3: Contracts, rates and record keeping

Introduction:

1. A contractor's rate of pay depends on a few things, and it's up to you to decide whether you accept their offer. People make these decisions based on the skills required of the contractor, and the quality and complexity of the outcome or result you expect. It is also about the value you place on the work or result.

If you end up negotiating a rate, what are three things you might want to take into account before doing so?

- 1.
- 2.
- 3.

Part A - NDIS service agreements

Is your contractor a provider under the NDIS, and do either of you want a service agreement? Note that this is highly recommended by the NDIA. Check for minimum inclusions in a service agreement: [Service agreements with providers](#)

Part B - Checklist for minimum inclusions in a contract

You can use this list to create or check the minimum clauses we suggest are in a contract. For a fuller list and explanation of other clauses, read [What do I include in a contract?](#)

Suggested clause	More information	Have you included this clause in your contract? Yes/No, Comments
Who is making the agreement, and for how long?	Sets out the names, signatures and other business information of the parties to the contract	
Description of services or results	Provides detail about the work to be done or the expected result	
Payment	How much the services or products cost, when payments will be made and who pays for expenses	
Insurance	A contract should clearly identify the insurance obligations of each party	
Subcontracting	Whether it is possible for the contractor to get someone else to do the work, and under what conditions this would be allowed	
Responsibility for fixing faulty or incomplete work	Who has responsibility for fixing faulty or incomplete work	
Problems or disputes	Steps to take if there is a dispute or a problem	
Making changes	How or when the contract can be changed	
Ending the contract	When and how the contract can be ended	

Suggested clause	More information	Have you included this clause in your contract? Yes/No, Comments
Do you need to add anything from Activity 2 (e.g. confirmation of Police check, Working With Children check, or Workplace Health and Safety obligations)?		

Part C - Invoices, rates and records

Introduction:

a) As an employer, you have record keeping responsibilities. If you have a contractor that you must pay superannuation to or have withheld tax from, how long does the ATO say you must keep records for?

b) How long do other agencies say you must keep records for?

Questions:

You can use this list to check that invoices you receive have the correct information:

Something that identifies it as an Invoice or Tax Invoice

The contractor's identity (such as a business name)

Contact details (optional, but recommended)

Contractor's ABN (if applicable)

The date of the tax invoice

Information about what was provided, quantity, price and date it was provided

GST (if payable)

If you already have contractors, is there anything you want to change about the rates you are paying them?

What records should you keep for your contractor/s? **For example: NDIS service agreements, contracts.**

Activity 4: End Reflection and Handy Websites

Part A - Review

What has stood out for you in this module?

Do you:

Feel clearer on the definition of a contractor?

Know your legal obligations if you are hiring a contractor?

Understand whether you have tax, superannuation, Workers' Compensation or Workplace Health and Safety obligations if you are hiring a contractor?

Feel more confident with negotiating rates, making agreements and checking invoices?



Know what records to keep?

Are there any other actions you need to take?

Do you need help with these actions? If so, who can you ask?

Appendix 1:

Additional resources

1. [ABN Lookup](#). Search for publicly available information about an ABN.
2. [Apply for an ABN](#)
3. [Statement by Supplier form](#)
4. [Superannuation guarantee eligibility decision tool](#). This decision tool helps you to determine whether your employees are eligible for superannuation – including any contractors who are employees for superannuation purposes.
5. [Engaging independent contractors](#). Workplace Health and Safety information for contractors in Western Australia.
6. [National Police Certificates](#). Information about National Police checks (Western Australia).
7. [Working with Children Check](#) (Western Australia)
8. [What do I include in a contract?](#) A detailed summary of all that can be included in a contract. This is an Australian whole-of-government service providing essential information on planning, starting and growing your business.
9. [Service agreements with providers](#). The official NDIS explanation of service agreements.
10. [Issuing tax invoices](#). ATO checklist for invoices.
11. [Keep the right records](#). List of records you need to keep, and for how long.

Appendix 2: Answers to the quiz

Activity 2: What is needed for a contractor?

Introduction: Questions 1 – 2

1. Which laws are State-based laws and may differ depending on which State or Territory you live in? (Select two)

ANSWERS: a) Health and Safety & b) Workers' Compensation

2. Which laws are Australian laws and apply to you no matter where you live? (Select two)

ANSWERS: c) Taxation & d) Superannuation

Activity 2: What is needed for a contractor?

Part A:

1. TRUE OR FALSE: Contractors generally need an ABN, and it's their responsibility to know whether they need one. (Circle one)

ANSWER: True

2. TRUE OR FALSE: If a contractor is not eligible for an ABN, they may be able to use an ATO form called a Statement by Supplier. (Circle one)

ANSWER: True

3. TRUE OR FALSE: You generally do not need to withhold tax if you have a contractor. (Circle one)

ANSWER: True

4. It is possible that your worker may be a contractor for taxation purposes – but an employee for superannuation purposes.

What is the extended definition of ‘employee’ under superannuation law that may mean you need to pay your worker superannuation?

ANSWER: If a person works under a contract that is wholly or principally for the labour of the person, the person is an employee of the other party to the contract” – can you format this in a cool way at the end of the workbook

5. When it comes to Workers’ Compensation insurance, you need to understand who is defined as a ‘worker’. Where is the best place to go for advice?

ANSWER: Your insurer

6. TRUE OR FALSE: Your Workplace Health and Safety obligations for contractors are similar to what they are for employees. (Circle one)

ANSWER: True