

This table provides a brief overview of some of the key Australian taxes, levies and charges as they relate to employees, independent contractors and terminations of employment, including some key points to remember.

Employees	Independent Contractors	Employee Terminations
<p>Fringe benefits Tax (FBT)</p> <ul style="list-style-type: none"> Employer tax at 49% (47% from 1 April 2017) on most non-cash benefits and certain cash allowances provided to employees. Payable by employers annually following a 31 March year end. Reporting of benefits on employee's payment summary required where the value of certain fringe benefits provided exceeds \$2,000 in an FBT year. Some benefits are concessional benefits or exempt. <p>Payroll Tax – levied on the value of remuneration. Employer groups whose total Australian remuneration is within the minimum State based threshold are not subject to payroll tax.</p> <p>Pay-As-You-Go (PAYG) withholding</p> <ul style="list-style-type: none"> Employer obligation to withhold income tax from many types of payments to employees. PAYG payment summaries must be issued to employees (by 14 July each year in the case of the standard annual payment summary). Reporting to the Australian Taxation Office (ATO) is required. <p>Superannuation Guarantee Contribution</p> <ul style="list-style-type: none"> Currently 9.5% of employee's ordinary time earnings for most employees, payable quarterly. Liabilities can generally be imposed going back further than the standard 4-year ATO amendment review period. Missed payments may attract the super guarantee charge, which is not tax-deductible. 	<ul style="list-style-type: none"> A 10% Goods and Services Tax (GST) will often apply. Employer payroll tax, superannuation and workers' compensation obligations can still apply. In New South Wales there is an official subcontractor statement that would generally also be completed in order to relieve a head contractor from liability for workers compensation premiums, payroll tax and remuneration payable by the subcontractor. 	<ul style="list-style-type: none"> Concessional income tax rates apply (within limits) to many employment termination payments (ETP) for employees whose total income is less than \$180,000. It is not necessary that the termination is the dominant cause of payment, but there must still be a significant connection. Access to the concessions by higher income earners is restricted. Employees who are genuinely redundant may be able to receive a portion of their termination payment tax-free. Payroll tax and superannuation contribution obligations can apply to termination payments. Income tax concessions can be greater for invalidity retirement payments, genuine redundancy payments, ATO approved early retirement scheme payments, and compensation for genuine disputes about personal injury, unfair dismissal, harassment or discrimination. Reimbursement of substantiated legal costs incurred in pursuit of an ETP is often (but not always) tax free.
Key points to remember		
<ul style="list-style-type: none"> Consider whether benefits provided to employees are concessional benefits or exempt benefits. Consider allowing salary sacrifice for some benefits such as cars, tools, uniform and employee shares where appropriate. Identify tax free expense allowances, and check whether the negotiated rates are within prescribed ATO reasonable limits to which tax withholding and expense substantiation exemptions can apply. Check that industrial agreements require employees to provide suitable declarations and substantiation of costs they incur where that is necessary to claim FBT concessions and exemptions. Be aware of withholding from non-standard employee payments that are not processed through the payroll system. Penalties may apply for failure to withhold PAYG or make required statutory superannuation contributions, including director personal liability. Check payroll tax thresholds and be aware of payroll tax grouping rules. 	<ul style="list-style-type: none"> Use an appropriately drafted GST clause. Consider whether to include a tax indemnity provision in contractor agreements. Consider the tax and superannuation status of independent contractors. 	<ul style="list-style-type: none"> A payment that happens to coincide with or follow the termination does not, from that alone, have a sufficient connection to be an ETP. Check the relevant caps on tax concessions, preservation age of each employee and applicable tax rate. Be aware of limitations on and conditions for a tax-free genuine redundancy amount. Remember that incorrectly accepting employee claims that an amount is tax-free or concessional can expose the employer to significant PAYG withholding penalties.

This table summarises the Australian taxation obligations applicable to an employer for various wage components and types of allowances paid.

	PAYG tax withholding	Superannuation Guarantee (SG)	Fringe Benefits Tax (FBT)	Payroll tax
Wages				
Pay for 'ordinary hours' worked ¹	Yes	Yes	No	Yes
Pay for 'overtime hours' ²	Yes	No	No	Yes
Note — Ordinary hours is generally a reference to the span of hours defined in the industrial instrument as being ordinary, eg Monday to Friday 8am to 6pm, capped at a defined maximum such as 38 hours in a week and 12 hours in a day. It is generally not a reference to the hours the particular employee habitually works.				
Pay for vehicle loading and unloading time (transport industry)	Yes	Depends on whether the time is part of ordinary or overtime hours	No	Yes
Holiday and sick pay ³	Yes	Yes	No	Yes
Performance bonus	Yes	Yes , unless specifically relating to overtime only	No	Yes
Retention allowance, return to work payment	Yes	Yes generally	No	Yes
Shares and options in employer stock	No, unless TFN not quoted	No	No	Yes
Working condition allowances ⁴	Yes	Yes	No	Yes
On-call allowances: paid as a loading on ordinary hours	Yes	Yes	No	Yes
paid as an allowance to be available to work hours that the employee is not otherwise working	Yes	No	No	Yes
General expense allowances				
Tool, uniform and dry cleaning	Yes	No	No	Yes
Laundry allowance ⁵	No, except for excess over ATO-published threshold	No	No	Yes
Award overtime meal allowance	No, except for excess over reasonable limit	No	No	Yes
Business trip allowances				
Meal allowance where return home in the evenings	Yes (except within limits for some workers whose job is to travel)	Yes (except for some workers whose job is to travel)	No	Yes

¹ Including any casual loading for those hours.

² Or other identifiable non-ordinary hours.

³ Including annual leave loading.

⁴ Including for example dangerous goods allowance, dirt money, higher duties loading and linehaul driver disability allowance.

⁵ For specialised work clothes, eg safety gear.

	PAYG tax withholding	Superannuation Guarantee (SG)	Fringe Benefits Tax (FBT)	Payroll tax
Business trip allowances (continued)				
Overnight business travel allowance: overseas accommodation	Yes	No	No (but note travel diary requirements)	No, except for excess over reasonable limit
Overnight business travel allowance: domestic accommodation, meals and incidentals overseas meals and incidentals	No, except for excess over ATO-published threshold	No	No (but note travel diary requirements)	No, except for excess over reasonable limit
Allowance for using own car for a business trip	No, except for excess over ATO published rate per km up to a maximum of 5,000km	No	No	No, except for excess over ATO published rate per km
Living-away-from-home (LAFH)				
Allowance for additional expenses of living-away-from-home for work purposes	No	No	Yes , except to extent that LAFH reduction for food and accommodation applies ⁶	
Note — LAFH v business trip : Living-away-from-home needs to be distinguished from a business trip. The ATO only automatically accepts a trip of up to 21 days away as a business trip.				
Reimbursements				
Note — Reimbursement v allowance : A reimbursement is where the employer reimburses, pays for or discharges the exact cost or a part of it, including where the employer gives the employee money but requires the unspent amount to be repaid. On the other hand, an employee is not required to account to the employer for an allowance, and keeps the difference if the employee's costs happen to be less than the allowance.				
Remote area housing rent	No	No	First half of rent paid is not subject to FBT. Balance of rent paid is subject to FBT. ⁶	
Car parking costs	No	No	Yes , except may be exempt if reserved area forms part of employer premises ⁶	
Relocation costs	No	No	No	No
Business publications and membership costs	No	No	No	No
Taxi to / from work	No	No	No	No
Other reimbursements	No	No	Yes , unless an FBT exemption or reduction applies ⁶	
Note — Minor benefits are exempt from FBT. A minor benefit is both (a) less than \$300 in notional taxable value; and (b) unreasonable to treat as a fringe benefit.				
Termination payments				
Payment in lieu of notice	Yes , except tax free genuine redundancy component	Yes	No	Yes , except tax free genuine redundancy component
Additional severance payment	Yes , except genuine redundancy component	No	No	Yes , except tax free genuine redundancy component
Unused leave payment	Yes	No	No	Yes

* This overview is in summary form, designed as general information. It is not comprehensive, it is not offered as advice, and it should not be used to formulate business or other decisions.

⁶ The payroll tax treatment follows the FBT treatment.