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> Independent Contractors

2010

Independent Contractors the essential handbook

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INDEPENDENT
CONTRACTORS
HOTLINE
1300 667 850



Independent Contractors

the essential handbook

Minister's foreword

You've picked up this handbook because you hire contractors, or you are a contractor, and you want clear, concise information about your rights and responsibilities.

Across Australia, almost a million men and women earn a living by contracting out their services.

This plain-English handbook goes a long way towards giving businesses and the independent contractors they engage a simple guide to the rules and regulations and the rights and obligations on both sides.

As well as containing a lot of useful information, this handbook – the first of its type – includes links to important websites, and phone numbers, to make sure all readers have easy access to the facts.

I encourage independent contractors and those who hire them to read this book and make use of the information it contains.



*The Hon Dr Craig Emerson MP
Minister for Small Business, Independent Contractors and the
Service Economy*



Language and communication assistance

If you need an interpreter, please call the **Translating and Interpreting Service (TIS) National** on 13 14 50. Please note that charges may apply. For information regarding independent contracting, please call the Independent Contractors Hotline on 1300 667 850 and ask for an interpreter in your language. The Government pays for interpreters used through the Hotline.

Latest edition

This handbook will be updated regularly. To ensure you have the latest information, visit business.gov.au, the Australian Government's award winning business website.

Please note that every effort has been made to ensure that information provided in this Handbook is accurate. You should note however that the Handbook is intended as a guide only, providing an overview of general information available for independent contractors. This Handbook is not intended to be an exhaustive source of information and should not be seen to constitute legal advice. You should, where necessary, seek your own legal advice for any legal issues raised in contracting.

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Contracting arrangements



Are you an independent contractor or an employee?

There are many differences between independent contractors and employees – understanding these differences is crucial for both independent contractors and their hirers as it can have an effect on matters such as tax and superannuation obligations, intellectual property ownership, and insurance requirements.

Information for independent contractors

As an independent contractor you operate a business entity that produces a result for an agreed price. There are key differences between independent contractors and employees. In most cases you are an independent contractor if you:

- are paid for results achieved
- provide all or most of the necessary materials and equipment to complete the work
- are free to delegate work to others
- have freedom in the way you work
- provide services to other businesses
- are free to accept or refuse work
- are in a position to make a profit or loss.

In contrast, employees receive entitlements from the *Fair Work Act 2009* (the Act). The Act provides for entitlements such as:

- personal leave
- annual leave
- parental leave
- minimum rates of pay
- meal breaks.

However, employees have little control over the work they perform, their place of work, and their work hours. Generally a worker is an employee if he or she:

- is paid for time worked
- receives paid leave (for example personal, annual or recreation, or long service leave)
- is not responsible for providing the materials or equipment required to do the job
- must perform the duties of the job position
- agrees to provide their personal services
- works hours set by an agreement or award
- is recognised as an integral part of the employer's business
- takes no commercial risks and cannot make a profit or loss from the work performed.

To help you understand the difference between independent contractors and employees at common law, use the online decision tool at www.business.gov.au/contractors.

Even if you are an independent contractor and not an employee, you need to be aware that some legislation may treat employees and independent contractors in the same manner.

As an independent contractor you may or may not choose to join or not join a union eligible to represent your industrial interests. However, it is illegal for hirers or unions to try to influence your choice through threats, pressure or discrimination. If you believe you are being pressured to make a decision either way, get advice from a Fair Work Inspector or union. They can help you get a court order for protection or provide other assistance.

Information for hirers

As a hirer, you are required to withhold an amount from payments to an independent contractor for tax purposes if:

- the contract asks for amounts to be withheld,
- they provide their work or services for a client of yours under a labour hire arrangement, or
- they have not quoted their ABN to you.

You may also have obligations to your independent contractors relating to payroll tax, workers' compensation and insurance. For more information on these obligations, see the corresponding topics in this handbook. In some cases the Superannuation Guarantee laws may also apply to payments for work or services by an independent contractor. See the Superannuation Guarantee topic on page 17 for further information.

As a hirer you are protected from unauthorised industrial action by independent contractors. It is also unlawful for unions to threaten or take unauthorised industrial action against you. If you believe unauthorised industrial action is being taken you can speak to Fair Work Australia on 1300 799 675.



What to do...

- Call the Independent Contractors' Hotline for advice on 1300 667 850.
- Visit the Fair Work Online website at www.fairwork.gov.au for information on your rights and obligations under Australia's new Fair Work System.
- To help you understand the difference between a contractor or employee at common law, use the online decision tool at www.business.gov.au/contractors.
- Use the **Tax Office's** employee/contractor decision tool – an online resource designed to help a hirer determine whether a worker is an employee or an independent contractor for tax and superannuation purposes at www.ato.gov.au or phone 13 28 66.
- For more information about Superannuation Guarantee obligations see the **Tax Office's** *Superannuation guarantee – How to meet your super obligations* (an employer's guide) at www.ato.gov.au or contact the Superannuation Infoline on 13 10 20.

Contracts

A well planned contract allows independent contractors and hirers to identify the working relationship, rights and responsibilities, and expected outcomes before starting work. It's important for independent contractors and hirers to understand their rights, obligations and what is expected of them in the business relationship to prevent misunderstandings.

When drafting a contract, both parties should consider including the following information:

- results to be achieved and services to be performed
- insurance and professional indemnity responsibilities
- a clear dispute resolution process
- intellectual property rights
- termination of the contract
- timing and payment
- reporting arrangements
- confidentiality obligations
- provision of tools and equipment necessary to undertake the work.

Independent contractors and hirers should be able to understand the importance of having a written contract and identify the key elements of a good quality contract. It is essential that independent contractors and hirers are able to fully understand the terms of the contract they are signing and are aware of common issues which may arise during the course of the contract. This allows both parties to minimise any risks associated with signing a contract.

Unfair contracts

Under the *Independent Contractors Act 2006*, an unfair contract is one where a person performs work under terms that are deemed 'unfair' or 'harsh'.

When determining whether a contract is unfair or harsh, a court may consider:

- the relative strengths of the bargaining positions of the parties
- whether any undue influence or unfair tactics were used against a party
- whether the contract provides total remuneration that is less than that for an employee performing similar work; and
- any other matter that the court thinks is relevant.

Where a court finds that a contract is unfair or harsh, it may order that:

- the terms of the contract be re-written – for example to add or remove clauses
- parts of the contract will have no effect; and
- the contract be set aside – that is, that the contract ceases to operate.

Unfair contract claims must be brought to the Federal Magistrates Court or the Federal Court of Australia. It is recommended you consider dispute resolution prior to lodging a claim. See the dispute resolution topic on page 22 for further information.

Sham contracts

Sham contracting is where an employer tries to disguise an employment relationship as an independent contracting relationship. If this occurs an employee may not receive a number of employment entitlements such as superannuation and workers compensation.

Under the *Fair Work Act 2009*, the employer cannot:

- disguise an employment relationship or proposed employment relationship as an independent contracting arrangement
- dismiss or threaten to dismiss an employee to re-engage him or her as an independent contractor
- knowingly make a false statement to persuade or influence an employee to become an independent contractor.

An employer who behaves in this way can be fined up to \$33,000. Actions can be brought by a worker, a union or the Fair Work Ombudsman.



What to do...

- Phone the **Independent Contractors' Hotline** on 1300 667 850 for information on unfair contracts.
- Read information on sham contracts on the Fair Work Online website at www.fairwork.gov.au.
- See the Unfair Contracts fact sheet and Protection Against Sham Contracting fact sheet on the **Department of Innovation, Industry, Science and Research (DIISR)** website at www.innovation.gov.au/independentcontractors.
- Phone the **Fair Work Ombudsman** on 13 13 94 for further information on sham contracting.
- Consult your union or industry association. You can find unions and industry associations using the business.gov.au government and business associations directory at www.business.gov.au/directory.

Occupational health and safety

Occupational health and safety (OH&S) refers to health and safety in the workplace. Both independent contractors and hirers have legal responsibilities under OH&S legislation, which is governed by state and territory agencies.

Information for independent contractors

As an independent contractor you are entitled to a safe and healthy workplace. You should be given a safety induction to the workplace and have relevant work processes clearly explained to you.

You are required to comply with the duties set out in the OH&S Act for your state or territory. These generally include:

- ensuring that your actions do not put yourself or others at risk
- alerting the appropriate people to hazardous workplace situations
- reporting accidents and injuries.

Information for hirers

As a hirer you are legally responsible for ensuring the safety of independent contractors at all times while in your workplace.

You should ensure that your workplace, any machinery, substances and facilities used are safe, and that all workers have adequate training, licensing and supervision.



What to do...

- For more information about your OH&S rights and responsibilities, contact the OH&S and workers' compensation agency in your state or territory. You can find contact details on page 66.
- Refer to our workers' compensation topic on page 12. Read about occupational health and safety on the www.business.gov.au website.

Workers' compensation

Workers' compensation is covered by state or territory laws which ensure benefits are paid to an employee or an employee's family if the worker suffers a job-related injury, death or disease.

Information for independent contractors

You may not necessarily be entitled to workers' compensation unless you have arranged your own accident protection insurance. Some independent contractors are covered for workers' compensation in some states and in specific circumstances. To find out if you are covered, contact your state or territory's OH&S and workers' compensation agency which are listed on page 66.

Information for hirers

It is crucial that you know whether independent contractors are covered by their own insurance or come under your business insurance. If you do not provide workers' compensation when you are required to, your state or territory OH&S and workers compensation agency could require you to pay back any avoided workers' compensation premiums. You could also be subject to serious penalties, which may have a significant financial impact on your business. For more information about who is covered, contact your state or territory's OH&S and workers compensation agency.



What to do...

- For more information about workers' compensation and the laws that apply, contact the OH&S and workers' compensation agency in your state or territory. You can find contact details on page 66.
- See our insurance topic on page 14 for further information on workers' compensation insurance.

Insurance

Unlike employees, independent contractors are generally responsible for their own insurance cover and bear the commercial risk for losses suffered from any work performed. Depending on the contract agreement, both the independent contractor and the hirer may have liability insurance and workers' compensation obligations.

Information for independent contractors

Workers' compensation laws are state and territory based. They ensure that benefits are paid to an employee or their family if the employee suffers a job-related injury, death or disease. As an independent contractor, you may not necessarily be entitled to the same workers' compensation benefits as regular employees. See the workers' compensation topic on page 12 for further information.

Consider personal accident and illness insurance to ensure that you are financially secure should any accident or illness prevent you from working. Some independent contractors are covered by workers' compensation in some states and in specific circumstances. To find out if you are covered, contact your state or territory's OH&S and workers' compensation agency. Contact details are on page 66.

Liability insurance protects you against the financial risk of being found liable to a third party for death or injury, loss or damage of property or monetary loss resulting from your negligence, your advice or your provision of unsafe products or services. You can take out a number of different types of liability insurance including public or product liability and professional indemnity. As an independent contractor, it's extremely important that you consider liability insurance, as the costs of being found liable or negligent can be extremely high.

Asset and revenue insurance provides protection in the event of burglary, natural disaster, machinery breakdown and other forms of damage. It's likely that most of the equipment you use during the course of your contract will be your own, so you should consider asset and revenue insurance to help minimise the financial risk.

If you work from home, you should ensure that you have the correct level of insurance to protect your business. In many cases, home and contents insurance does not cover home-based businesses. In addition to the types of insurance mentioned above, you should also ensure that you are protected from incidents including natural disaster, fire or theft. Many insurance policies don't cover tools of trade, office furniture or computer equipment used for your business – you may need to advise your insurer that you require cover for your business assets.

Information for hirers

As a hirer, you need to know whether the independent contractors you have engaged are covered by your business's workers' compensation and liability insurance. Some public liability policies may exempt liability for injuries to independent contractors, in which case independent contractors would need to consider their own accident protection insurance.

To prevent yourself or your business from being found liable for any damage or injury caused by an independent contractor you've hired, ensure that the insurance obligations of both parties are clearly identified in the contract.



What to do...

- Contact your state or territory's OH&S and workers' compensation agency to find out if you or your worker is covered by workers compensation. Contact details are on page 66.
- See the insurance topic at www.business.gov.au.
- Contact the Small Business Support Line for more information about insurance on 1800 77 7275
- As an independent contractor, talk to a number of insurance companies and brokers to discuss what insurance options are best for you. Search the business.gov.au government and business associations directory for insurance and broker associations at www.business.gov.au/directory or check the phone book.

Superannuation Guarantee

A number of factors determine who should pay superannuation for an independent contractor. You need to find out if you or your worker is classified as an independent contractor for superannuation purposes. Hirers must pay super contributions for independent contractors if they:

- are paid wholly or principally for their personal labour and skills
- perform the contract work personally, and
- are paid for hours worked rather than to achieve a result even if they quote an Australian Business Number (ABN).

Information for independent contractors

If your hirer is not legally required to pay your superannuation contributions, it is your responsibility to pay your own. You should factor this cost into the amount you charge for your services.

If you are unincorporated, you can claim a deduction for personal contributions made to a superannuation fund. You may also be eligible for a super co-contribution if you make personal super contributions.

If your business is incorporated, and you are a director, you are responsible for your own superannuation. If you don't pay enough, or if you miss the payment cut-off dates, you will have to pay the Superannuation Guarantee charge which is a tax penalty.

Information for hirers

If you are legally responsible for paying superannuation guarantee contributions for your independent contractor, you should pay the independent contractor's super fund or retirement savings account at least 9% of their earning base.

If you don't pay enough superannuation for the eligible independent contractors, or if you miss the payment cut-off dates, you will have to pay the Superannuation Guarantee charge which is a tax penalty.



What to do...

- Use the **Tax Office's** employee/contractor decision tool and Superannuation Guarantee Eligibility tool. These resources help identify if you or your workers are contractors or employees. Both tools are available at www.ato.gov.au.
- For further information about superannuation, including cut-off dates for paying super contributions, visit www.ato.gov.au/super or phone the Superannuation hotline on 13 10 20.
- For information about the Superannuation Guarantee charge and to calculate any charge you may incur from late super payments, there is a Superannuation Guarantee charge statement and calculator available at www.ato.gov.au that calculates the components and creates a Super Guarantee charge statement which you can print and submit to the Tax Office.
- Talk to your tax accountant or financial adviser.

Intellectual property

Intellectual property (IP) is an essential tool to protect your ideas and the work you generate as an independent contractor.

IP is the result of applying your mind or intellect to create something new or original. IP can exist in varying forms, such as:

- patents
- trade marks
- copyright
- designs
- circuit layouts
- plant breeder's rights.

The legal protection of IP rights provides designers, artists, business people, entrepreneurs and inventors with the exclusive right to use and control and therefore profit from their intellectual and creative work.

Ownership of IP

Ownership of IP for hirer and independent contractor relationships is treated differently to employer and employee relationships.

- IP created by an employee is considered the property of their employer.
- IP created by an independent contractor for a hirer is by law considered the property of the independent contractor, unless otherwise stated in the contract.

The contract between the hirer and independent contractor should clearly outline ownership of any IP resulting from the work. This will prevent confusion or disputes over the IP at the end of the agreement.

Information for independent contractors

Without a written contract that attributes ownership of IP to your hirer, you will automatically own the IP. If your hirer wishes to own the IP, this must be specifically outlined in the contract. You may wish to seek legal advice about clauses relating to IP before signing the contract.

Information for hirers

If you do not have a written agreement giving you ownership of any IP generated, the independent contractor will own any IP they create and will legally be able to disclose and re-use the IP. If you wish to control the IP generated, you will need to create a legal agreement that transfers the ownership or restricts the use of any IP created by the independent contractor.



What to do...

- Contact **IP Australia** for more information about intellectual property. Phone 1300 651 010 or visit www.ipaustralia.gov.au.
- Read about intellectual property at www.business.gov.au.
- Contact your legal adviser for advice on creating the most effective agreement for you.

Dispute resolution

Disputes between hirers and independent contractors can arise due to breaches of the contract such as unpaid money or substandard work performance. Many disputes can be resolved through clear communication and negotiation. It is important to have a dispute resolution clause in your contract.

Alternative dispute resolution

Alternative dispute resolution involves an impartial third party assisting both independent contractors and hirers in negotiating a successful outcome. This approach will often help preserve the business relationship.

The most common types of alternative dispute resolution are arbitration, conciliation and mediation. All three types involve a third party facilitating discussion between the independent contractor and the hirer to reach a satisfactory agreement. Some types of alternative dispute resolution, such as arbitration, are legally binding. Agreements reached through conciliation and mediation can be made legally binding if both parties choose. Attempts at mediation should be made before proceeding to arbitration.

Court

If a successful solution cannot be reached by negotiation or alternative dispute resolution, either party can decide to take the case to court. The nature of the dispute will determine which court the complaint must be taken to. If the dispute involves an 'unfair' contract, more specific information is detailed under the contracts topic on page 7.

Information for independent contractors

If you are involved in a dispute with your hirer, the first thing you should do is check your contract to ensure that you are correct and within your rights. A good quality contract should specify a dispute resolution procedure.

In the event of a dispute, there are a number of steps you can take.

There are five possible steps of dispute resolution:

1. Check your contract

If your contract is in writing, read it carefully and make sure you are in the right. If it has a dispute resolution clause, you should follow those steps. If you do not have a written contract or your contract does not have a dispute resolution clause, start at Step 2.

2. Discuss the problem

Ask for a meeting to discuss the problem. At the meeting, explain your concerns and listen attentively to the hirer's side of the story. Try to find a solution that works for you both.

3. Put it in writing

If talking about it doesn't work, put your concerns in a letter to the hirer. If possible, outline more than one option to achieve the resolution you are seeking. Include any reasonable concessions you are willing to make, and leave the door open for further discussion. If you need help to draft the letter, consult your industry association, union or business adviser. If necessary, you can pay a lawyer to write the letter on your business' letterhead.

4. Get a third party involved

If the dispute remains unresolved, consider alternative dispute resolution methods such as conciliation, mediation or arbitration.

5. Take the matter to court

If you are unable to resolve your dispute through negotiation or alternative dispute resolution, you may decide to take your case to court.

Information for hirers

As a hirer, you need to be aware of your rights and obligations when dealing with independent contractors. Ensure that you completely understand and agree with the terms of the contract before you sign. It may be useful for you to consult your legal adviser for assistance.

In the event of a dispute with an independent contractor, attempt to resolve the matter directly with the independent contractor, or consider alternative dispute resolution. The consequences of resolving a dispute that goes to court can be costly and time consuming, so it's often easier to listen to the independent contractor's concerns, negotiate an acceptable outcome and resolve the matter privately.



What to do...

- Contact the **Independent Contractors' Hotline** on 1300 667 850 for advice and general information.
- Refer to the Mediation Services in your state or territory. Contact details are on page 68.
- Consult your union or industry association. You can find unions and industry associations using the business.gov.au government and business associations directory at www.business.gov.au/directory.
- Visit the Fair Work Australia website at www.fwa.gov.au for information on how they can assist with dispute resolution in the workplace.
- Read about starting as an independent contractor at www.business.gov.au.

Collective bargaining

Collective bargaining allows competitors to come together and negotiate terms and conditions (including price) with a hirer. Collective bargaining by independent contractors is subject to the *Trade Practices Act 1974* (TPA). Independent contractors must apply to the **Australian Competition and Consumer Commission (ACCC)** for permission to collectively bargain with a hirer. The ACCC only approves the arrangement when it is in the public's best interest.

Information for independent contractors

Collective bargaining by independent contractors is usually prohibited under the TPA as it can have a detrimental effect on competition and consumers. The ACCC can grant independent contractors immunity from legal action if it is satisfied that the public benefit from the arrangements outweighs any public detriment.

There are two ways independent contractors can seek immunity:

Authorisation – A valid application and supporting submission needs to be lodged and the appropriate fee paid. The ACCC then assesses the application and any submissions received before issuing a draft determination and, lastly, its final determination. This process is generally completed within 3 to 6 months and unions may apply for authorisation on behalf of nominated independent contractors.

Notification – This process allows an independent contractor to lodge a notification with the ACCC on behalf of a group, stating the group's intent to collectively bargain with a particular hirer. The ACCC has 14 days from the lodgement of a valid notification (including payment of the relevant fee) in which to raise any objection before the immunity commences. There are circumstances in which a notification

for collective bargaining arrangements cannot be lodged and an application for authorisation may be more appropriate.

Information for hirers

The TPA has provisions to enable independent contractors to gain immunity to collectively bargain with you as a hirer. As a hirer you will be consulted by the ACCC when it receives an authorisation or notification application to collectively bargain and you will have an opportunity to express your views.



What to do...

- For further information on collective bargaining notifications and applications for authorisation contact the **ACCC** on 1300 302 502 or visit www.accc.gov.au.
- Read the **ACCC's** *Guide to collective bargaining notifications*.
- Consult your union or industry association. You can find unions and industry associations using the business.gov.au government and business associations directory at www.business.gov.au/directory.

Anti-discrimination

Discrimination occurs when an individual or group is treated less favourably than others on the grounds of race, colour, sex, age, disability, religion or a number of other characteristics outlined in anti-discrimination or human rights legislation.

National, state and territory laws govern equal employment opportunity and anti-discrimination in the workplace.

Information for independent contractors

As an independent contractor you have the right to a workplace free from discrimination and bullying. A hirer cannot refuse to hire you or change the terms of your contract on the basis of any characteristic considered discriminatory under national, state and territory legislation. Similarly you should not be subjected to discrimination or harassment during the course of your contract.

If you feel that you have been a victim of discrimination, harassment or workplace bullying, there are a number of steps you can take.

- In the first instance you may wish to attempt to resolve the matter directly with your hirer. You may wish to consider informal dispute resolution. For more specific information, see the dispute resolution topic on page 22.
- If you believe that the issue has not been adequately addressed by your hirer, you can contact your state or territory anti-discrimination agency or the **Australian Human Rights Commission**.

Information for hirers

Vicarious liability means that you may be held legally responsible for the actions of members of your workplace on matters of discrimination. This includes the conduct of both employees and independent contractors. You can take a number of steps to help prevent discrimination and harassment in your workplace and reduce your vicarious liability. You can:

- develop strategies and policies with workers which prohibit discrimination and harassment
- train managers and staff on matters of discrimination
- distribute these policies regularly, such as by email, and provide them to new workers at induction
- ensure that supervisors reinforce your policies at meetings
- ensure that supervisors are aware of their own roles and accountability when dealing with workers
- conduct awareness raising sessions for all workers
- remove offensive or explicit material, such as calendars or posters, from the workplace.



What to do...

- See the dispute resolution topic on page 22 of this handbook.
- Contact the **Australian Human Rights Commission** for information on discrimination and workplace bullying. Phone 1300 656 419 or visit www.humanrights.gov.au.

Information specific to independent contractors



Business planning

As an independent contractor you are operating a small business. Planning your business future is an essential part of operating successfully as an independent contractor. Planning allows you to manage risks, identify opportunities, and set goals.

Consider formalising your goals in a business plan. Developing a business plan can help you identify and develop responses to some of the common issues facing contractors, such as:

- approaching and securing contracts from potential hirers
- managing annual holidays and sick leave
- managing your relationship with your hirers
- protecting and dealing with any intellectual property you develop
- managing your superannuation, taxation and legal requirements.

Understanding and addressing these issues will also be useful when you are negotiating contracts with hirers. For more information, see the contracts topic on page 6.

You should also understand the different legal structures you can adopt, including sole trader, partnership, company, or trust. For more information, see the Incorporating your business section on page 40.

Business planning is a useful exercise if you intend to apply for a business loan. Your business plan may include elements such as:

- an executive summary
- marketing analysis and plan
- operations plan
- management plan
- financial plan.

Adding an appendix of documents relevant to your independent contracting business such as financial statements, leases and legal documents is also worth considering.

Business planning is an ongoing business activity – you should review and revise your business plan at least once a year.



What to do...

- **Business Enterprise Centres (BECs)** provide free advice and support. Contact BEC Australia on 1300 363 551 to find the location of a BEC near you, or search for your nearest BEC at www.becauseustralia.org.au.
- Contact the Small Business Support Line for more information about business planning on 1800 77 7275
- Consult an experienced business adviser, accountant or solicitor.
- Visit www.business.gov.au to find business and marketing plan guides and templates.

Establishing a contracting relationship

As an independent contractor, you are responsible for setting out the terms of your contracting agreement in consultation with the hirer. You need to consider several factors before entering into a contracting arrangement.

Setting a price for your services

One of the most important decisions you will make as an independent contractor is what you will charge for your services. You need to consider whether you will charge hourly or provide a fixed quote. The rate you charge should cover costs such as (if applicable):

- insurance
- tax
- workers' compensation
- leave provisions
- superannuation
- fees for professional services such as accountants
- training and licensing fees.

You should agree to the amount you charge for your services with your hirer before commencing any work and write this into your contract.

Apply for a Tax File Number (TFN)

A TFN is a unique number issued by the **Tax Office** to individuals and organisations that is used to administer tax.

- If you are operating as a sole trader you must use your individual TFN.
- If you are part of a partnership, trust or a registered company you will need to apply for a separate TFN, which can be obtained from the **Tax Office**.

Obtain an Australian Business Number (ABN)

An ABN is a unique 11 digit identifying number that businesses or independent contractors use when dealing with other businesses. Your ABN should be printed on all invoices or other documents relating to the work you provide.

Obtaining an ABN is advisable before undertaking work as an independent contractor, otherwise businesses may legally withhold 46.5% of payments from you. All businesses need to apply for an ABN. Some workers including apprentices, trade assistants, labourers, 457 visa holders, and labour hire workers are not entitled to obtain an ABN. You should check your eligibility with the **Tax Office**. You can apply for an ABN online at the **Australian Business Register**.

Register for Goods and Services Tax (GST)

You may need to charge GST on any goods or services you provide to your hirer. You must register for GST if:

- you have a GST turnover of \$75 000 or more
- you provide taxi travel as part of your business, regardless of your GST turnover.

You may register for GST if you are carrying on an enterprise (whether or not your GST turnover is at, above or below \$75 000).

For more specific information, see the Goods and Services Tax topic on page 48.

Drafting a Contract

You will need to enter into a contract with your hirer. It is important for you to have a written contract. You should consider contacting your lawyer, industry association, or union for assistance. For more information on contracts, go to the Contracts section on page 6.

Know how to invoice correctly

Your invoices should include items such as:

- rate of pay and duration (if applicable)
- GST component
- date the service was provided
- your details including name, address, phone number and email address
- description of the service provided
- any expenses you incurred under the contract
- your ABN.

If you are registered for GST and you make a taxable supply, you will ordinarily be required to issue a tax invoice which must contain certain information depending on the nature and value of the supply you make. Further advice can be obtained from the ATO website - find contact details on page 39.

Practice good record keeping

Clear and organised record keeping is vital for good business management and is also a legal requirement. Under tax law, you must keep business registration records and be able to explain your business transactions. You need to keep records relating to income tax, GST, payments to sub-contractors and payments to other businesses for at least five years. Records may be kept electronically or in hard copy.



What to do...

- Visit the **Tax Office** website www.ato.gov.au or phone 13 28 66 to:
 - access information relating to TFN, ABN and GST applications
 - download e-Record, the **Tax Office's** free record keeping software
 - read the **Tax Office's** Record keeping essentials page and use the Record keeping evaluation tool to decide what records you need to keep.
- Visit the **Tax Office** website www.ato.gov.au or phone 1300 720 092 to:
 - request a copy of the *Add a new business account form*. Alternatively, you can ask your tax agent to fill out an application on your behalf.
- If you are a non-individual entity, you may apply for a TFN at the same time as your ABN on the **Australian Business Register**. Visit www.abr.gov.au or phone 1300 720 092 to request an application.
- Read about GST on the www.business.gov.au website.
- Find a list of records that registered companies should keep on the **Australian Securities and Investments Commission** website at www.asic.gov.au or phone 1300 300 630.

Incorporating your business

Independent contractors may choose to incorporate their business, usually as a Proprietary Limited (Pty Ltd) company. Such companies can enjoy the advantages of limited liability and selected tax deductions, such as business expenses. However incorporation changes the way workers' compensation and superannuation obligations are dealt with. You should consider a number of factors when deciding whether or not to incorporate.

Taxation

If you incorporate you will pay the corporate tax rate rather than the individual tax rate, as long as you meet the personal service business requirements. For more information, see our Personal Services Income Taxation topic on page 44.

Workers Compensation

Like employers, incorporated independent contractors become liable for paying workers' compensation. For more information, see the hirers section of our workers' compensation topic on page 12.

Superannuation

As an incorporated entity, your company will not qualify as an employee for Superannuation Guarantee purposes. Your hirer will no longer be required to pay your superannuation. Your company must however make super contributions for any eligible workers it employs, including you as a company director.



What to do...

- Contact the **Tax Office** for information on taxation differences between business structures. Phone 13 28 66 or visit www.ato.gov.au
- Contact the **Australian Securities and Investments Commission** to find out requirements for companies and how to incorporate. Phone 1300 300 630 or visit www.asic.gov.au.
- Visit www.business.gov.au for information on choosing a business structure and registering a company.

Training and licensing

Before starting work in any industry as an independent contractor, you should ensure that you are properly trained and licensed to do the job. In order to stay competitive and maintain a high standard of work, it's important for you to develop a training strategy and keep your knowledge base up to date.

Training

While training is often part of the employment package offered to regular employees, it's generally your responsibility as an independent contractor to make sure your skills keep up with current processes and technologies.

Maintaining high work standards and delivering the best possible result is the key to staying competitive, against both regular employees and other independent contractors in your industry. You may find that it's harder to secure contracts if you are not as well trained or qualified as your competitors.

Attending training on new technologies, industry specific topics or internal processes such as financial management, can help increase your profits and productivity. This may also enable you to take on contracts that otherwise may not have been within reach.

It's also important for you to factor any costs you will incur when undertaking training into any quotes you present to hirers.

Licences

In some industries, you may need to have specific business licences in order to take on certain contracts. Federal, state and local governments are responsible for different business licences, permits, registrations and certificates.



What to do...

- Contact the **Department of Education, Employment and Workplace Relations (DEEWR)** on 1300 363 079 or visit www.training.com.au for information on training products and services.
- Visit the **National Training Information Service** at www.ntis.gov.au.
- Attend a seminar or workshop in your state or territory. You can find a list on the business.gov.au Events calendar at www.business.gov.au/events.
- Contact your local TAFE college, private or online training provider or industry association. Search for industry associations at www.business.gov.au/directory.
- Contact your local **Business Enterprise Centre** for business training and workshops. Find information at www.becaustralia.org.au.
- Search the **Business Licence Information Service (BLIS)** in your state or territory for assistance with finding the permits you need. Contact details are on page 67.
- Use the business.gov.au GovForms service at <http://govforms.business.gov.au> to access a range of business licence application forms.
- Contact your local council or planning authority. For contact details, search the government and business associations directory at www.business.gov.au/directory.

Personal services income taxation

In many cases, the income received for the work undertaken by independent contractors may be classified as personal services income (PSI). PSI is income that is mainly a reward for personal efforts or skills and is generally paid either to you as a contractor or to a personal services entity (a company, partnership or trust).

In any one contract, if the majority (more than 50%) of the income you derive from delivering services comes from the use of your skills, knowledge, expertise or efforts, rather than for the materials supplied and/or tools and equipment you use to complete the job, then the income for the whole contract will be classified as PSI.

Income classed as PSI may attract PSI rules. If the PSI rules apply to your income this may:

- limit the deductions you can claim against this income - for example, rent, mortgage interest, rates or land tax for your home, or payments to your spouse (or other associate) for support work such as secretarial duties
- affect your reporting obligations, such as tax returns and pay as you go (PAYG) withholding.

A series of tests are used to determine if PSI rules apply to PSI income.

In the first instance you will need to apply **the results test** - PSI rules do not apply if for at least 75% of the income you earn, you are paid to achieve a specific result or outcome, and, you are required to provide the tools or equipment to do the work, and, you are liable for rectifying defects in your work.

If you do not pass the results test you will need to consider an additional rule, called the 80% rule. If 80% or more of your income comes from one client then PSI rules apply (unless you obtain a Personal Services Business (PSB) determination from the Tax Office).

However, if 80% or more of your income does not come from one client then you will still need to pass one or more of the following tests for the PSI rules not to apply:

- **The unrelated clients test** - this test is used to work out if you have received the income from two or more clients who are not connected or related.
- **The employment test** – this test is used to work out if others were employed or contracted to help complete the work that generates your PSI.
- **The business premises test** – this test is used to work out if the location and usage of your business premises meet certain criteria.

Importantly, you should contact the **Tax Office** on 13 28 66 or visit www.ato.gov.au for advice on how to use these tests. This will help you determine whether PSI rules apply to the income you earn as an independent contractor.

If you cannot self-assess using these tests, or if you are unsure you can obtain a PSB determination from the **Tax Office**.

You can apply for a determination if:

- you are not sure whether you meet one or more of the personal services business tests, or
- you don't meet the results test and 80 per cent or more of your personal services income comes from one client, or
- unusual circumstances prevent you from meeting one or more of the tests.

If you operate a company, partnership or trust, you need to treat the PSI as belonging to each individual who performed the services – you can't keep the PSI as part of the business profits.

The PSI rules only affect the income tax treatment of your personal services income. They do not affect your legal obligations under contractual or workplace arrangements.



What to do...

- Contact the **Tax Office** on 13 28 66 or visit www.ato.gov.au.
- Use the Personal services business self assessment checklist available through the **Tax Office** website at www.ato.gov.au.
- Discuss your status with your accountant or financial adviser.

Goods and Services Tax

The Goods and Services Tax (GST) is a consumption tax charged at the rate of 10% on the value of the taxable supply of most goods, services and other items sold or consumed in Australia.

Businesses and independent contractors often include GST in the price of goods and services, including:

- sale of goods
- hire of equipment
- lease of premises
- provision of advice.

GST does not apply to services provided by an employee to his or her employer (i.e. wages and salary), but it does apply to services provided by an independent contractor to a hirer.

Registering for GST

As an independent contractor, you will need to register for GST if:

- you have a GST turnover of \$75 000 or more – (if your GST turnover is less, you can still choose to register)
- you provide taxi travel as part of your business, regardless of your GST turnover.

In order to register for GST, you must have an Australian Business Number (ABN). Your ABN will also be your GST registration number. For more information, see our Establishing a contracting relationship topic on page 35.

Registering for GST means you may need to charge it on the goods or services you supply to your hirer under your contract. You can also claim input tax credits for any GST paid on items you buy or use in performing your work under your contract.

If you are not registered for GST, you cannot include GST in the price of the goods or services you supply, and you will not be entitled to claim input tax credits for GST paid on items you buy or use in the course of your contract.

Paying GST

You are required to regularly pay the GST you collect to the Tax Office. It's important for you to include GST in the price of eligible goods and services, as you will still be liable to pay GST even if you forget to include it in the price you quote to your hirer. This can be quite costly as the tax will then be taken from your profits.

Business Activity Statements

A Business Activity Statement is used to report your business tax entitlements and obligations, including GST. The Tax Office has developed a range of resources, including sample statements and a reminder function to help you understand your reporting requirements.



What to do...

- Visit the **Tax Office** website www.ato.gov.au or phone 13 28 66 to:
 - access information on the GST
 - access resources to assist individuals to understand Business Activity Statements
- Phone 1300 720 092 to request a copy of the *Add a new business account form* to register for GST.
- Read about GST at www.business.gov.au.
- Register for an ABN and GST online at www.abr.gov.au. Ask your tax agent to fill out a GST application on your behalf.

Information specific to hirers



Engaging independent contractors

You can hire independent contractors to work for you in a variety of situations. They can be engaged on a fixed term contract, they can be engaged to perform a specific task or they can be engaged to provide a service under a contract of indefinite duration.

As a hirer your obligations and responsibilities to independent contractors will differ from those you have toward employees.

Engaging apprentices

Apprenticeships are generally not suited to independent contracting relationships. In Australia, apprentices are typically employees who are covered by various awards. Apprentices are not entitled to an ABN.

Ending a contracting relationship

There are different ways to end the contracting relationship between yourself and your independent contractor.

- The most common way a contracting relationship ends is when both parties have performed all that is required of them under their contract.
- If you wish to end the contract before both parties have completed all set tasks you may mutually agree to end the contract.
- Some contracts allow agreements to be terminated if a defined period of notice is given (e.g. 14 days).

It is important to understand the different ways a contract can be terminated when the contract is being drafted.

Holidays and sick leave

Independent contractors have different leave provisions to regular employees. This is particularly important to know if you have independent contractors with ongoing contracts. Generally a service contract engaging an independent contractor would not contain leave provisions. This means that independent contractors are responsible for organising and funding their own holiday and sick leave.

Sham contracting

A sham contracting arrangement occurs when an employer deliberately disguises an employment relationship as an independent contracting arrangement, instead of paying the worker as an employee. This is illegal. For more specific information, see the contracts topic on page 6.



What to do...

- Read the **contracts topic** of this handbook on page 6.
- Contact the **Independent Contractors' Hotline** on 1300 667 850 for advice.

Payroll tax

Payroll tax is a tax on wages payable by hirers, and is administered separately in all states and territories. Payroll tax applies when a business's total Australian wages exceed the exemption threshold for its state or territory – very small businesses are often not required to pay payroll tax.

Many state and territory payroll tax laws define wages to include payments to both employees and independent contractors. As a hirer of independent contractors you should check with your state or territory revenue office to determine whether payments to your contractors are considered wages subject to payroll tax.

In order for your payments to an independent contractor not to be included in your payroll tax calculations, the independent contractor must meet one of a number of exemptions. Depending on the state or territory, these can include:

- the supply or use of goods owned by the independent contractor is the main object of the contract
- you engage an independent contractor to provide a service you do not normally require, which he or she also provide to other businesses and the general public
- the services you require, whether provided by an independent contractor or an employee, are provided for less than 180 days in a financial year
- the independent contractor works for less than 90 days in a year
- the independent contractor is an owner-driver whose main purpose is to deliver goods or services in a vehicle they own

- the independent contractor engages others to provide the services for which they are contracted for
- the Commissioner for state revenue in your state or territory may grant a special exemption in some cases.



What to do...

- Check with your state or territory Revenue Office for information on payroll tax and independent contractors. Contact details are on page 65.
- Consult your financial professional for further advice and assistance.

Checklist for independent contractors

Are you an independent contractor or an employee?

There are many differences between independent contractors and employees. It is important that you know whether you are regarded as a contractor or employee. (Visit page 2)

Do you know how to write a good quality contract?

A well planned contract allows both independent contractors and hirers to identify the working relationship, rights and responsibilities, and expected outcomes before starting work. (Visit page 6)

Do you understand your Occupational Health and Safety (OH&S) obligations?

As an independent contractor, you have legal obligations under OH&S legislation. You also have rights to a safe and healthy workplace. (Visit page 10)

Do you know if you are covered by workers' compensation?

Some independent contractors need to arrange their own accident protection insurance. (Visit page 12)

Do you know what insurance you require?

Independent contractors are generally responsible for their own insurance cover. You need to be aware of the different kinds of insurance you may need. (Visit page 14)

Do you know who pays your Superannuation Guarantee?

A number of factors determine if you or your hirer should pay your superannuation. (Visit page 17)

Are you aware of who owns the intellectual property (IP) you create?

You should be aware of the legal ownership of IP you create while working for your hirer. (Visit page 19)

Are you aware of how you can resolve disputes with your hirer?

There are various ways you can resolve disputes, from alternative dispute resolution to court. (Visit page 22)

Do you know how you can engage in collective bargaining?

There are restrictions on how independent contractors can engage in collective bargaining. (Visit page 26)

Do you understand your anti-discrimination rights?

As an independent contractor, you have the right to a workplace free from discrimination and bullying. (Visit page 28)

Do you know how to undertake your own business planning?

It is important that you do business planning for your independent contractor business. Planning allows you to manage risks, identify opportunities and set goals. (Visit page 32)

Do you know how to properly establish a contracting relationship?

There are several factors you need to consider before entering into a contracting arrangement, including price, taxation requirements and recordkeeping. (Visit page 35)

Have you decided whether to incorporate your business?

Independent contractors may choose to incorporate their business to enjoy limited liability and tax advantages. There are a number of factors to consider when deciding whether to incorporate. (Visit page 40)

Do you know what training and licenses you require?

As an independent contractor, it is important you have the correct training and business licences. (Visit page 42)

Do you know your personal services income taxation requirements?

You need to ensure you understand whether you need to pay personal services income tax. (Visit page 44)

Are you required to register for Goods and Services Tax (GST)?

Some independent contractors will need to register for, and include GST on eligible goods and services. (Visit page 48)

Checklist for hirers

Are your workers contractors or employees?

There are many differences between independent contractors and employees. It is important that you know how to treat your workers based on these differences. (Visit page 2)

Are you confident that you are entering into a genuine independent contracting arrangement?

It is illegal to deliberately disguise an employment relationship as an independent contracting arrangement. (Visit page 6)

Do you understand your Occupational Health and Safety (OH&S) obligations?

As a hirer you are legally responsible for ensuring the safety of independent contractors at all times while in your workplace. (Visit page 10)

Do you have workers' compensation obligations to your independent contractors?

If you do not provide workers' compensation when you are required to, your state or territory OH&S and workers compensation agency could require you to pay any avoided workers' compensation premiums. (Visit page 12)

Does your insurance cover your independent contractors?

You need to know whether the independent contractors you have engaged are covered by your business's workers' compensation and liability insurance. (Visit page 14)

Are you required to pay superannuation contributions?

A number of factors determine whether or not you are liable to pay superannuation contributions for your independent contractors. (Visit page 17)

Do you understand your Intellectual Property (IP) rights?

Unless otherwise stated in the service contract, your independent contractor will retain ownership of any IP they create in the course of their work for you. (Visit page 19)

Do you know what to do in the event of a dispute?

In the event of a dispute with an independent contractor, attempt to resolve the matter directly with the independent contractor, or consider alternative dispute resolution. (Visit page 22)

Do you understand collective bargaining processes?

The *Trade Practices Act 1974* has provisions to enable independent contractors to gain immunity to collectively bargain with you as a hirer. (Visit page 26)

Are you aware of your rights and obligations under anti discrimination law?

You must ensure that you provide a workplace free of discrimination and harassment. You can also be held legally responsible for the actions of your independent contractors. (Visit page 28)

Do you understand your payroll tax requirements?

As a hirer of independent contractors you should check with your state or territory revenue office to determine whether payments to your contractors are considered wages subject to payroll tax. (Visit page 54)

Australian Government agencies

Below is a list of business related Australian Government agencies referenced within this checklist. For a more complete list of agencies, visit the business.gov.au government and business associations directory at www.business.gov.au/directory.

Agency	Phone	Website
Australian Competition and Consumer Commission (ACCC)	1300 302 502	www.accc.gov.au
Australian Human Rights Commission	1300 656 419	www.humanrights.gov.au
Safe Work Australia	(02) 6121 5317	www.safeworkaustralia.gov.au
Australian Securities and Investments Commission (ASIC)	1300 300 630	www.asic.gov.au
Australian Taxation Office	13 28 66	www.ato.gov.au www.abr.gov.au
Education, Employment and Workplace Relations, Dept of (DEEWR)	1300 363 079	www.deewr.gov.au www.training.com.au
Fair Work Australia	1300 799 675	www.fwa.gov.au
Fair Work Ombudsman	13 13 94	www.fwo.gov.au
Innovation, Industry, Science and Research, Dept of (DIISR)	(02) 6213 6000	www.innovation.gov.au
IP Australia	1300 651 010	www.ipaustralia.gov.au
National Alternative Dispute Resolution Advisory Council	(02) 6141 3222	www.nadrac.gov.au
National Training Information Service		www.ntis.gov.au

The Independent Contractors' Hotline 1300 667 850

State and territory agencies

Business agency index

Each state and territory has a business agency or department that provides advice and support to small businesses.

State	Name	Phone	Website
ACT	Business and Industry Development	1800 244 650	www.business.act.gov.au
NSW	Department of Industry and Investment	1300 134 359	www.smallbiz.nsw.gov.au
NT	Department of Business and Employment	1800 193 111	www.nt.gov.au/business
QLD	Department of Employment, Economic Development and Innovation	1300 363 711	www.business.qld.gov.au
SA	Department of Trade and Economic Development	(08) 8303 2400	www.southaustralia.biz
TAS	Department of Economic Development, Tourism and the Arts	1800 440 026	www.development.tas.gov.au
VIC	Department of Innovation, Industry and Regional Development	13 22 15	www.business.vic.gov.au
WA	Small Business Development Corporation	13 12 49	www.sbdc.com.au

Revenue Office index

Each state and territory has a Revenue Office responsible for state taxes.

State	Name	Phone	Website
ACT	ACT Revenue Office	(02) 6207 0088	www.revenue.act.gov.au
NSW	Office of State Revenue	1300 139 814	www.osr.nsw.gov.au
NT	Territory Revenue Management	1300 305 353	www.revenue.nt.gov.au
QLD	Office of State Revenue	1300 300 734	www.osr.qld.gov.au
SA	Revenue SA	(08) 8226 3750	www.revenuesa.sa.gov.au
TAS	State Revenue Office	(03) 6233 3100	www.sro.tas.gov.au
VIC	State Revenue Office	13 21 61	www.sro.vic.gov.au
WA	Office of State Revenue	(08) 9262 1400	www.osr.wa.gov.au

OH&S and workers compensation agency index

Each state and territory agency is responsible for promoting and enforcing Workers Compensation and Occupational Health & Safety legislation.

State	Name	Phone	Website
Federal	Safe Work Australia	(02) 6121 5317	www.safeworkaustralia.gov.au
ACT	ACT WorkCover	(02) 6205 0200	www.workcover.act.gov.au
NSW	WorkCover NSW	13 10 50	www.workcover.nsw.gov.au
NT	NT WorkSafe	1800 019 115	www.worksafe.nt.gov.au
QLD	Fair and Safe Work Queensland	1300 369 915	www.justice.qld.gov.au/fair-and-safe-work
SA	WorkCover SA	13 18 55	www.workcover.com
	SafeWork SA	1300 365 255	www.safework.sa.gov.au
TAS	Workplace Standards	1300 366 322	www.wst.tas.gov.au
VIC	WorkSafe Victoria	1800 136 089	www.worksafe.vic.gov.au
WA	WorkSafe WA	1300 307 877	www.worksafe.wa.gov.au
	WorkCover WA	1300 794 744	www.workcover.wa.gov.au

Business Licence Information Service (BLIS) index

The BLIS provides businesses with access to licences and permits from all three levels of government.

State	Name	Phone	Website
ACT	ACT BLIS	1800 244 650	www.blis.act.gov.au
NSW	NSW BLIS	13 32 20	www.blis.fairtrading.nsw.gov.au
NT	BLIS NT	1800 193 111	www.bli.net.au/nt
QLD	SmartLicence	1300 363 711	http://smartlicence.sd.qld.gov.au
SA	BLIS SA	1800 188 018	www.bli.net.au/sa
TAS	BLIS Tas	1800 440 026	www.blis.tas.gov.au
VIC	BLIS Vic	13 22 15	www.business.vic.gov.au/blis
WA	BLIS WA	(08) 9220 0234	www.licence.sbdc.com.au

Mediation services in your state or territory

Free or low cost mediation services available to independent contractors.

State	Service	Courts or tribunals * #
ACT	Conflict Resolution Service Ph: (02) 6162 4050 www.crs.org.au	ACT Magistrates Court www.courts.act.gov.au
NSW	Community Justice Centres Ph: 1800 990 777 www.cjc.nsw.gov.au	New South Wales Local Courts www.lawlink.nsw.gov.au
NT	Community Justice Centres Ph: 1800 000 473 www.nt.gov.au/justice/policycoord/cjc	Northern Territory Magistrates Court www.nt.gov.au/justice/ntmc
QLD	Dispute Resolution Branch Ph: (07) 3239 6269 or 1800 017 288 www.justice.qld.gov.au	Queensland Civil and Administrative Tribunal www.qcat.qld.gov.au
SA	<i>No free or low cost mediation services available to independent contractors.</i>	Magistrates Court of South Australia www.courts.sa.gov.au/courts/magistrates
TAS	<i>No free or low cost mediation services available to independent contractors.</i>	Magistrates Court of Tasmania www.magistratescourt.tas.gov.au
VIC	Office of the Victorian Small Business Commissioner Ph: (03) 9651 9967 www.sbc.vic.gov.au	Victorian Civil and Administrative Tribunal Ph: (03) 9628 9830 or 1800 133 055 (outside Melbourne metro area) www.vcat.vic.gov.au
	Dispute Settlement Centre Victoria Ph: (03) 9603 8370 or 1800 658 528 (toll free for regional callers) www.justice.vic.gov.au/disputes	Magistrates Court of Victoria www.magistratescourt.vic.gov.au
WA	Citizens Advice Bureau of WA Ph: (08) 9221 5711 www.cabwa.com.au	Magistrates Court of Western Australia www.magistratescourt.wa.gov.au

* Check your local phone book for a court in your area.

These courts and tribunals hear disputes about monies owed or breach of contract. Most unfair contract disputes are heard in the Federal Magistrates Court or Federal Court.

Glossary

Alternative dispute resolution (ADR)	One of a number of methods in which an impartial person assists those involved in a dispute to resolve the issues between them.
Arbitration	A process in which the participants to a dispute present arguments and evidence to a dispute resolution practitioner (an arbitrator) who makes a determination.
Australian Business Number (ABN)	A single identifying number used when dealing with other businesses and the Tax Office.
Codes of practice	Set out specific standards of code in an industry. Can be mandatory or voluntary.
Conciliation	A process in which the participants identify the issues in dispute, develop options, consider alternatives and endeavour to reach an agreement, assisted by the conciliator.
Equal opportunity	A practice allowing all persons to be treated fairly and equitably in the workplace.
Executive summary	A short summary of a business plan which appears at the start of the document.
Financial plan	A plan which details how you will finance your business, the costs involved and financial projections.
Fringe benefits tax (FBT)	A tax paid by employers on behalf of their employees on non-cash benefits including company cars and mobile phones.
Goods and Services Tax (GST)	A broad-based tax of 10 per cent on the sale of most goods and services in Australia.
GST Credits	Can be claimed for the GST included in the price of goods or services bought for use in your business.
Hirer	The business or organisation that engages the services of an independent contractor.
Independent contractors	Workers who run their own businesses and are generally free to negotiate their own fees and working arrangements.

Intellectual property (IP)	Laws that protect the property rights in creative and inventive endeavours including art, literature, music, films, sound recording, broadcasts and computer programs.
Licence	A legal document that grants a business or person with official permission to conduct a certain activity.
Marketing plan	A plan which details how you will market and promote your business.
Mediation	A process in which the participants to a dispute identify the disputed issues, develop options, consider alternatives and endeavour to reach an agreement, assisted by a mediator.
Operations plan	A plan which details how you will set up your business, detailing the business structure, location and regulations.
Partnership	An association of people who carry on a business as partners or receive income jointly.
Pay As You Go withholding	A tax withheld by hirers from contractors to pay to the Tax Office.
Personal Services Income (PSI)	A tax on income that is a reward for personal effort or skills.
Personal Services Businesses (PSB)	Businesses that have met Tax Office tests, and are eligible to claim business expenses without restriction.
Results Test	A test conducted by the Tax Office to determine whether PSI applies.
Sham contract	When a hirer deliberately disguises an employment relationship as an independent contracting arrangement so they do not have to give employment entitlements including superannuation and workers' compensation.
Sole Trader	A business that is owned, controlled and managed by an individual.
Superannuation	A financial contribution made by the hirer to the contractor designed to provide money for retirement.
Superannuation Guarantee charge	A tax penalty on late superannuation payments.
Tax File Number (TFN)	A unique number issued by the Tax Office to individuals and organisations to monitor income and tax details.

Trust	An obligation imposed on a person to hold property or income for the benefit of others (beneficiaries).
Vicarious liability	Where the hirer is liable for the actions of contractors which may cause harm to a third party.
Voluntary agreement	A written agreement between a hirer and a contractor to bring payments into the Pay As You Go (PAYG) system.
Workplace	For independent contractors, a workplace may include a hirer's premise or your own arrangements.

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My notes

2010

Independent Contractors
the essential
handbook

INDEPENDENT
CONTRACTORS
HOTLINE
1300 667 850

something for every business

business.gov.au

Essential business information

ABN Lookup

The simple way to find ABN information

Business checklists

Start and grow your business the easy way

Business consultation

Consult with government on issues affecting your business

Business planning

Free guide and business plan template

Content syndication

Publish business.gov.au on your site

GovForms

Government forms for your business

Grants & Assistance Finder

Find business-related government grants & assistance

SmartForms

Online interactive forms

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