



## ***Are you an employee or a contractor? It pays to know the difference.***

*In today's fast-changing workplace, the gig economy is booming. More and more companies hire external consultants, contractors and freelancers on a per project basis rather than hire full-time staff. However there is a risk, and a grey cloud, when it comes to employment and who is considered staff and who is considered a contractor.*

### **Penalties**

An individual might be considered to be an employee by law, which brings with it a range of legal obligations – and liabilities if you get it wrong. You could incur penalties – and not just from the ATO. The courts may impose a maximum penalty of \$12,600 for individuals and \$63,000 for corporations, per contravention.

### **Entitlements**

An employee works in your business and receives superannuation, accumulates leave and other entitlements. An employee usually works full-time, part-time or on a casual basis and does the work as directed by an employer.

A contractor runs their own business and pays their own superannuation, PAYG and does not receive employee-like entitlements. A contractor usually works the hours as required to do a task and has more control over the way in which they manage the task. They can be engaged directly as a natural person, through a trust, partnership or company.

Even owning an Australian Business Number ABN and submitting an invoice does not automatically make an employee a contractor. Many factors of the working arrangement are relevant.