

SCHEDULE A: SUPERANNUATION GUARANTEE FOR INDIVIDUALS GUIDELINES

Commonwealth legislation requires an employer to make superannuation contributions for their employees into a complying superannuation fund. The definition of 'employees' includes a person who works under a contract/agreement that is wholly or principally for their labour. Therefore Superannuation Guarantee (SG) can potentially apply when Deakin University is entering into an engagement with a contractor. The following guidelines are in accordance with the legislation.

- 1 Payments to individual contractors are exempt from SG in all circumstances when the contractor reserves the right and is completely free to engage others to perform the work under the agreement. **Consultancy written agreements with individuals must reflect this.**
- 2 Where the University does not require a written agreement (e.g. where the value of the service is \$15,000 or less (excluding GST)) and:
 - 2.1. has no issue with the work being sub-contracted out, and
 - 2.2. an exemption from SG is not applicable (refer to Clauses 4.1 – 4.5),
the contractor **must** provide to the University a signed statement on business letterhead that the contractor reserves the right and is completely free to engage others to perform the work. The Contractor Officer must request and obtain this statement.
- 3 Payments to individual contractors are subject to SG charge when:
 - the contractor cannot engage others to perform the work under the agreement (i.e. they are expressly or impliedly the one required to service the agreement), and
 - the agreement is wholly or principally (at least 50%) for the personal labour of the contractor (for the purposes of the SG, labour includes mental and artistic effort as well as physical work).
- 4 Payments to individual contractors will be exempt from the SG charge if any of the following circumstances occur:
 - 4.1. payments are to a part-time (i.e. not more than 30 hours per week) person under 18 years of age
 - 4.2. payments are to a person who is 70 years of age or over
 - 4.3. payments in total are less than \$450 in a particular month
 - 4.4. payments are to non-resident contractors who are paid for work undertaken outside Australia
 - 4.5. the agreement is with a partnership or company
 - 4.6. the individual who is paid is not the individual who performs the work, or is free to engage others to perform the work.
- 5 Payments to contractors other than individuals (including partnerships) are exempt from SG.
- 6 Where payments are subject to SG, budget centres must provide a minimum level of superannuation support, which is 9.5% of the contractor's earnings base.
- 7 Contractor Officers must arrange contributions to a nominated contractor superannuation fund or retirement savings account (RSA), making sure all the following steps are taken:
 - 7.1. The contribution (GST not applicable) for the SG is to be paid via accounts payable payment voucher (no tax invoice is required) against natural account 6191, based on the labour component (the earnings base).
 - 7.2. Where the labour component is not detailed in an agreement, the University must use market values, taking into consideration the normal practices within the particular industry. Where the labour component cannot be ascertained, the superannuation contribution is to be based on the total value of the agreement.
 - 7.3. Payment of the SG contribution is to be made on or after the invoice payment for contractor services, and no later than the relevant SG quarterly deadline. The deadlines are 28 October, 28 January, 28 April and 28 July, for the preceding financial quarter. For example, if the payment for contractor services was made on 30 June, the SG payment must be paid between 30 June and 28 July.
- 8 It is generally expected that most contractors will be free to engage others to perform the work under the agreement. In this situation, the agreement is not for the labour of the individual and is exempt (as noted above) for SG. **Contractor Officers must make this assessment and if required obtain a contractor statement** as specified in Clause 2. Guidance is available from the Taxation Manager, Financial Services Division.