

## **Superannuation: employees and contractors**

### **When Engaging an Employee**

Australia's Superannuation Guarantee (SG) law requires employers to provide enough superannuation support for their employees. Employers pay superannuation for their employees into a complying superannuation fund. Employers need to calculate an amount equal to 9.5% of base earnings (excludes overtime), pay the amount into the employees' superannuation fund every quarter; keep a record of all contributions made, and when and how you reported superannuation contributions to your employees. For superannuation purposes the definition of an employee is broad, and in some cases requires payment of a contractor's superannuation.

Generally, you must pay Superannuation Guarantee for an employee who is:

- between 18 and 69 years old (inclusive) and is paid \$450 or more (before tax) in salary of wages in a month
- employed full time, part time, casual, or on a contract (if the contract is wholly or principally for their labour)

Employees who are under 18 years old must meet these conditions and work at least 30 hours per week to be entitled to SG contributions. You must also pay contributions for employees who are temporary residents of Australia.

Some employee's are not eligible for superannuation even if they meet the above conditions, for example, employees you pay to do domestic or private work for no more than 30 hours per week.

### **When Engaging an Independent Contractor (Sole Trader)**

Independent Contractors operating as Sole Traders do not need to pay SG contributions for themselves, but can make superannuation contributions as a way of saving for retirement. Sole Traders are responsible for their own superannuation arrangements and may be able to claim a deduction for personal superannuation contributions.

[Calculator Tool](#) - the SG Eligibility Decision Tool can help you to determine your SG obligations, or the SG contributions Calculator to calculate your SG contributions.