

Engaging Independent Contractors & Consultants

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For engaging contractors via an **EMPLOYMENT AGENCY**, please ensure the agency is qualified under the UNSW Agency Labour Qualification Program.

A list of UNSW Qualified Agencies is provided on the [Buying Guide](#) (an Agency Labour Procedure is currently being developed by the HR department).

OVERVIEW

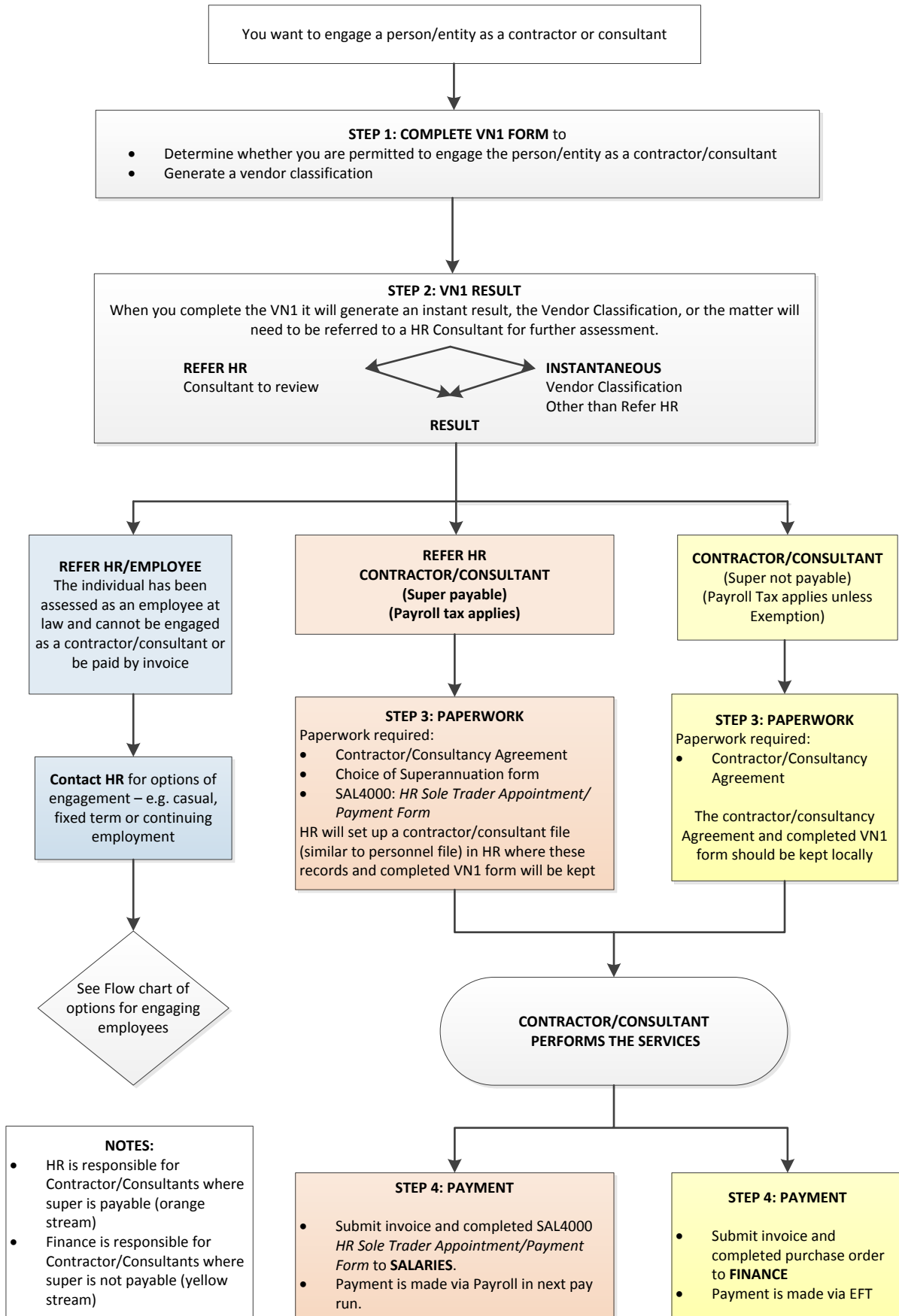
UNSW Faculties/Schools/Divisions/Units engage contractors in a number of different ways and for a variety of different roles/requirements. The engagement can occur both formally (with a signed written agreement) and informally (via email or verbal). The method of engagement is currently at the discretion of the Faculty/School/Division/Unit.

The information on this page is designed to provide a brief understanding of the 'Indirect Taxes' that UNSW may be liable for as a result of Contractor or Consultant engagements, and if so, what action needs to be undertaken in order to ensure that UNSW meets its obligations within regulatory requirements.

THE ENGAGEMENT PROCESS AND HRC INVOLVEMENT

The diagram below outlines the process that is required to be undertaken when a Contractor or Consultant is being engaged by UNSW:

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UNSW - Engaging with Contractors & Independent Consultants

As shown above, Contractors and Consultants now need to complete the [Vendor Creation Form](#) prior to being engaged by UNSW, as this will allow UNSW to determine:

- If an exemption applies for Payroll Tax
- If UNSW should pay SGC
- How UNSW will pay the Contractor or Consultant – in HR or AP
- If the Contractor or Consultant should be hired as an employee instead

When the Contractor or Consultant has completed the Vendor Creation Form, it will generate results and email them to the UNSW representative engaging the Contractor or Consultant.

The UNSW representative will then be required to review the results in conjunction with their HR Consultant, if required. The HR Consultant will review the proposed engagement to ensure it is acceptable to UNSW from an 'employment' perspective to ensure that when the nature of the engagement is more likely to be one that is reflective of an employment arrangement, that the Contractor or Consultant is engaged appropriately.

The UNSW representative and/or the HR Consultant will also ensure that all of the relevant documentation has been provided, such as:

- [UNSW Standard Contract of Engagement](#) has been executed by both parties
- [Vendor Creation Form](#) results reflect the nature of the engagement
- Insurance requirements are in place
- WH&S requirements have been addressed

When the HR Consultant is satisfied with the proposed engagement they will inform the UNSW representative to finalise the engagement and ensure the Contractor or Consultant is ready to start.

STANDARD CONTRACTS TO USE WHEN ENGAGING CONTRACTORS OR CONSULTANTS

UNSW requires all Contractors and/or Consultants to complete one of the standard agreements below.

The [Guide to using the Contractor Agreement](#) provides further information on when and how the UNSW Standard Contract Agreements should be used.

If the engagement with UNSW is with a Sole Trader/Individual then you will need to use the [Sole Trader Contractor Agreement](#)

If the engagement with UNSW is with a Company, Partnership or Trust then you will need to use the [Other Entity Contractor Agreement](#)

WHAT ARE THE 'INDIRECT TAXES'?

PAYROLL TAX

This is a state based tax and is payable on all payments (except for GST and materials), made to contractors, who have a 'Relevant Contract'. A Relevant Contract is a contract of engagement where the business is supplied with services.

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If UNSW has a Relevant Contract with a contractor, then UNSW will be liable for payroll tax on amounts paid to that contractor unless an exemption applies. The exemptions are outlined in the various State & Territory Payroll Tax Acts. UNSW has categorised the exemptions as either:

- [Upfront Exemptions](#)
- [Ongoing Exemption](#)

These exemptions only apply to contractors paid in AP. For contractors paid in HR, generally these cannot be exempted from Payroll Tax.

Pay As You Go (PAYG) Withholding

The Taxation Administration Assessment Act 1953 - Schedule 1 Section 12-35 requires an 'entity' to withhold tax from payments it makes to employees.

PAYG Withholding will also apply to payments made to independent contractors, where the contractor:

- has entered into a voluntary agreement with the entity to have amounts withheld
- provides their work or services for a client of the entity under a labour hire arrangement,
- has not quoted their Australian Business Number (ABN) to the entity, or
- has not provided a Statement by Supplier form, explaining why no ABN quoted

Superannuation Guarantee Contributions ('SGC')

Commonwealth legislation requires an 'employer' to make superannuation contributions for their 'employees' into a complying superannuation fund.

The definition of 'employees' also includes a person who works under a contract that is wholly or principally for their labour. Therefore SGC can potentially apply when UNSW is entering into an engagement with a Sole Trader Contractor or Consultant.

The legislation surrounding this issue is outlined in sec 12(3) of the Superannuation Guarantee (Administration) Act 1992.

Workers Compensation

The Workers Compensation legislation requires all 'employers' to have a workers compensation policy that covers all of their workers.

If a Sole Trader or Partnership has 'workers', then they must take out a workers compensation insurance policy. However, the Sole Trader and Partners would not be covered by this insurance policy.

UNSW therefore requires all Contractors and Consultants, who have 'workers' to have their own Workers Compensation cover in place prior to being engaged.

If the Contractor or Consultant is a Sole Trader or Partnership without workers, and they suffer from any illness or injury arising from the performance of their Services to UNSW, then the Contractor or Consultant is solely liable and the Contractor or Consultant is therefore responsible themselves for effecting any personal accident and illness insurance to cover such circumstances.

HOW WILL UNSW DETERMINE IF 'INDIRECT TAXES' APPLY?

In order to determine if UNSW is liable for any of the 'Indirect Taxes' outlined above, a form, the [Vendor Creation Form](#) has been developed.

Upon completing the [Vendor Creation Form](#), the results will include a [Vendor Classification](#) which will be a quick reference for what Indirect Taxes will potentially apply. The Vendor Classification will be recorded in the Vendor Master File within NS Financials.

The UNSW representative will then organise for the relevant forms to be completed to ensure the Contractor or Consultant is engaged appropriately and established in UNSW systems so that any applicable Indirect Taxes are paid when required.

HOW IS PAYROLL TAX ASSESSED?

As mentioned above, UNSW is liable for Payroll Tax unless it proves that an exemption exists. In introducing the [Vendor Creation Form](#), UNSW has looked to simplify the process required for proving a payroll tax exemption and where this exemption will be recorded. As a result UNSW has categorised the Payroll Tax exemptions as follows:

- Upfront Exemptions
- Ongoing/Other Exemption

Upfront Payroll Tax Exemptions

UNSW will assess all Contractors and Consultants to determine if they meet one of the following 'Upfront' Payroll Tax Exemptions:

- 2 or more suitably qualified people, perform the work under the contract
- The Contractor or Consultant is being engaged via a Recruitment Agency
- The contract is primarily for the provision of Goods and/or Materials and any labour is incidental to that supply

These questions are asked in the [Vendor Creation Form](#). If the Contractor or Consultant answer 'Yes' to any of these three exemptions, then a Payroll Tax exemption is met and UNSW is not required to pay Payroll Tax on the engagement.

When these exemptions are selected in the [Vendor Creation Form](#), the Contractor or Consultant may be required to provide further evidence to support this when requested by UNSW.

Other Payroll Tax Exemptions

If a Contractor or Consultant does not meet any of the three Upfront exemptions outlined above, then UNSW will assess whether another exemption can be applied. Other exemptions include

- The Contractor or Consultant works less than 90 days in a financial year (i.e. 1 July to 30 June).
- Services not ordinarily required by UNSW and the contractor provides these services to the public generally
- Services normally required by UNSW for less than 180 days per financial year

- The Chief Commissioner is satisfied the contractor provides these types of services to public generally. A written request to the Chief Commissioner is required, together with evidence the services were provided to the public

WHY DO THE 'NUMBER OF DAYS WORKED' NEED TO BE SHOWN ON INVOICES?

In order for UNSW to apply the payroll tax exemption of the contractor working less than 90 days in a financial year, UNSW needs to record the '**Number of Days**' a Contractor or Consultant works. To do this, include these details in the description when entering the invoice or PO, e.g. "5d" means 5 days.

What will happen if the number of days is not provided?

UNSW may not be able to apply this exemption for Payroll Tax, and may need to determine if another exemption can be used.

HOW WILL UNSW RECORD VENDOR CREATION FORM RESULTS?

UNSW will record the results of the [Vendor Creation Form](#) by using the 'Vendor Classification' field in the Vendor Master File within NS Financials.

As shown in the example below, this Vendor has a Vendor Classification of '**Contractor**'.

The screenshot shows the 'Vendor Information' page in the 'New South Financials' system. The 'Classification' field is highlighted with a red box and contains the text 'Contractor - Incorporated Ent'. Other fields include SetID (GROUP), Vendor ID (0000079699), Vendor Short Name (BARNAVITAS), Vendor Name (Bar Navitas), Order (BARNAVITAS-001), Status (Approved), Persistence (Regular), HCM Class, Open for Ordering (Yes), Withholding (No), and VAT (Yes).

SetID:	GROUP
Vendor ID:	0000079699
Vendor Short Name:	BARNAVITAS
Vendor Name:	Bar Navitas
Order:	BARNAVITAS-001
	Tyree Energy Technologies Building
	UNSW SYDNEY, NSW 2052
Status:	Approved
Persistence:	Regular
Classification:	Contractor - Incorporated Ent
HCM Class:	
Open for Ordering:	Yes
Withholding:	No
VAT:	Yes

VENDOR CLASSIFICATIONS

As shown above, the way that UNSW will record the results of whether or not payments UNSW makes to a Contractor or Consultant will be liable for any 'Indirect Taxes' is via the 'Vendor Classification' field in the Vendor Master File within NS Financials.

What are the Vendor Classifications?

The table below shows the Vendor Classifications within NS Financials, along with the entity type the Vendor Classifications apply to. It also outlines which Payroll Tax Exemption will apply and if SGC is required.

The 'Short Name' column shows the Vendor Classifications that will be shown in the Vendor Master File in NS Financials.

The Vendor Classification will be shown at the beginning in the System Classification section, when a Contractor or Consultant has completed the [Vendor Creation Form](#).

Name	Entity Name	Meets "Upfront PRT Exemption"	Required Ongoing PRT Assessment	SGC Required
Refer HR	Sole Trader/Individual	No	No	Yes
ST-Contractor	Sole Trader/Individual	No	Required	No
ST-Consultant	Sole Trader/Individual	No	Required	No
Contractor	Companies, Trusts & Partnerships	No	Required	N/A
Consultant	Companies, Trusts & Partnerships	No	Required	N/A
ST-Exempt	Sole Trader/Individual	Yes	No	No
Other Org	Companies, Trusts & Partnerships	Yes	No	N/A
Super Fund	Companies, Trusts & Partnerships	Yes	No	N/A
Govt Ent	Companies, Trusts & Partnerships	Yes	No	N/A

International Org or Person	Any type – Domiciled Outside Australia	Yes	No	N/A
Music Tutor	Any Type	Yes	No	N/A
Recruitment	Any Type	Yes	No	N/A
UNSW Entity	Any Type	Yes	No	N/A

NEW VENDOR CREATION & APPOINTMENT

All new Contractors and Consultants are required to complete the [Vendor Creation Form](#) prior to being established in NS Financials or the HR Payments system. The reason that this assessment is required is to enable the correct Vendor Classification to be assigned prior to making any payments.

All **'Refer HR'** Contractors and Consultants, subject to any HR review, will need to be set up in the HR system using the [SAL 4000 - HR Sole Trader Appointment/Payment form](#).

In some instances a **'Refer HR'** result on the Vendor creation form, will require a review by a HRC to determine if there are any employee obligations. If the HRC reviews and determines there are no employee obligations, the vendor can be set up and paid in AP.

PAYMENT OF INVOICES

For the majority of Contractors and Consultants, they will invoice UNSW and be paid via Accounts Payable through the raising of a Purchase Order.

'Refer HR' Classification

The **'Refer HR'** Vendor Classification indicates that SGC may be payable, and as a result, these Contractors or Consultants will need to be paid via HR to ensure that any SGC is made to a complying Superannuation Fund.

All **'Refer HR'** Contractors or Consultants, to be paid in HR will also be required to provide UNSW with a ['Choice of Super'](#) form to facilitate the payment of any SGC.

For the timing of payments via HR please refer to ['Claims Schedule'](#)

GL ACCOUNTS TO USE WHEN PAYING CONTRACTOR OR CONSULTANT INVOICES

To assist in meeting the legal obligations with respect to Payroll Tax & SGC, the [Tax Tool](#) for Contractors can be used to determine the GL Account most suitable to use when paying a Contractor or Consultants Invoice in AP.

For “Refer HR” contractors paid via HR Salaries, the GL accounts are restricted to those shown in the table below and the account will need to be specified on the [HR Sole Trader Appointment/Payment form](#)

Vendor Classifications	GL Accounts Applicable	Description
Refer HR	6139	Contractors Academic P/Tax
	6190	Contractors Research P/Tax
	6138	Contractors IT P/Tax
	6192	Contractors General P/Tax
	6103	Consultants Fees P/Tax

The UNSW Tax Team will then calculate the amount of Payroll Tax to be remitted to the Government each month as part of the Payroll Tax lodgement process. For the Annual Reconciliation process it will review all contractor and consultant payments for the July/June year and make any adjustments in the Annual return based on the available exemptions.

The HR Payment System will also calculate any SGC obligation and remit any contributions to the nominated Superannuation Fund of a Contractor or Consultant paid via HR Salaries.

WHY IS AN ABN REQUIRED TO ENGAGE A CONTRACTOR OR CONSULTANT?

UNSW requires all Australian Contractors and Consultants to have an Australian Business Number (ABN) in order to be engaged at UNSW.

The reason for this requirement is:

1. The ABN provides evidence of the legal entity the Contractor or Consultant is using when engaging with UNSW
2. The ABN provides evidence of whether or not the Contractor or Consultant is registered for GST
3. By having an ABN and providing UNSW with a valid Tax Invoice ensures UNSW is not required to withhold 49% of the payment for amounts greater than \$75 (excluding GST)

The [Vendor Creation Form](#) has been linked to the Australian Business Register (www.abr.business.gov.au). When entering an ABN into this register, it provides information as shown below:

The screenshot shows the 'ABN Lookup' page for ABN 60 707 596 903. The page header includes the Australian Government logo and the text 'Australian Business Register'. The main heading is 'ABN Lookup'. A search bar contains the text 'Type an ABN, ACN or r' and a magnifying glass icon. Below the search bar, the breadcrumb trail reads 'ABN Lookup » Search » Current details for ABN 60 707 596 903'. The main heading is 'Current details for ABN 60 707 596 903'. There are two tabs: 'Current details' (selected) and 'Historical details'. To the right of the tabs are 'Print' and 'Email' icons. Below the tabs is a section titled 'ABN details' with a minus sign icon and a 'help' link. The details are as follows:

Entity name:	BRENNER, MAX
ABN status:	Active from 15 Feb 2016
Entity type:	Individual/Sole Trader
Goods & Services Tax (GST):	Not currently registered for GST
Main business location:	VIC 3187

This screen shot shows that the ABN 60 707 596 903 applies to an Individual/Sole Trader that is not registered for GST.

As this person is operating as a **Sole Trader**, UNSW is required to assess for:

- Payroll Tax, and
- Superannuation

Furthermore, any invoices UNSW receives from this individual should have **no** GST included.

Another example, this time for an Australian Private Company, is provided below:

The screenshot shows the 'ABN Lookup' page for ABN 11 092 165 681. The page header includes the Australian Government logo and the text 'Australian Business Register'. The main heading is 'ABN Lookup' with a search bar containing 'Type an ABN, ACN or r'. Below the heading, there are navigation links for 'ABN Lookup', 'Search', and 'Current details for ABN 11 092 165 681'. The main content area is titled 'Current details for ABN 11 092 165 681' and has two tabs: 'Current details' (selected) and 'Historical details'. There are 'Print' and 'Email' icons. A 'help' icon is also present. The 'ABN details' section is expanded, showing the following information:

Entity name:	BOOST JUICE PTY LTD
ABN status:	Active from 27 Mar 2000
Entity type:	Australian Private Company
Goods & Services Tax (GST):	Registered from 01 Jul 2000
Main business location:	VIC 3148

This screen shot shows that the ABN 11 092 165 681 applies to an Australian Private Company that is registered for GST.

As this entity is an Australian Private Company (i.e. **not** an Individual/Sole Trader), UNSW is required to only assess for:

- Payroll Tax

In addition, any invoices UNSW receives from this company should have GST included.

Without having an ABN to verify the Entity Type and GST Status, UNSW cannot accurately determine if it is required to pay any SGC on the contract, if GST should be charged on Invoices and an Input Tax Credit can be claimed for the GST or if a Payroll Tax exemption applies.

WHO DO I CONTACT FOR FURTHER INFORMATION?

If you have any questions or would like further information then please contact:

- Your 'HR Consultant', or
- The UNSW Tax Team - Phone: (02) 9385 1635 or Email: [Anne Harvey](#)

VENDOR FORMS

The Vendor Forms can be found [here](#).

ADDENDUM

1. Guide to Using Contractor Agreement



Guide_to_using_Con
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Or [click here](#).

2. Independent Contractor Agreement for Sole Traders



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Or [click here](#).

3. Independent Contractor Agreement for Other Entities



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