# Guide to Casual Employees

## Table of Contents

- **Employing Casual Workers** ............................................................................................................................................... 2
- **Overtime for Casuals** ......................................................................................................................................................... 2
  - How is Overtime for Casuals Calculated? ............................................................................................................................ 4
- **Casual Loading Penalty** .......................................................................................................................................................... 5
  - Three Most Common Methods of Calculating Casual Loading ............................................................................................... 5
  - Examples Using All Methods .................................................................................................................................................. 5
- **Pay Slip Requirements** .......................................................................................................................................................... 7
- **Superannuation** ...................................................................................................................................................................... 8
  - Casual Under 18 Years and SGC Superannuation .................................................................................................................. 8
- **Withholding Tax for Casual Employees** .................................................................................................................................. 8
  - Claiming the Tax-Free Threshold from More than One Employer ........................................................................................... 8
  - If the Employee is Earning Above the Tax-Free Threshold ................................................................................................. 9
  - Incorrect Tax-Free Threshold Claim ....................................................................................................................................... 9
- **Bookkeeper Process for Tax File Number (TFN) Form** ........................................................................................................... 9
  - The Tax File Number Declaration Form .................................................................................................................................. 9
- **Calculating Long Service Leave for Casuals** .................................................................................................................................. 10
- **When and How Must a Casual Worker Become a Permanent Employee?** .................................................................... 11
  - When? ...................................................................................................................................................................................... 11
  - How? ....................................................................................................................................................................................... 11
- **References** ............................................................................................................................................................................. 12
Employing Casual Workers

A casual employee is someone who does not usually have regular hours of work, is not guaranteed particular hours, and is not on a regular roster. A casual employee can end their employment without any notice unless the award, registered agreement or employment contract states differently.

They are paid for the hours of work they perform, and receive a casual loading in addition to their base rate of pay, resulting in a higher hourly rate. This loading is designed to compensate them for not receiving some of the benefits of full-time and part-time workers (for example, annual leave), and is usually 25%. Check the relevant award for the exact rate. Most awards state the minimum number of hours to be paid per shift; for example, the Fast Food Industry Award is 3 hours.

Casual workers may also be entitled to penalty rates, allowances, and other loadings depending on the award; for example:

- working on weekends
- working early or late in the day
- public holidays and overtime

**Casuals are entitled to the following under the National Employment Standards:**

- 2 days unpaid carer's leave per occasion
- 2 days compassionate leave per occasion
- Unpaid community service leave (except paid jury service)
- Unpaid parental leave (after 12 months of working)
- 2 days unpaid adoption leave (after 12 months of working)
- A maximum of 38 hours per week, plus reasonable additional hours
- 5 days unpaid family and domestic violence leave

Overtime for Casuals

Effective from the first full pay in January 2018, the Fair Work Commission has revised several awards in relation to overtime payments, minimum engagement periods, and conversion from casual to permanent employment.

These changes are (some may already apply in the award):

- Casual employees are entitled to overtime rates once they work in excess of 38 hours.
- Casual employees could be entitled to payment for minimum hours (e.g., working 1 hour, but minimum payment being 3 hours, so they are paid for 3 hours work).

**Note:** *This does not impact all awards, so it is important to check the awards to determine what applies.*
Below is a table of awards included in this review at this point:

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Overtime</th>
<th>Paid Minimum Hours</th>
<th>Condition Determining Overtime (OT)</th>
</tr>
</thead>
</table>
| Fast Food Industry         | Yes      | No                 | Employee works:  
  - More than 38 hr per week; or  
  - Average 38 hr per week over roster period  
  - More than 11 hrs on any day the excess is overtime                                                                                                                                                                                                                                                                                                                                                                             |
| General Retails Industry   | Yes      | No                 | Employee works:  
  - More than 38 hrs per week; or  
  - Average 38 hrs per week over a roster cycle  
  - More than 9 hrs per day provided that one day per week casual worker may work 11 hours without attracting penalty rates  
  - Outside the span of ordinary working hours  
  - Penalty rates applied to the ord. hrly rate of pay, with the casual loading also to be applied to the ordinary rate of pay. Rates are not cumulative upon casual hrly rate of pay                                                                                                                                                                                                                             |
| Hair and Beauty Industry   | Yes      | No                 | Employee works:  
  - More than 38 hrs per week; or  
  - Average 38 hrs over a roster cycle; or  
  - More than 10.5 hrs on any day excess is overtime                                                                                                                                                                                                                                                                                                                                                                                                 |
| Hospitality Industry       | Yes      | No                 | Employee works:  
  - More than 38 hrs per week; or  
  - Average 38 hours per week over a roster cycle; or  
  - More than 12 hours on any day, excess is overtime                                                                                                                                                                                                                                                                                                                                                                                                 |
| Passenger Vehicle          | No       | Yes                | School bus drivers transporting students to and from school can be rostered for one or two shifts per day. Each shift is minimum 2 hrs                                                                                                                                                                                                                                                                                                                                                     |
| Pastoral                   | No       | Yes                | Minimum hours for dairy operators that are 18 years or younger, which are full-time secondary school students, is 2 hrs                                                                                                                                                                                                                                                                                                                                                                                                              |
| Registered and Licenced Clubs | Yes    | No                 | Employee works:  
  - More than 38 hrs per week; or  
  - Average 38 hours per week over roster cycle; or  
  - More than 12 hrs on any day is excess is overtime  
  - May be entitled to meal allowance when working overtime                                                                                                                                                                                                                                                                                                                                                                                                 |
| Restaurant Industry        | Yes      | No                 | Employee works:  
  - more than 38 hr per week; or  
  - Average 38 hr per week over roster period  
  - More than 12 hrs per shift on any day the excess is overtime                                                                                                                                                                                                                                                                                                                                                                                                 |
| Wine Industry              | No       | Yes                | An employee working throughout pruning or harvesting work during unexpected wet weather has their minimum hours reduced from 4 to 2.                                                                                                                                                                                                                                                                                                                                                   |
How is Overtime for Casuals Calculated?

How overtime is calculated is dependent on the award. In some awards casual loading is included on both normal hours and overtime hours, and in others casual loading is only on normal hours and not on overtime.

Penalty rates may also be required to be included if the award states this.

Example: General Retail Award

Overtime applies when an employee works:
- More than 38 hrs per week; or
- Average 38 hours per week over a roster cycle; or
- More than 12 hrs on any day, excess is overtime

Award clause for payment of overtime is inclusive of casual loading:

29.2 (c) (iii) Hours worked by casual employees:
shall be paid at 175% of the ordinary hourly rate of pay for the first three hours and 225% of the ordinary hourly rate of pay thereafter (inclusive of the casual loading).

29.2 (e) The rate of overtime for casual employees on a Sunday is 225% of the ordinary hourly rate of pay, and on a public holiday is 275% of the ordinary hourly rate of pay (inclusive of the casual loading).

Penalty payments

29.4 (b) Saturday work
A casual employee must be paid an additional 10% for work performed on a Saturday between 7.00 am and 6.00 pm. Start with the base of $20.80 add 10% for the Saturday loading and 25% for the casual loading.

29.4 (c) (i) Sunday work - From 1 July 2017 to 30 June 2018
A penalty payment of an additional 95% loading will apply for all hours worked by a casual employee on a Sunday (inclusive of the casual loading).

Practical Example:

Stacy works in Retail: (under the General Retail Award)
- Her base rate of pay is $25.00 per hour.
- The Casual Loading is 25%.
- She worked 45 hours this week, including 7 hours overtime.
- Overtime is Time and a Half for the first 2 hours, and Double Time for 5 hours on Tuesday.

<table>
<thead>
<tr>
<th>Example of Stacy's Pay</th>
<th>Hours</th>
<th>Hourly Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Hours</td>
<td>38</td>
<td>$25.00</td>
<td>$950.00</td>
</tr>
<tr>
<td>Casual Loading 25%</td>
<td>38</td>
<td>$6.25</td>
<td>$237.50</td>
</tr>
<tr>
<td>Overtime Time and a Half (Base Rate $25.00 × 1.5)</td>
<td>2</td>
<td>$37.50</td>
<td>$75.00</td>
</tr>
<tr>
<td>Overtime Double Time (Base Rate $25.00 × 2.0)</td>
<td>5</td>
<td>$50.00</td>
<td>$250.00</td>
</tr>
<tr>
<td>Casual Loading on Overtime 25% Time and a Half ($37.50 × 25%)</td>
<td>2</td>
<td>$9.37</td>
<td>$18.74</td>
</tr>
<tr>
<td>Casual Loading 25% Double Time ($50 × 25%)</td>
<td>5</td>
<td>$12.50</td>
<td>$62.50</td>
</tr>
<tr>
<td><strong>Total Gross</strong></td>
<td></td>
<td></td>
<td><strong>$1593.74</strong></td>
</tr>
</tbody>
</table>

Superannuation 9.5% (Normal Hours + Casual Loading on normal hours) $112.81
Casual Loading Penalty

Fair Work outlines different methods to calculate casual loading. Not all awards use the same method. Always check the relevant award to understand how to calculate the casual loading and penalties.

Three Most Common Methods of Calculating Casual Loading

1. Default Method:
   \[
   \text{base rate} + (\text{base rate} \times \text{casual loading } \%) + (\text{base rate} \times \text{penalty } \%)
   \]
2. All Purpose Method:
   \[
   (\text{base + casual loading } \%) \times \text{penalty}
   \]
3. No Casual Loading Method:
   Penalty rates are paid instead of casual loading: base rate + penalty %

Note: Some awards may use another method not covered here.

Examples Using All Methods

It is important to note that different awards treat weekend rates differently. Some may categorise as a penalty or overtime or both.

Casual Worker

Monday and Wednesday × 3 hours each day @ base rate
Saturday × 4 hours @ time and a half penalty
= 10 hours worked in the week

Base Rate = $18.64 per hour
Casual Loading 25% = $4.66 ($18.64 × 25%)
Saturday Penalty 50% = $9.32 ($18.64 × 50%)

Default Method

Casual loading and penalty rates calculated on the base rate of pay

- Most modern awards use this method.
- In this example the award treats the weekend as penalty, not overtime.
- Casual and penalty rates are calculated on the base rate of pay.
- Formula = base rate + (base rate × casual loading 25%) + (base rate × penalty 50%)

<table>
<thead>
<tr>
<th>Wage Categories</th>
<th>Hours</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Hourly Rate</td>
<td>10</td>
<td>$18.64</td>
<td>$186.40</td>
</tr>
<tr>
<td>Casual Loading</td>
<td>10</td>
<td>$4.66</td>
<td>$46.60</td>
</tr>
<tr>
<td>Saturday Penalty</td>
<td>4</td>
<td>$9.32</td>
<td>$37.28</td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td></td>
<td></td>
<td><strong>$270.28</strong></td>
</tr>
<tr>
<td>Superannuation</td>
<td></td>
<td>9.5%</td>
<td>$25.68</td>
</tr>
</tbody>
</table>
All Purpose Method

Penalty/overtime rates paid on top of the base + casual rate

- Some awards use this method.
- In this example the award treats the weekend as overtime and penalty.
- Penalty rates are paid on top of casual rate, not base rate.
- Formula = (base rate + casual loading 25%) × penalty rate 25%

### Wage Categories

<table>
<thead>
<tr>
<th>Hours</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>$18.64</td>
<td>$111.84</td>
</tr>
<tr>
<td>6</td>
<td>$4.66</td>
<td>$27.96</td>
</tr>
<tr>
<td>4</td>
<td>$18.64</td>
<td>$74.56</td>
</tr>
<tr>
<td>4</td>
<td>$4.66</td>
<td>$18.64</td>
</tr>
<tr>
<td>4</td>
<td>$11.65</td>
<td>$46.60</td>
</tr>
</tbody>
</table>

Total Amount: $279.60

In the above example casual loading is paid twice. It is paid as normal casual loading and then combined casual loading again with the penalty rate, so the penalty is being paid on top of the full casual rate. Super is not payable on overtime hours.

**Note:** In this example all of Saturday is classified as overtime and therefore not included in SGC calculations. As always, check the relevant award to clarify how each pay rate is classified, (e.g. whether overtime or penalty or loading), and whether super is payable.

No Casual Loading Method

Penalty rates for weekend instead of casual loading

- Penalty rates are paid instead of casual loading.
- In this example the award pays 33%.
- Casuals don’t get a casual loading when penalty rates apply.
- Formula = base rate + penalty 33%.
  - Check the award for the relevant penalty rates, there are different penalty rates for different reasons.

### Wage Categories

<table>
<thead>
<tr>
<th>Hours</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>$18.64</td>
<td>$186.40</td>
</tr>
<tr>
<td>6</td>
<td>$4.66</td>
<td>$27.96</td>
</tr>
<tr>
<td>4</td>
<td>$6.15</td>
<td>$24.60</td>
</tr>
</tbody>
</table>

Total Amount: $238.96

Superannuation: 9.5% $22.70
If a casual has been employed regularly for at least 12 months and expects to keep working, they are entitled to request flexible working hours and parental leave. Casuals can also be entitled to long service leave and paid parental leave.

If a casual employee has a reasonable expectation of continuing employment, or is employed on a regular systematic basis, then they would probably be deemed a permanent employee (full or part time), and should receive all the normal entitlements and without the casual loading (Check award). Casual employees who have been employed for longer than 12 months are entitled to become permanent.

Refer to ICB Casual Conversion Letter

If an employer incorrectly classifies an employee as casual and the employee takes it to Fair Work, then the employer could be up for payment of annual and personal leave for the term of their employment. This could also include fines and penalties from Fair Work, and they would not be able to offset the casual loading already paid to the employee against this cost, which can end up being quite costly.

It is important to review casuals to ensure that they continue to meet the criteria for being genuine casual employees, as conditions can change over time. The employer needs to check the award to determine if the casual is required to convert to full or part time after a particular period of service. Some awards state that, if a casual employee is still employed after a certain period, they must be offered a permanent position, whereas other awards are silent on this issue.

Pay Slip Requirements

Employers are required to keep accurate and complete records for all workers, including casuals. The records must include timesheets and wages paid. Pay slips must also be issued to all workers within one day of being paid, and may be provided in either a paper or electronic format.

All pay slips must contain the following information:
- The employer’s name
- The employer’s ABN (if any)
- The employee's name
- The date of payment
- The pay period (beginning and end dates – e.g. 24/8/16 to 30/8/16)
- The gross and net amount of payment
- Any loadings, monetary allowances, bonuses, incentive-based payments, penalty rates, or other separately identifiable entitlements paid.

Casual workers must have additional information on the pay slip:
- Base hourly rate
- Casual loading rate
- Penalty rates
- Number of hours worked
- Any other separately identifiable payment amount

Note: The Fair Work Ombudsman will accept a description on the pay slip of an inclusive rate of pay, showing the breakdown of the payment. For example, Casual rate = $25 per hour (base $20 + loading $5). Check that your software can do this. If not, you will need to set up the wage line items separately.
Superannuation

Superannuation is calculated on Ordinary Time Earnings (OTE); penalty rates are generally considered to be OTE, but overtime is not. Therefore you need to ensure that superannuation is set up correctly for each payroll category. It is imperative that you check the award and ATO to determine OTE.

Example: Public Holidays are considered a penalty rate and superannuation is payable.

Casual Under 18 Years and SGC Superannuation

Superannuation Guarantee is generally paid to an employee after they have earned $450 gross income within one month (this is $350 in the hospitality industry), however with a casual who is under 18 years of age the criteria is different.

1. The employee must earn $450 gross in a calendar month and
2. Where the under 18 employee works more than 30 hours in a given week, they are eligible to super on the OTE in that week, or other weeks in that month where they did work more than 30 hours.

If the under 18 works more than 30 hours in a week, but does not earn $450 in that calendar month, no super needs to be paid.

Example

Casual 17 year old employee works variable hours in a month.
The base rate is $12.37 for the fast food award; casual loading is 25%, making the hourly rate $15.46.

Super is payable only on the third week because of both the hours worked and the total earned in the month being greater than $450.

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>Hours</th>
<th>Gross Pay</th>
<th>Super</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>10 hours</td>
<td>$154.60</td>
<td>$0.00</td>
</tr>
<tr>
<td>Week 2</td>
<td>15 hours</td>
<td>$231.90</td>
<td>$0.00</td>
</tr>
<tr>
<td>Week 3</td>
<td>32 hours</td>
<td>$494.72</td>
<td>$46.99</td>
</tr>
<tr>
<td>Week 4</td>
<td>6 hours</td>
<td>$92.76</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Withholding Tax for Casual Employees

Claiming the Tax-Free Threshold from More than One Employer

If a casual employee works for more than one business, then they can potentially claim the Tax-Free Threshold (TFT) from more than one employer.

If the employee is certain that their total income for the year will be less than the current tax-free threshold of $18,200, then they can claim the tax-free threshold from all of their employers, therefore not paying any tax.

The important thing to remember here is that if an employee's situation changes, and they start earning more money or are likely to earn more than the threshold amount in the year, then they must notify their employers so that the employee can be taxed correctly. This is the employee's obligation.

If the employee's circumstances change, they must advise their employers by completing a new declaration.
If the Employee is Earning Above the Tax-Free Threshold

If the employee earns more than $18,200 in the financial year, then they can only claim the Tax-Free Threshold from one employer. You would expect them to choose the employer that they expect to earn the most from over the year and claim this from them. They would then claim the No Tax-Free Threshold for all of their other employers.

Incorrect Tax-Free Threshold Claim

What happens if they claim it when they shouldn’t?

If the tax-free threshold is claimed incorrectly then the issue is with the employee, not the employer. It is the employee’s responsibility to submit a new declaration if they either leave the current employer and start with a new employer, and/or their circumstances change; for example, they start working more and are therefore likely to earn over the tax-free threshold of $18,200 for the financial year. If this happens, the employee is required to start paying tax. If they do not notify the employer and no tax is withheld, then the employee will be liable for a tax debt to the ATO.

Bookkeeper Process for Tax File Number (TFN) Form

- Receive the TFN form from the casual employee and check that all of the fields have been completed correctly. If the employee has claimed the Tax-Free Threshold, question the employee regarding other jobs, and check that they understand the requirement to notify the employer of any changes to their working situation (Bookkeepers however cannot be advising the employee on how to complete the form).
- If appropriate, provide ICB Tax-Free Threshold Information Sheet or customise to your business needs.
- Question the employer regarding whether the employee is a genuine casual worker.
- If engaged to do so, check the award regarding provisions for casual workers.
- Flag to revise the casual classification every 3–6 months – question the employee and/or employer as appropriate, to ascertain if there have been any changes that will affect the casual worker status or Tax-Free Threshold.
- Set up employee in software with correct employment status and basis, and correct tax tables selected.

The Tax File Number Declaration Form

This form has been updated by the ATO to be an editable and saveable PDF file. This allows the form to be filled in and save electronically.

Note: The PDF is not able to be lodged with the ATO via the BAS portal at this time.

If your accounting software is able to generate an ATO-approved TFN file, this may be lodged via the software (if able) or via BAS portal file transfer facility.
Calculating Long Service Leave for Casuals

The calculation of long service leave for casuals is different for each state. The calculation must take into account the variable hours they work. Long service leave pay across all states is paid at the last/current pay rate, but the LSL calculation of how many weeks to pay differs from state to state.

<table>
<thead>
<tr>
<th>State</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>Average hours over 12 months or 5 years, whichever is greater.</td>
</tr>
<tr>
<td>VIC</td>
<td>If changed in 2 years (104 weeks) – Average hours over 12 months or 5 years or last period of continuous employment, whichever is greater.</td>
</tr>
<tr>
<td>QLD</td>
<td>Average hours weekly over entire accrual period.</td>
</tr>
<tr>
<td>TAS</td>
<td>Average hours weekly over 12 months.</td>
</tr>
<tr>
<td>NT</td>
<td>Average hours weekly over entire accrual period.</td>
</tr>
</tbody>
</table>
| ACT   | Average hours over 12 months.  
If moved from casual to full-time less than 2 years, then average over 5 years. |
| WA    | Average hours over entire accrual period. |
| SA    | Average hours over last 3 years. |

The casual employee's 'normal' pay is used as the calculation basis for the wages. The usual pay for a casual employee includes casual loading, therefore this is included in the calculation. LSL payable is not calculated solely on the base rate, ensure calculation is on the base rate plus loading.

**Example – South Australia**

Belinda is a university student and has worked off and on over the last seven years with the local pub in SA. She now has her degree and wishes to terminate her employment. She is eligible for pro rata Long Service Leave of 9.1 weeks, (accrual of 1.3 weeks every year × 7 years). Her current rate of pay is $25 per hour, (including casual loading).

SA calculation is the average hours over last 3 years worked. That is, if the employee had weeks where she did not work, these weeks would not be counted for service. The employee must have their average calculated over 156 weeks, which may in fact be greater than three years of service.

**Note:** Because of excluding weeks where no work was performed, a casual worker may in fact need to work more than seven years before being eligible for long service leave.

<table>
<thead>
<tr>
<th>Year</th>
<th>Hours</th>
<th>Total</th>
<th>Average Hours per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>520</td>
<td></td>
<td>1520 ÷ 3 = 506.67 hours per week @ $25 = $12,667</td>
</tr>
<tr>
<td>2015</td>
<td>624</td>
<td></td>
<td>1560 ÷ 3 = 520 ÷ 2 = 10 hours per week @ $25 = $250</td>
</tr>
<tr>
<td>2016</td>
<td>416</td>
<td></td>
<td>9.1 weeks × $250 = $2,275 gross LSL to pay</td>
</tr>
</tbody>
</table>
When and How Must a Casual Worker Become a Permanent Employee?

When?

As a result of the 4 year review of modern awards, the casual conversion clause has been introduced into 85 modern awards from 1st October 2018. This will affect the rights and obligations of employers who employ casual people who work on a regular and systematic basis. Casual conversion clauses were in 28 modern awards prior to 1st October 2018, and these awards will currently remain unaffected.

The model clause incorporates a requirement that all casual employees subject to the awards are to be given a copy of the clause during the first 12 months of the employee’s term of engagement with the employer.

The casual conversion clause allows a casual worker to become a part-time or full-time employee if:

- a qualifying period of 12 calendar months is met;
- the casual employee must have engaged in work with a pattern of hours on an ongoing basis over the required 12 month interval, which may continue to be worked on a full-time or part-time basis without the need for significant adjustment.

**Note:** *Employers need to check the applicable modern award or enterprise agreement.*

How?

Moving a casual employee to part-time or full-time status within your payroll system requires the following:

1. Keep using the same employee card as this is preferred by the ATO; record the date of move to a permanent employee and record the new status, i.e., part-time or full-time. This will also make production of payment summaries easier.
2. Record in the employee card the total long service leave hours accrued thus far; if employee leaves these hours may need to be considered as part of the calculation of long service leave.
3. Check the entitlements accrual to ensure calculation for part-time or full-time is correct, although hourly accrual is preferable for all types of employees.
References

- ICB – Payroll Records and Payslips
- ICB – Employment Status
- ICB – ICB Guide to Employer Obligations
- ICB – New Employee Guide
- ICB – Payslips
- ICB – Template to Advise Employees of Tax File Threshold
- ICB – Long Service Leave
- ICB – Casual Conversion Clause and Letter Template
- ATO – Withholding declaration
- FWO – Understanding casual penalty rates
- FWO – National Employment Standards