

Workers Compensation

What is Workers' Compensation?

Workers' Compensation, (also called Workcover), is an insurance paid by employers to cover any incidents to employees, directors and subcontractors if deemed to be a worker.

Workers' Compensation is required for all businesses with employees, including directors, but each state has their own rules and regulations.

An employer has detailed obligations to their workers - this information is available from the state website and goes beyond the realm of the bookkeeper responsibility. This document is concerned with the areas of workers' compensation that a bookkeeper is most likely to be involved with.

| State | Insurer Name | Legislation | Website | Phone |
|-------|---------------|--|--|--------------|
| ACT | Worksafe | Workers Compensation Act 1951 | www.worksafe.act.gov.au | 02 6207 3000 |
| NSW | Workcover | Work Health and Safety Act 2011 | www.workcover.nsw.gov.au | 13 10 50 |
| SA | SafeWork | Work Health and Safety Act 2012 | www.rtwsa.com | 13 18 55 |
| WA | Workcover | Workers' Compensation and Injury Management Act 1981 | www.workcover.wa.gov.au | 1300 794 744 |
| QLD | Workcover QLD | Workers Compensation and Rehabilitation Act 2003 | www.workcoverqld.com.au | 1300 362 128 |
| NT | Worksafe | Work Health and Safety Act 2011 | www.worksafe.nt.gov.au | 1800 019 115 |
| TAS | Workcover | Workers Rehabilitation and Compensation Act 1988 | www.workcover.tas.gov.au | 1300 776 572 |
| VIC | Worksafe | Accident Compensation Act 1985 | www.worksafe.vic.gov.au | 1800 136 089 |

Calculation of Rateable Remuneration

Period of cover varies from state to state.

Each state has its own calculator on the website, see above.

| | | |
|----------|--|-----------|
| A | Gross Wages | \$ |
| B | Payments to Rateable Contractors | \$ |
| C | Taxable Value of FBT ie M/V Salary Package | \$ |
| D | Superannuation Contributions | \$ |
| E | Other e.g., Directors, Commission | \$ |
| | Total of A to E | \$ |

Rateable Remuneration Table

This table includes generic wages sections and is not exhaustive. If you have anything outside these categories then check your state legislation and relevant award.

| A - Remuneration Wages included and exempt: | NSW | VIC | QLD | TAS | NT | ACT | WA | SA |
|--|-----|-----|-----|-----|----|-----|----|----|
| INCLUDED: | | | | | | | | |
| Salaries | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Wages | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Apprentices ⚙ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Casual Wages | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Over Award Bonuses | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Allowances quantified in monetary terms i.e. Shift Allowance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Annual Leave (Including Leave Loading) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Long Service Leave | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Personal Leave | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Paid Parental Leave | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Back Pay | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Working Directors Fees and all remuneration to directors or members of a governing body of a company ⚙ | ✓ | ✓ | x | ✓ | x | ✓ | x | ✓ |
| Working Directors are covered only if their personal details are disclosed to the insurer ⚙ | x | x | x | x | ✓ | x | x | x |
| Commissions payments to working Directors | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Interstate and overseas workers | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Dividends paid in lieu of wages | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Shares paid in lieu of wages | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Government training subsidies | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Seasonal and Piece workers | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | NSW | VIC | QLD | TAS | NT | ACT | WA | SA |
| EXEMPT: | | | | | | | | |
| Allowance to reimburse costs | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Allowances not exceeding 'reasonable amount' or rate | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Non-working Directors | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Workcover/Worksafe Compensation or Reimbursements | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| GST component in a payment to a worker | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Dividends paid as per company's constitution | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Shares paid under employee scheme | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Paid Parental Leave (Government Paid) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Maternity and Paternity Leave Payments | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Gifts and ex gratia payments not part of employment contract | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Government Training Schemes | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ETPs, Redundancy, In Lieu of Notice, Ex-Gratia | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Payments made to a fund for redundancy/severance payments | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Partners Drawings | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Royalties | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | NSW | VIC | QLD | TAS | NT | ACT | WA | SA |
| B - Subcontractors Included: | | | | | | | | |
| Subcontractor deemed as a worker (see below Contractor debate) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | | | | | | | | |
| C - Taxable Fringe Benefit Value: | NSW | VIC | QLD | TAS | NT | ACT | WA | SA |
| Any allowance or payment subject to Fringe Benefits Tax (grossed up value) i.e. Motor Vehicle Salary Package | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

| D - Superannuation Included: | NSW | VIC | QLD | TAS | NT | ACT | WA | SA |
|---|-----|-----|-----|-----|----|-----|----|----|
| Superannuation Guarantee | ✓ | ✓ | ✓ | ✗ | ✗ | ✗ | ✗ | ✓ |
| Superannuation Salary Sacrifice | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | | | | | | | | |
| E – Termination Payments Included: | NSW | VIC | QLD | TAS | NT | ACT | WA | SA |
| Annual Leave on termination | ✓ | ✗ | ✗ | ✓ | ✓ | ✓ | ✗ | ✗ |
| Long Service Leave on termination | ✓ | ✗ | ✗ | ✓ | ✗ | ✗ | ✗ | ✗ |
| Personal Leave on termination | ✓ | ✗ | ✗ | ✓ | ✗ | ✗ | ✗ | ✗ |
| RDOs on termination | ✓ | ✗ | ✗ | ✓ | ✗ | ✗ | ✗ | ✗ |
| | | | | | | | | |
| F - Other | NSW | VIC | QLD | TAS | NT | ACT | WA | SA |
| Workers on Commission i.e. Sales People | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | | | | | | | | |

⚙ Working directors

A working director (in relation to a company) means a director who executes work for, or on behalf of, the company, and whose earnings as a company director by whatever means, are in substance for a personal manual labour or services. The regulations vary from state to state.

- **NT** - optional
- **QLD** - directors NOT covered. Directors can take a Personal Injury Policy offered by Workcover QLD or income protection/disability/life insurance of their own.
- **VIC** - compulsory for working directors to be covered by Workers' Compensation Insurance. Optional for non-working directors.
- **NSW** - compulsory for working directors to be covered by Workers' Compensation Insurance. Optional for non-working directors.
- **TAS** - compulsory for working directors to be covered by Workers' Compensation Insurance. Optional for non-working directors.
- **SA** - compulsory for working directors to be covered by Workers' Compensation Insurance. Optional for non-working directors.
- **WA** - optional for working directors. Non-working directors excluded.
- **ACT** - compulsory for working directors to be covered by Workers' Compensation Insurance. Optional for non-working directors.

⚙ Apprentices

In some states there are concessions for apprentices when calculating the Rateable Remuneration, so make sure you check to see if it applies to your client.

Is a Contractor a Worker for Workers Compensation?

Contractors may operate as sole proprietors, partnerships, companies or through family trusts but still be deemed as a worker.

All states have the same debate of contractor vs. employee. These key test factors include

- **Control Test** - If the employer **controls** the service provided on how and when they do it and the hours worked then they are likely to be deemed a worker. **If** however, the contractor has the right to delegate the work, quote the job for estimation of time to complete job and determine the work to be done then they are an independent contractor.
- **Integration Test** - If the contractor shows they have other clients and are presented to the public as a business and produce a profit or loss of business then they are more likely to be an independent contractor and not an integral part of the employers business.
- **Results Test** - If the contractor is hired to produce a result and complete specific tasks the contractor is more than likely to be an independent contractor.
- **Risk Test** - If contractor is exposed to risk of the job, prepared to fix any problems or errors and prepared to is exposed to a possible profit or loss on the job then he would be deemed a contractor.

Workers Compensation regulations for subcontractors varies for each state:

- **NT** – If contractor is an individual/sole trader you are required to use the ATO employee/contractor tool to determine if they are considered an employee. If the contractor invoices through a company then they are considered a contractor and have their own workers compensation.
- **QLD** – If contractor is an individual/sole trader you are required to use the ATO employee/contractor tool to determine if they are considered an employee. If another entity type Company/Trust/Partnership then they are not included in workers compensation calculations
- **VIC** – Victorian Workcover Authority will deem the contractor a worker if all the following 3 conditions apply:
 1. Materials or Equipment are NOT the primary object of the job
 2. At least 80% of the work is done by the same contractor
 3. At least 80% of the contractors overall income is earned by the same client

However, if a company already has workers compensation for their employees, then it is not required to be paid twice.
- **NSW** – Subcontractor must sign a NSW Subcontractors Statement proving workers compensation has been paid to do the work for the client otherwise under principal contractors workers compensation
- **TAS** –To be entitled to workers compensation a person must be a worker, therefore does not include 'outworkers/subcontractors'. Therefore Sole Traders either become a worker for the principal contractor for the period of work or not be covered.
- **SA** – Principal Contractor (Business Owner) must ensure that all subcontractors' workers have the correct workers compensation. Subcontractors who are sole traders must go under the principal contractors workers compensation
- **WA** – Business Owner (Principal) engages Contractor to do work, both parties must have workers compensation for all workers to cover the work. If a worker is injured the worker can claim compensation from either principal or contractor or both. As a sole trader cannot obtain their own workers compensation then the principal must include the contract in their workers compensation if their work is deemed labour.

- **ACT** – If a contractor does not have adequate workers compensation to do the work then the client is required to cover the contractor for workers compensation

In summary, it is not an easy task to decide whether a contractor should be deemed a worker and therefore part of the calculations of workers compensation. If it is not clear then the above tests need to be applied and a conclusion made. If in doubt, consult the state legislation body for a ruling on the situation. What is imperative is that all workers have adequate compensation in case of injury.

Obligations of the Employer in the Work Place

- Make the work place safe.
- Insure your workers in case of injury or death.
- Complete the Declaration of Rateable Remuneration form, per annum, to estimate what will be the remuneration (wages) for the coming year.
- If remuneration changes from estimate stated on declaration of rateable remuneration form, notify insurer of the variance. Timeframes for this differ with state bodies so check your state body to determine when you need to report.

Obligations of the Employer if Employee Injured

- Make a compensation claim form available to the worker.
- Forward claim form to insurer within 3 days after receiving from injured employee.
- If insurer accepts liability, employer must pay weekly compensation payments within 3 working days of the accepted claim.
- Employer must assist in rehabilitation program for 'return to work'.
- Must allow the employee to visit a doctor.

Obligations of the Employee if Injured

- Notify employer of injury.
- Complete the compensation claim form for employer ASAP.
- Nominate treating doctor.
- Provide all medical receipts to your employer.
- Actively participate in treatment and planning for return to work.
- Participate in assessments to determine capacity of work.
- Make every reasonable effort to return to work.

Bookkeeping Process

Completing the Rateable Remuneration of Wages

1. Complete the Rateable Remuneration table as per information above.
2. Check Rateable Remuneration of wages lodged in the prior year to ensure the figures complies with the estimation.
3. Present the report to the employer and inform them if the wages exceeded the estimation (heavy penalties can apply for the employer if wages exceed the quoted and the worker compensation Insurer are not informed).
4. Once the employer has approved and signed off on the paperwork you can send it off to the insurer for them to calculate the premium.
5. If your wages change you need to notify your insurer and details on how do this can differ from state to state so you will need to check with your state regulations to find out what is relevant for you.

Entering the Payment into Your Software

1. Upon receipt of the invoice for the workers' insurance premium enter into your software programme. Always check the GST portion on the insurance as there is generally stamp duty which doesn't incur GST.
2. If the business has financed the insurance you need to enter the loan and interest into the software and apply the monthly payments against the loan as they are paid from the bank.

Processing Workers Compensation Payments and Reimbursements

1. You need to create a new expense account (suggest within the payroll area) called Workcover Paid and another one called Workcover Reimbursements. (You could also use the same expense account to allocate both income and expense with the expectation of this account zeroing out once you receive your reimbursement).
2. Create a new wage category – Workcover Wages.
3. Override the Employees Wage Expense Account and allocate the expense to your Workcover Paid Category.
4. In the employees' card set the type of wages to Salary and select the Workcover Wages category in Payroll.
5. Determine how much you are to pay the employee (usually from paperwork from Workcover or the owner of the business). Note that occasionally the employer will make up the shortfall of workers' compensation payments to make up their ordinary wage.
6. Enter the employee's pay through payroll, zeroing out the base wages or salary categories and entering the workers compensation amount in the Workcover Paid wage category.
7. Enter the payslip and pay as per normal.
8. The workers' compensation wage is included at W1 on the BAS; the insurance refund is included at T1.

Upon receiving the reimbursement from your workers' compensation insurer, you need to receive money into the bank and allocate it to the Workcover Reimbursement expense account that you set up. Include a memo on the deposit slip noting who the reimbursement was for.

Set up Workers' Compensation Accrual

If you have significant wages and salaries expenses per year, the owner/accountant may want to see the insurance liability on the balance sheet.

1. Set up the Payroll Expense Category to calculate at the relevant rate—use the last percentage as notified by your insurer. Update the rate when you get the adjusted premium notice based on actual wages declared for the previous period. Calculate the percentage on gross wages for employees. Select all employees to be included.
2. For contractors, set up a separate Workcover for Contractors category, and select the relevant expense categories for the percentage to calculate against.
3. Create another Payroll Expense Category called Workcover on Superannuation. This percentage is $9.5\% \times \text{insurance \%}$. Select the superannuation threshold of \$450, and select the relevant employees.

Accruing Leave on Workers' Compensation

You don't normally take or accrue leave while you are on workers' compensation.

However, if it's allowed under a workers' compensation law in your state or territory then you can take or accrue leave. Check with the relevant workcover agency in your state or territory.

Long Service Leave is treated differently. Time on workers' compensation is considered as service for the accrual of long service leave in most states - but not NT or ACT, and some other states have different provisions for service counted.

The award should also be consulted for information on entitlements for an employee who receives workcover payments.

Superannuation on Workers Compensation

Superannuation on workers compensation is not straightforward. FairWork directs that super is not generally paid on workers compensation unless the employee is actually working. If the employee is required to attend meetings, training or returns to work on an incrementally increasing basis, these hours are considered Ordinary Time Earnings and therefore superannuation is payable.

However, many modern awards require the employer to pay super while the employee is on workers compensation, regardless of attending work or not. Some awards have a time limit on the super payable, for example 1 year; other awards have no time limit. Some state legislation allows for super to be paid after a certain amount of time on workers compensation payments.

You must check the relevant award in conjunction with the state legislation and apply the rule that most benefits the employee.

Related References

- [ICB - Contractor vs Employee](#)
- [ICB - Guide to Employer Obligations](#)
- [ICB - Resources Payroll](#)
- [Workcover NT - Definition of a Worker](#)
- [ACT Worksafe - Subcontractors](#)
- [NSW Workcover - Principal Contractor Issues](#)
- [Return to Work SA - Who is a Worker](#)
- [Workcover WA - Subcontractors](#)
- [Workcover QLD - Contractors](#)
- [Worksafe VIC - Contractors](#)