

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

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								
Included	NSW	VIC	QLD	TAS	NT	ACT	WA	SA
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*	✓	✓	✗	✓	✗	✓	✗	✓
Working Directors are covered only if their personal details are disclosed to the insurer*	✗	✗	✗	✗	✓	✗	✗	✗
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	✓	✓	✓	✓	✓	✓	✓	✓

Exempt	NSW	VIC	QLD	TAS	NT	ACT	WA	SA
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	✓	✓	✓	✓	✓	✓	✓	✓
B – Subcontractors Included	NSW	VIC	QLD	TAS	NT	ACT	WA	SA
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.

State	Regulations
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.

Over 65's

Are they covered for Workers Compensation?

Age restrictions on workers compensation payments and insurance cover can apply, which may result in those workers being unable to be covered in the workplace in the event of an accident. For example: in Victoria, while working past the age of 65, employees are covered by workers compensation, and are eligible to workers compensation as per the workers compensation policy. However, if they are injured prior to the age of 65, then the payments cease at age 65 (though other government agencies may cover the payments).

It is important that you check with your state body to determine if any age restrictions apply to older workers, and notify these workers of the state policy.

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 employer's 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 the contractor is exposed to risk of the job, prepared to fix any problems or errors, and 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:

State	Regulations
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: <ol style="list-style-type: none"> 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 contractor's 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

State	Regulations
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 in the Work Place

Obligations of the Employer

- 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.
- Pay injured employee using personal leave first then annual leave until workers compensation is received then reverse the leave to bring in the compensation payments.
- 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 program. 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 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.

State	Annual Leave Accrue	Annual Leave can be taken	Personal Leave Accrue	Personal Leave can be taken	Long Service Leave Accrue
QLD	Yes	Yes	Yes	Yes	Yes
VIC	Yes	Yes (if on weekly or partial payments)	No	Yes	Yes
NSW	Yes	Yes	No	No	Yes
SA	Usual dependent on term	Usually dependent on term	Yes	No	Yes
TAS	Yes	Yes	No	No	Yes
WA	Yes	Yes	No	No	Yes, but only the first 15 working days in any year are considered as service where absence is due to sickness or injury
ACT	No	No	No	No	No
NT	No	No	No	No	No

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. Fair Work directs that super is not generally paid on workers compensation unless the employee is 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.

Public Holidays

Fair Work advises that employees are not entitled to public holidays whilst absent from work for injury and under WorkCover claim.

Related References

- 🔒 [ICB – Contractor or Employee](#)
- 🔒 [ICB – Guide to Employer Obligations](#)
- 🔒 [ICB – Payroll Resources](#)
- ➦ [NT WorkSafe – Definition of a worker](#)
- ➦ [ACT Worksafe – Subcontractors](#)
- ➦ [SafeWork NSW – Contractors and labour hire](#)
- ➦ [Return to Work SA – Who is a worker?](#)
- ➦ [WorkCover WA – Contractors & subcontractors](#)
- ➦ [WorkCover QLD – Contractors](#)
- ➦ [WorkSafe VIC – When contractors are workers](#)