

# The rules and regulations of being an employer

WHEN IT COMES TIME TO HIRING STAFF, BE SURE TO FOLLOW THE LAW OTHERWISE YOUR RICHES COULD TURN TO RUIN. JOHN CORIAS EXPLAINS.

The vast majority of small businesses in Australia kick off as solo efforts, as one person takes their great inspiration or idea, adds a bucket load of courage, sprinkled with a dose of luck and plenty of advice from trusted sources and sets sail into the business world.

But, provided your business is succeeding, you may well find yourself struggling to satisfy all of your customers, answer new business enquires and then work on the business as well. Keeping up with the paperwork, marketing and legal requirements can take its toll.

Eventually, the need will come for a growing business to take on an offside or employee. This should be a process whereby the new employee is trained to serve your valued and hard won client base. This allows you to then work on the business, rather than in the business, as well as seeking out and maximising new business opportunities.

Taking on an employee must be

treated as a very serious part of the business as there are many pitfalls that can bring you unstuck if the right processes are not followed. For now, we will focus on the legal aspects of hiring an employee from a tax office and superannuation stand point.

The ATO has a number of requirements for businesses hiring new employees and neglecting even one of them can leave your business exposed to potential penalties, or even worse, lost down time in fixing bungled business processes. Here's a list for anyone hiring a new staff member, or for any businesses that have recently done so and need reassurance that they got it right.

- Ensure you are registered for PAYG Withholding with the ATO. This needs to be done, so that you can then report the amounts of PAYG tax withheld from staff wages on your BAS forms each quarter.
- All employees must complete a Tax File Number declaration form and return to you as the employer. You must then complete the employer section and send a copy of the form off to the ATO within fourteen days of the employee's official employment starting date.
- At the end of a financial year, you will need to provide your employee with a payment summary (or group certificate as they were once know as) within fourteen days of the end of the financial year. Your accountant should be able to assist you with this process using your particular accounting software. This process also involves sending off an electronic file to the ATO with details of your business and payment summaries given to employees for that past financial year.
- It is also compulsory to provide each employee with a pay slip each time they get paid by you.
- Ensure copies of all the documents

mentioned so far are kept in storage for a period of five years in case of any disputes or discrepancies with either the employee or the ATO.

The other key area is in superannuation. In recent times the ATO has gone to great lengths to inform business owners of their superannuation obligations to their employees and the rate of audits for non-paying employers seems to be on the rise. Some key points regarding superannuation for employees can be summarised as follows:

- All employers must pay superannuation contributions on behalf of eligible employees and these contributions must be paid into a complying superannuation fund.
- Employees that you are required to pay superannuation for are those who earn more than \$450 in a calendar month and aged between 18 and 69.

For workers under 18 years of age, superannuation only need be paid if the employee works at least 30 hours per week.

- The current rate of superannuation is 9% of ordinary time earnings. Recent legislation has been passed that will see this rate increase in a staggered manner to eventually reach 12% on 1 July 2019.
- Payments must be made on a quarterly basis, 28 days after the end of each three month period. i.e. 28 July, 28 October, 28 January and 28 April of each year.
- Employers must offer each employee the right to have their superannuation paid into a fund of their choice. If the employee does not elect to chose a fund, then the employer can elect to use a standard default fund. These are just a few key points that

will assist the small business owners in the community looking to hire an employee for the first time and are unsure of where to start or how to go about the process.

One final critical point is that as a small business, no matter what legal structure you trade under, a state-based workers compensation policy must be held to cover your employees in the event of workplace injuries. Note that this is only a brief summary and that there are other requirements from an HR viewpoint that should also be carefully studied before you employee someone, but I'm sure this article has given you food for thought as you seek out the right employee to assist in growing your small business. CH

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