

A middle-aged man with grey hair and a beard, wearing a blue shirt and a light-colored apron, is in a bar setting. He is holding a mobile phone to his ear with his right hand and looking down at a tablet computer on the bar counter with his left hand. The tablet displays a bar chart. On the counter, there is also a white calculator and some papers with charts. The background shows shelves stocked with bottles in a dimly lit bar.

# Guide to paying employees correctly

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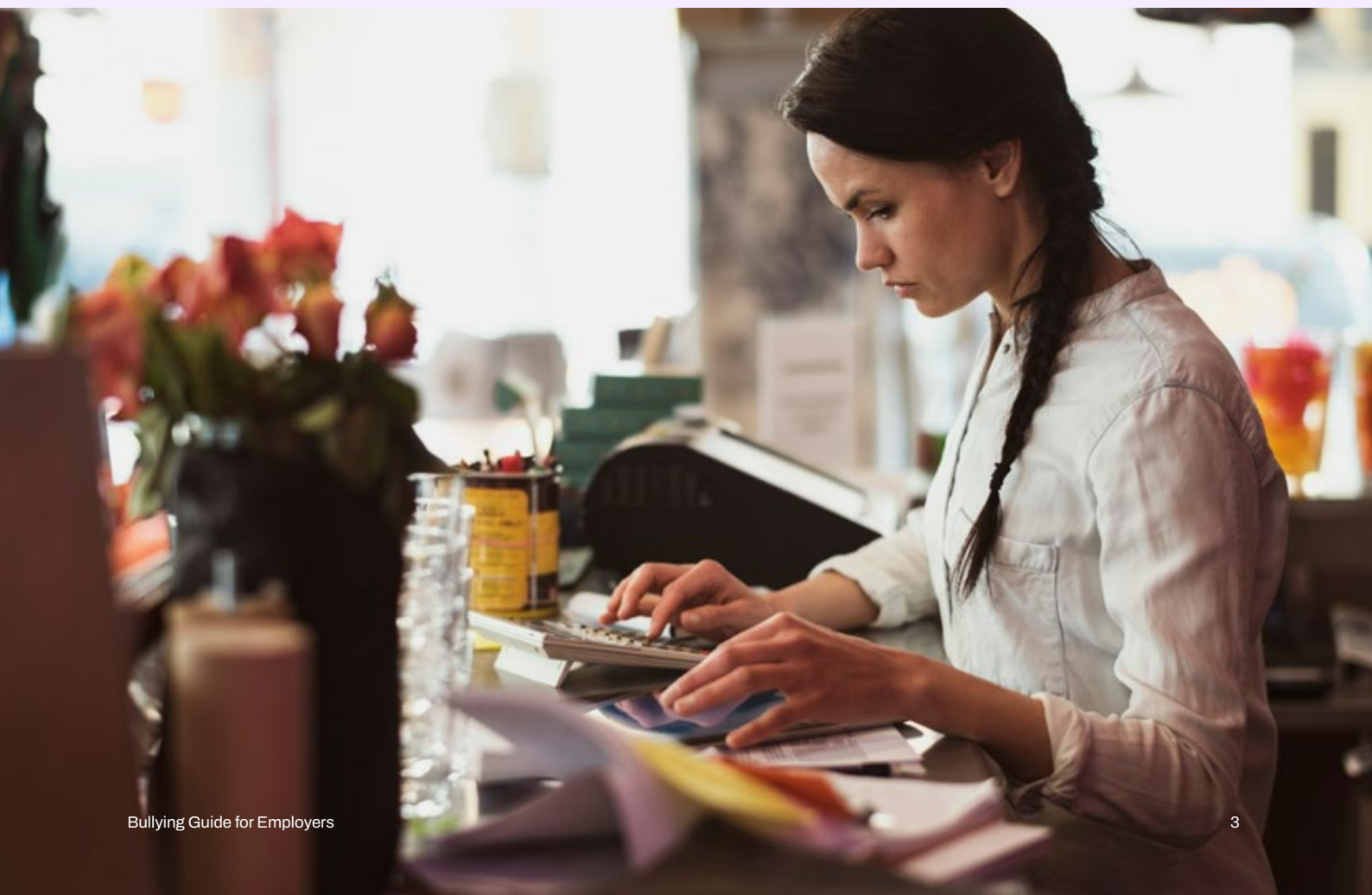
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# Guide to paying employees correctly

Working out the correct amount to pay an employee is no easy feat. There are so many things to consider: Are your employees covered by an award or an agreement? Do you understand minimum pay rates and the National Employment Standards? And what about things like allowances, overtime, penalty rates and super?

When it comes to pay and employment conditions you must comply with all the relevant laws – regardless of how many people you employ. Get it wrong and you could face hefty penalties.

At My Business, we've created this free guide to ensure you stay on the right track.





# Work out what to pay your employees

The first step is to determine which modern award applies to an employee. An award sets out the minimum pay and conditions for a particular industry or occupation.

To determine if an employee is covered by an award, an employer needs to consider the work performed by the employee as well as the industry the business operates in.

Finding the right award can be tricky. Use the My Business Award Wage Service to find the right award for your employees.

## Find the classification level

Finding an employee's classification level inside the award that applies to them is the next step. The minimum wage an employee is entitled to is determined by their classification level.

**Each award has two crucial components that might help you decide if it's the best option:**

- **Classifications Structure & Definitions** – this section will break down each classification by detailing indicative skills, experience, and the type of duties for each level.
- **Coverage** – this section outlines which industries/occupations the award covers, as well as what it does not cover.

Each classification level is accompanied by a description of the typical duties associated with the classification level. An employer should select the classification level which most closely matches the duties and responsibilities performed by the employee.

**It's vital to keep in mind that depending on their duties, amount of responsibility, and years of experience, employees covered by the same award often sit at different classification levels.**



## Minimum pay

When an employer has decided on the appropriate classification level, they can then consult the award's "Wages and Allowances" section to ascertain the minimum wages that must be paid.

Every award will also have a separate Pay Guide that provides all the pay rates applicable to every type of employee covered by that award. This includes permanent employees, casuals, juniors (often 20 years old or younger), and what to pay when employees work overtime, weekends, public holidays etc.

Awards usually specify the length of pay cycles and the time frame within which to process termination pay.

**It is important to remember that the pay rate specified in the award is only the minimum pay rate and, if applicable, does not include any all-purpose industry allowances, travel allowances, or casual loading.**

## Award-free employees

Employees that aren't covered by an award or registered agreement are considered "award-free" employees. Award-free employees are entitled to at least the national minimum wage and National Employment Standards (NES).

**To not be covered by an award, an employee must**

- not work in an industry or business covered by an award
- not work in a job classification that is covered by an award
- be in a job or industry that is excluded from an award.

Casual employees only get some NES entitlements, such as unpaid carer's leave. They must be provided with a Casual Employment Information Statement and have a right to convert to permanent employment in some circumstances.

## High income earners

Awards don't apply to employees who have a written guaranteed minimum remuneration in excess of the official high income threshold. As of 1 July 2024, the high income threshold is \$175,000 (exclusive of superannuation).

## Enterprise agreements

Enterprise agreements set out conditions of employment for a group of employees at one or more workplaces. You can draft your own enterprise agreement so that it reflects your business. You must also have two or more employees to create an enterprise agreement.

If you use an enterprise agreement, it will apply instead of a modern award. The pay rate in an enterprise agreement can't be less than the pay rate in the relevant modern award.

# Allowances, penalty rates and other payments

Depending on the kind of work an employee does, certain allowances are applicable under each award.

**Allowances are extra payments made to employees who:**

- do certain tasks
- have a particular skill they use at work
- use their own tools at work
- work in unpleasant or hazardous conditions
- incur an expense for doing their job.

Employees that need more money or supplies to perform their jobs to the best of their abilities are given allowances. The allowances you must pay will be specified in a modern award or enterprise agreement.

## Penalty rates

**Some employees may be entitled to a higher pay rate for working at certain times of the day or on certain days of the week. This may include:**

- working on a weekend or public holiday
- working late at night or early in the morning
- working extra hours.

The penalty rates that you or your employees are entitled to will depend on the award that applies.

If you're covered by an enterprise agreement or other registered agreement, penalty rates will be in your agreement. The wages in salary payments, employment contracts, IFAs and guarantees of annual earnings need to compensate for other penalties and loadings in an applicable award.





## Overtime

Overtime is another important factor in whether an employee is paid correctly or not.

Depending on when overtime is worked and how many additional hours are worked, this can vary (increase) the pay rate that should be paid to an employee.

The details about when overtime applies are different under each award and registered agreement.

Each award sets out when overtime is payable and what the overtime rate is. This is usually expressed as a percentage of the minimum rate of pay which is payable to an employee

## Leave

When you pay your employees, you'll also need to consider leave requirements.

Employees can take leave for many reasons, including to go on a holiday, because they are sick, or to take care of family members.

Minimum leave entitlements for employees come from the National Employment Standards (NES). An award, registered agreement or contract of employment can provide other leave entitlements but they can't be less than what's in the NES.



# Tax and superannuation

When you hire employees, you'll have tax and superannuation obligations related to their pay and conditions.

## Withholding tax from pay

Employers must register for pay as you go (PAYG) withholding before you're first required to make a payment that is subject to withholding. This is required even if you don't withhold any amount from a payment made.

**You must withhold tax from payments you make to:**

- your employees
- other workers, such as contractors that you have a voluntary agreement with to withhold PAYG amounts
- businesses that don't quote their Australian business number (ABN) to you.

## Providing superannuation contributions

If you have employees, you generally need to pay super guarantee contributions regardless of how much they are paid.

All employees are covered by the superannuation guarantee. It applies to full-time, part-time and casual workers.

The super guarantee (SG) is the minimum amount of super you must pay to your employees to avoid the super guarantee charge. The SG is currently 11.5% of your employee's base earnings (ordinary time earnings) and is planned to progressively increase to 12% by 2025.

# Recordkeeping and reporting

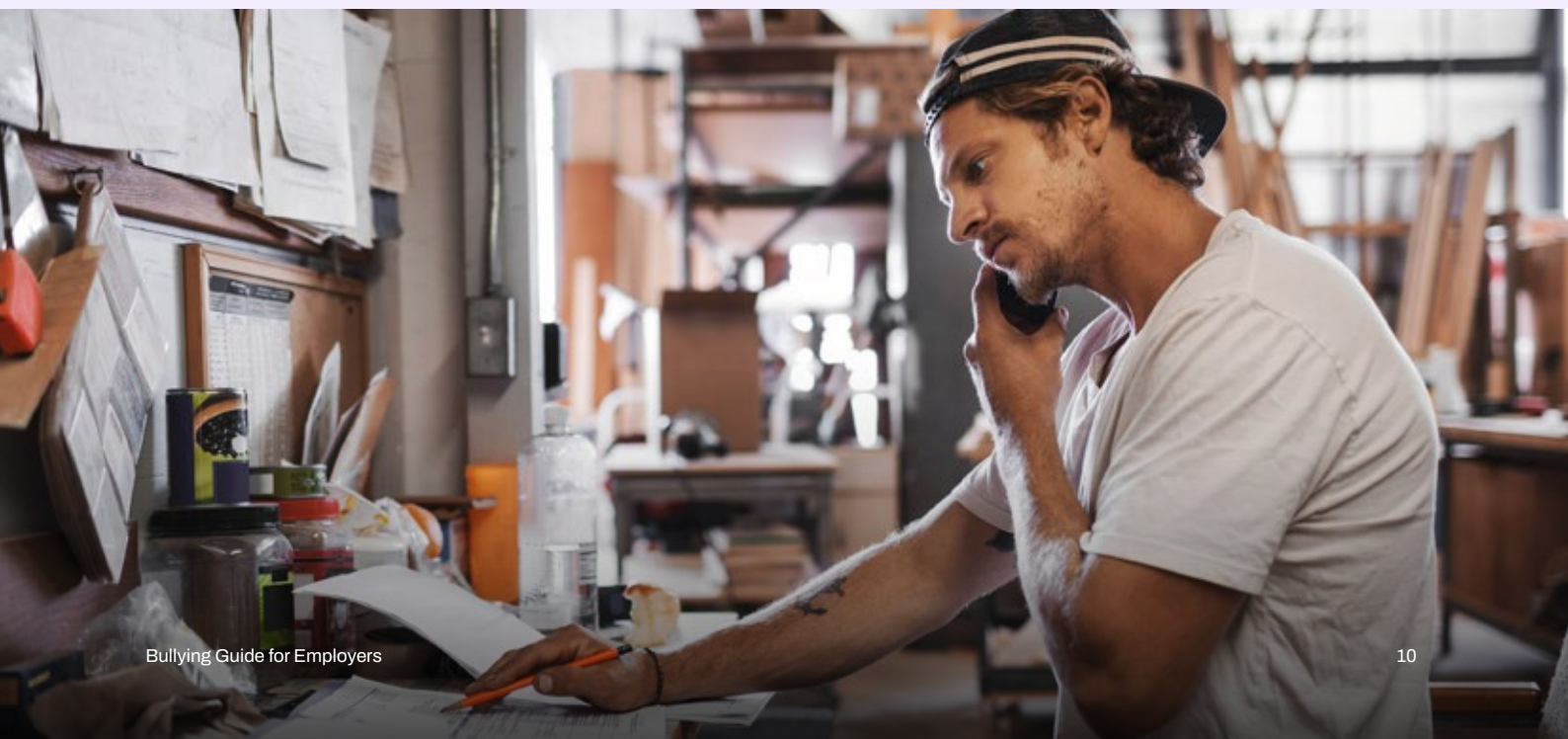
Employers must keep accurate and up-to-date records about their employees. This includes information about an employee's pay, leave and hours of work. Records also need to be kept about any changes to working arrangements or ending employment.

## **This includes:**

- employee details including information about pay, leave and hours of work
- reimbursements of work-related expenses
- workers' compensation insurance for each employee
- superannuation contribution amounts.

**While not all employee records have to be kept, it is best practice to keep other records to provide a full employment history. These include:**

- resumes and job applications
- contracts of employment
- performance reviews
- trade or registration certificates.
- formal warnings and disciplinary records



## Pay slips

In addition to paying employees correctly and on time, as an employer, you must also provide pay slips.

**The legal requirements of pay slips include:**

- providing a pay slip within one business day of pay day
- ensuring pay slips have required information (including the amount paid and tax withheld)
- issuing the pay slip either electronically or on paper.

**Pay slips need to include certain details about an employee's pay. Penalties apply for providing false or misleading information on a pay slip.**

## Rosters and timesheets

If you employ staff, you may need to create rosters and timesheets to record their hours of work. It's best practice to keep these records.

Under most awards, you and your employee must agree on the hours of work and rostering in advance, especially if they're full time or part time.

Awards, enterprise agreements and other registered agreements can set out extra rules about changing rosters and how and when employees are given rosters.

# Discover more

HR can be tricky to navigate – but we've got your back.

Get your HR stuff sorted with My Business Workplace. We offer step-by-step checklists and templated documents for hiring new starters, paying correctly, managing your team, and separating when the time is right. Easily create and assign contracts, keep up to date with award changes, remunerate employees correctly, and use our easy-to-follow guides and checklists to manage resignation, termination, misconduct, and redundancy.

**My Business Workplace has ready-to-use templates, documents and policies to help you meet your pay obligations, including:**

## **Payment of salaries and wages checklist**

This checklist addresses payments, deductions, employee records, pay records, superannuation contributions and employee pay slips.

## **Casual employment information statement**

Employers are required to provide the Casual Employment Information Statement (Statement) to new employees as soon as practicable after they start employment.

## **Record keeping checklist**

This checklist is a useful tool to assist employers to address what records they are required to keep under the Fair Work Act (Cth) (Act) and the Fair Work Regulations 2009 (Cth) (Regulations).

**When you sign up to My Business Workplace, you can also access our Workplace Advice Line. Talk to a HR specialist for tailored advice relating to your business and your people.**

**Find out more**

**Book A Free Demo**



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