

Workers' Compensation

Workers' compensation insurance is compulsory for every employer who pays more than \$7,500 in wages in NSW. Employers who do not have the insurance face fines and penalties of up to \$55,000.

Each state has its own workers' compensation system with different premium rates, wage thresholds and classifications. The NSW scheme is administered by icare (formerly WorkCover).

Workers' compensation should be considered as a form of business insurance, as it will provide any of your employees injured in the course of employment with the benefits of wage replacement, lump sum payments and medical benefits. The insurance also protects your business from being sued for damages by the injured employees.

Who needs a workers' compensation policy?

Workers' compensation is compulsory for most businesses in Australia. Employers with annual wages of no more than \$7,500 do not need to have a workers' compensation policy in NSW. This exemption does not apply to employers who engage an apprentice/trainee or who are members of a group for workers' compensation purposes.

You will need to take out a policy if you hire:

- Contractors;
- apprentices or trainees;
- a person who does not receive any money for the work done but is paid "in kind";
- a working director;
- a beneficiary employed by a trust;
- household domestic staff.

Who is covered by a policy?

All employees are covered by a workers' compensation policy and are entitled to compensation for any injury that occurs in the course of their employment (where their employment is deemed to be a significant contributing factor).

If you are a sole proprietor or a member of a partnership, you are not a worker in your own business and therefore you cannot take out a workers' compensation policy for yourself.

The annual cost of your workers' compensation insurance is calculated by multiplying your total wages by the industry classification wage percentage as set out by WorkCover New South Wales. The industry wage percentage varies between industries, with low risk industries like professional practices paying around 0.3% and high risk industries such as bricklaying businesses paying around 10.5%.

Example: A building company with wages of \$280,000 with an industry assessed percentage of 4.9%, will have an annual workers' compensation premium of:

$\$280,000 \times 4.9\% = \$13,720.$

Wages calculation

The definition of "wages" that need to be included in the above premium calculation is very broad and includes salaries, wages, bonuses, commissions, superannuation contributions, fringe benefits, director's fees, trust distributions in lieu of wages and the most contentious of all - "deemed workers".

Deemed workers are contractors who work for your business on a largely labour-only type service for more than a few weeks and who are under your control and direction.

Employer obligations

Employers have a number of obligations regarding their workers' compensation policy, including:

- taking out and maintaining a workers' compensation policy;
- providing the insurer with estimated and actual wage declarations each year;
- maintaining proper wage records for every person they employ;
- allowing inspection of their wage records by an authorised representative of the insurer;
- notifying the insurer if their workplace or activities change (as this may alter the workplace classification and premium);
- notifying the insurer if their wages increase by 25% or more from their estimate;
- paying the insurer their premium by the due date;
- notifying the insurer if one of their employees is injured at work.

Compliance

It is the obligation of all employers to be registered for workers' compensation and to correctly calculate the wages to be included in their annual workers' compensation declarations. Incorrect calculations can lead to significant shortfalls and penalties so it is best to obtain professional advice if you are unsure about your calculations.

For advice on your workers' compensation obligations, please call Enright Holmes Chartered Accountants today on 0266 864744 or visit our website at www.enright.com.au for more information on our practice and the services we offer