



# Wages definition manual

Information for employers

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# Introduction

Your accident insurance policy—which covers your business for the cost of any work-related injuries to your workers—is renewed yearly. To maintain your cover, you need to declare your wages information between **1 July – 31 August each year**. WorkCover Queensland ('WorkCover') calculates your premium based on the actual wages paid during the last financial year, and the estimated wages you expect to pay in the current financial year.

This manual will help you correctly declare your actual and estimate wages to ensure you have the right level of cover and pay the correct premium, and provides guidance for applying the relevant provisions of the *Workers' Compensation and Rehabilitation Act 2003* ('the Act') and the *Workers' Compensation and Rehabilitation Regulation 2014* ('the Regulation').

This document should not be construed as limiting the generality of the expression 'wages' or to modify any legal obligations under the Act or the Regulation.

## Reviews and queries

Parts of the manual may be varied or expanded by the application of Common Law or Statute Law, and it is the intention of WorkCover to issue appropriate amendments to the manual as and when required.

## Definitions

Wages are only assessable if paid to 'workers' by their 'employers', as defined by the Act. The relevant legislative references, including the provisions containing key definitions, are outlined below.

## Legislative references

### WORKERS' COMPENSATION AND REHABILITATION ACT 2003

Section 11 – Who is a 'worker'	Schedule 2, Part 1 – Persons who are workers
Section 30 – Who is an 'employer'	Schedule 2, Part 2 – Persons who are not workers
Section 66 – Employer's liability for excess period	Schedule 3 – Who is an employer in particular circumstances
	Schedule 6 – Dictionary – definition of 'wages'

### WORKERS' COMPENSATION AND REGULATION 2014

Regulation 9 – Board and lodging	
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To help employers declare the correct level of assessable wages when they renew their policy (between 1 July – 30 September), WorkCover provides guidance when you [renew your policy online](#), or a [declaration of wages working sheet](#) if not renewing through the online system.

# Key wage items

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This manual steps employers through the following key wage items in greater detail.

## Included in assessment

- (a) [Total of all PAYG gross salary and wage payments](#)
- (b) [All superannuation payments including super salary sacrifice](#)
- (c) [Fringe benefits and other entitlements having a monetary value](#)
- (d) [Total of all individual contractor payments for deemed workers](#)

## Excluded from assessment

- (e) [Any allowances or expenses reimbursed for work-related expense included in \(a\)](#)
- (f) [Lump sum termination payments included in gross wages \(a\)](#)
- (g) [Excess period payments](#)
- (h) [Compensation payments reimbursed by WorkCover](#)
- (i) [All payments made to, or in respect of, Directors / Trustees / Partners](#)

## Apprentice discount

- (j) [Wages paid to apprentices](#)

## Other payments

- (k) [COVID-19 Government JobKeeper Subsidy payments](#)
- (l) [COVID-19 Workforce Retention Bonus Grant top-up payments](#)

# Included in assessment

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## (a) Total of all PAYG gross salary and wage payments

### **PAYG gross salary and wages**

To be declared as wages.

The amount declared should be the actual amount paid — accruals or provisions are not assessable.

### **Cost of Living Adjustment (COLA)**

To be declared as wages, as it's paid under a certified agreement or other industrial instrument.

### **Overtime payments**

To be declared as wages.

### **Commission payments**

To be declared as wages.

## Allowances

Allowances paid under an award or industrial instrument and which are compensatory or remuneration in nature, in return for the employee rendering employment services (and do not represent a reimbursement of work-related/incidental expenses) are to be declared as wages.

The following list of assessable allowances is not exhaustive and other allowances will need to be considered based on the individual circumstances.

ASSESSABLE ALLOWANCES	
First aid allowance	Site or height allowance
Higher duties allowance	Skill allowance
Instructors allowance	Stand by or on call allowance
Overtime allowance	Travelling time payment
Penalty rates	Construction allowance
Qualification allowance	Dirt money
Representation allowance	Shift allowance

## Stipend

The value of stipends paid to a worker is to be declared as wages. Generally, a stipend is a fixed regular payment, paid as a salary or allowance.

## Bonuses and incentive schemes

The value of any bonus or monetary incentive provided to a worker (or their family) by an employer in return for work performed (or as an incentive to work) is to be declared as wages.

## Leave payments

Most leave payments made to workers are to be declared as wages. The table below details the most common leave types and their status for assessment:

LEAVE PAYMENTS
<p><b>Annual leave and leave loading</b></p> <p>All annual leave payments and leave loading are to be declared as wages.</p> <p>Unused annual leave and leave loading that is paid out as a lump sum upon an employee's termination of employment is not to be declared as wages.</p>
<p><b>Sick leave and carer's leave</b></p> <p>To be declared as wages.</p>
<p><b>Long service leave</b></p> <p>Long service leave that is paid to an employee who is still under an ongoing employment arrangement is to be declared as wages.</p> <p>Unused long service leave that is paid as a lump sum payment upon termination of an employee's services is not to be declared as wages.</p>

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### **Portable long service leave**

Portable long service leave providers such as Q-Leave and Coal Mining Industry (Long Service Leave) Corporation administer and pay long service leave for industry workers. Where an employer pays (instead of the provider) long service leave, this amount is to be declared as wages. However, if the employer claims reimbursement from the provider, the amount reimbursed by the provider can be deducted.

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### **Maternity leave**

Employer-paid maternity leave is to be declared as wages. Payments made under the Federal Government funded Paid Parental Leave (PPL) scheme are not to be declared.

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### **Paternity leave**

Employer-paid paternity leave is to be declared as wages. Payments made under the Federal Government funded 'Dad and Partner Pay' scheme are not to be declared.

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### **Jury duty/service leave**

An employer is required by law to continue to pay their workers their usual wage while they are on leave attending jury duty – these payments are to be declared as wages.

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### **Australian Defence Reserve Forces leave**

Payments made by an employer to a worker who is a member of the Australian Defence Reserve Forces while they are on leave to attend training and deployment purposes are to be declared as wages.

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### **Government subsidies**

Employers are still required to declare 'wages' as defined in the Act that they pay to their employees regardless of any subsidy they may receive, whether this is in the form of reimbursement, credit, grant or other subsidy.

Examples include (but are not limited to):

- Wage reimbursements under a government training scheme;
- COVID-19 JobMaker Hiring Credit.

Wages payments by an employer to a worker represent wages having a monetary value and are paid in return for the performance of work. The fact that an employer can claim a subsidy for the wages does not change their nature. It is important to note that the full wage will need to be declared, not the difference between what the employer receives as a subsidy and the wages they pay to their employee.

#### *Example*

From 7 October 2022, an employer received a hiring credit for Michelle who is a new employee. Michelle is 26 so the employer receives \$200.00 per week. The employer pays Michelle her wage of \$400.00 per week. The employer is required to declare \$400.00 as this is considered wages under the Act.

There may be limited circumstances where an amount paid to a worker can be excluded if the amount is not paid for the performance of work. This includes Retention Bonus and some JobKeeper payments. Refer to the relevant sections under Other Payments for further information.

### **Profit-sharing schemes**

A profit-sharing scheme describes an arrangement whereby the people who work for a business receive payments as a direct share of profits. If the payments made under this scheme are connected to the performance of work, (i.e., are compensatory or remuneration in nature in return for employment services rendered), those payments are to be declared as wages. This could include dividends, trust distributions and bonus payments, depending on the circumstances.

### **Share of catch**

Payments made to a crew member of a fishing vessel on a per item basis or set dollar (\$) amount per kilo are to be declared as wages.

If a crew member of a fishing vessel receives a share of the gross earning/share of the catch, this amount is not to be declared as wages as they are not considered to be a 'worker'. For more information on determining if your crew members are 'workers', please visit the ['Who should I cover—Specific exclusions'](#) page on our website.

### **(b) All superannuation payments including super salary sacrifice**

All superannuation contributions made by an employer on behalf of a worker are to be declared as wages. This includes payments made under the Compulsory Superannuation Guarantee Levy, payments an employer makes in addition to this amount, and payments made via a salary sacrifice arrangement.

### **(c) Fringe benefits and other entitlements having a monetary value**

#### **Fringe benefits**

Fringe benefits are items paid by an employer on behalf of or for the benefit of employees or their families and include motor vehicles, loan benefits, debt waivers, housing, expense payments, school fees, car parking, payment of health benefits etc.

The Australian Taxation Office ('ATO') recognises these payments are a form of remuneration paid to the employee. Accordingly, the employer is required to declare all benefits provided and pay Fringe Benefits Tax ('FBT') on them.

Declarable wages must include fringe benefits as defined in the *Fringe Benefits Tax Assessment Act 1986 (Cwlth)* ('The FBT Act'). Employers should calculate assessable fringe benefits by adding together the taxable value of Queensland type 1 and type 2 fringe benefits. Effective 1 July 2017, the lower gross-up rate for type 2 benefits is then applied to this amount. (The gross-up rates can be obtained from the ATO website). The result is to be declared as wages.

Fringe benefits provided to directors will be excluded, as they are not 'workers' as defined by our Act (refer to Section (i) below).

Public benevolent institutions, charities and not-for-profit may be eligible for fringe benefit exemptions for taxation purposes, however there is still a requirement to declare the value of benefits provided to workers when determining assessable wages for WorkCover.

Under the circumstances that an employer has an exemption on fringe benefit tax, the employer would still be required to declare the pre-grossed up taxable value of the fringe benefit being provided – this would also include benefits provided through salary sacrifice.

#### **Salary sacrifice arrangements**

A salary sacrifice arrangement is an arrangement between the employer and the employee, where the employee receives non-cash benefits in return for agreeing to forego part of their future entitlement to salary or wages of a similar value. All components of a salary package (which includes any incidental FBT component costed into the package) are to be declared as wages. This issue is illustrated via example 1 below.

#### *Example 1*

An employee's total remuneration package is \$100,000 and they choose to salary sacrifice \$20,000 — a portion of the package, for a car. The portion salary sacrificed includes the full cost of providing and maintaining the car which includes insurance, fuel and FBT. In this instance, the total remuneration package of \$100,000 (which includes the portion salary sacrificed of \$20,000) is to be declared as wages. This is because if the employee didn't choose to salary sacrifice, they would be paid \$100,000 as wages.

### *Example 2*

Where there is no specific salary sacrifice arrangement in place, but motor vehicles are provided for private use by workers (i.e., home garaging or private use during the week, weekends and/or holidays), the taxable value of the fringe benefit 'grossed-up' at the type 2 (i.e., lower) gross-up rate is to be declared. The relevant gross-up rates are detailed on the ATO website.

### **Employer share schemes**

Where an employer issues shares, or issues shares at a discount to market value, under an employee share scheme in the employers' company or a related company, the value of the benefit generally is to be declared as wages (broadly equal to the value of the shares issued or the value of the discount provided).

### **Board and lodging**

Where an employer provides board and lodging to a worker as opposed to travelling, a value as prescribed by Section 9 of the Regulations is to be declared as wages. Lodging can be defined as staying in premises provided by the employer, for example, single men's quarters or barracks. It is irrelevant whether the board and lodging is provided on a temporary or permanent basis.

### **Car leases**

Where a vehicle is purchased or leased in the name of the worker but paid for by the employer, the cost of providing the vehicle is to be declared as wages. Fringe benefits may also apply if the vehicle is made available for any private use by the employee, as outlined above.

### **Company house**

The current market rental value of housing provided to staff, less any rental paid by the worker, is to be declared as wages. The current market value is equal to the rent paid if the property is rented by the company from a third party (e.g., real estate agent).

### **Gifts and non-cash bonuses**

Gifts and non-cash bonuses given to all employees are considered benefits having a monetary value. If the gifts are in recognition of work done or a service provided, they are to be declared as wages.

### **Income protection insurance payments**

Payments for income protection insurance are benefits having a monetary value. Income protection insurance payments made on behalf of workers—for example, Construction Income Protection Queensland (CIPQ) payments, are to be declared as wages.

Payments made under Building Employees Redundancy Trust (BERT) and Building Employees Welfare Trust (BEWT) are benefits for workers when they are no longer employees of the organisation. As such, these payments are not to be declared.

## **(d) Total of all individual contractor payments for deemed workers**

Sole traders/individual contractors can be deemed as workers for workers' compensation purposes even if they have their own Australian Business Number (ABN) or registered business name. This may apply to labourers, tradespersons, cleaners, gardeners, etc. that you engage to perform work for your business. For more information on determining if your contractors are workers, please visit the ['Who should I cover?'](#) page on our website.



Where payments to a contractor (deemed 'worker') are a total payment inclusive of consumables, materials or other incidentals, the total amount is to be declared as wages. Where the contract/invoice clearly identifies and itemises these separately, then only the labour expenses are to be declared.

Where a contractor is registered for GST, only the **GST exclusive** amount is to be declared.

## Excluded from assessment

### (e) Any allowances or expenses reimbursed for work-related expense included in (a)

#### Allowances

There are a number of allowances that can be excluded from the wages that have to be declared to WorkCover including travelling, car, relocation, education, living in the country or away from home, entertainment, clothing, tools and vehicle expenses.

These allowances are only excluded when they represent an amount paid by an employer to reimburse the worker for work-related expenses. The allowance does not have to match exactly with the expense incurred for it to be excluded. For example, an employer may pay \$20 a week travel allowance to workers who travel to various work sites each week. In this case, it is reasonable to assume that the workers would incur an expense similar to this value in travelling between the various work sites, without requesting supporting documentation.

The following list of non-assessable allowances is not exhaustive and other allowances will need to be considered based on the individual circumstances.

IF THE ALLOWANCE REPRESENTS A REIMBURSEMENT OF A WORK-RELATED/INCIDENTAL EXPENSE – NOT ASSESSABLE. OTHERWISE ASSESSABLE AS COMPENSATORY/REMUNERATION.

Living in the country or away from home allowance	Clothing allowance
Locality allowance	Footwear allowance
Isolation allowance	Motor vehicle allowance
Entertainment allowance	Laundry allowance
Education allowance	Meal allowance
Relocation allowance	Tool allowance
Travel reimbursement allowance	Dry cleaning

### (f) Lump sum termination payments included in gross wages (a)

Lump sum payments made on termination of employment for unused leave and leave loading, redundancy payments and ex-gratia payments are not to be declared as wages.

Any lump sum payments of the above not paid as part of a termination are to be declared.

### (g) Excess period payments

Payments made to injured workers as part of the claims excess period (section 66 of the Act) are not to be declared as wages.

The excess amount is calculated as the lesser of:

- 100% of Queensland Ordinary Times Earnings ('QOTE') or;
- the injured worker's weekly compensation rate.

### (h) Compensation payments reimbursed by WorkCover

Under section 109 of the Act, WorkCover must pay the benefits to injured workers.

If an employer pays weekly benefit payments (wages) to the injured worker, and is reimbursed by WorkCover, these payments are considered to be compensation payments and are not to be declared as wages.

If the employer pays the injured worker any monies above and beyond their entitlement paid by WorkCover, then this amount is to be declared as wages.

### (i) All payments made to, or in respect of, Directors / Trustees / Partners

Under Schedule 2, Part 2 of the Act a person is not a 'worker' if they perform work under a contract of service with –

- a corporation of which the person is a director; or
- a trust of which the person is a trustee; or
- a partnership of which the person is a member.

Therefore, they are not covered and **any** payments made to Directors, Trustees and Partners are not to be declared as wages—even if the person is actively working for the business. If trustee of trust is a company, the Director/s of this company are not 'workers'.

Payments to shareholders and beneficiaries (who are not trustees) are to be declared as wages if the payments are made in connection with work performed.

## Apprentice discount

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### (j) Wages paid to apprentices

Wages paid to apprentices during the course of their apprenticeship are not included in the premium calculation—resulting in a discounted premium for those who employ apprentices.

To be regarded as an apprentice for workers' compensation purposes, the worker must sign a training contract with their employer to undertake an apprenticeship declared under the *Further Education and Training Act 2014*. This discount does not apply to trainees.

To take advantage of this discount, employers need to declare their wages online or call us on 1300 362 128 by 31 August. When declaring wages, employers need to declare all wages paid to workers (including

apprentices) in the previous financial year and estimated wages for the current financial year. WorkCover will then deduct the amount of wages declared for apprentices from their premium calculation.

Note, any wages paid to apprentices before or after the apprenticeship and for the roles or duties other than those specified in the training contract will not qualify for an apprentice discount.

## Other payments

### (k) Government JobKeeper Subsidy payments

The table and examples below outline how payments made to workers by employers, including the JobKeeper payment, are to be applied:

CATEGORY	EXAMPLE	EMPLOYER OBLIGATION TO ACCESS JOBKEEPER PAYMENT SCHEME	CONSEQUENCE
Employee stood down without pay	Employee does not receive pay	Employer pays employee \$1,500 per fortnight (top-up payment)	The \$1,500 top-up payment will <u>not</u> be 'wages' under the Act.
Employee currently earning a wage of more than \$1,500 per fortnight	Employee earns \$2,500 per fortnight	Employer pays employee current wage of \$2,500  The employer receives the JobKeeper subsidy of \$1,500	\$2,500 is 'wages' under the Act and will be required to be included in wages declaration for 2019–2020.
Employee currently earning exactly \$1,500 per fortnight	Employee earns \$1,500 per fortnight	Employer pays employee current wage of \$1,500  The employer receives the JobKeeper subsidy of \$1,500	\$1,500 is 'wages' under the Act and will be required to be included in wages declaration for 2019–2020.
Employee currently earning a wage of less than \$1,500 per fortnight	Employee earns \$500 per fortnight	Employer pays employee \$1,500 per fortnight INCLUDING:  1. current wage of \$500 per fortnight 2. \$1,000 necessary to top-up the employee to \$1,500 per fortnight (top-up payment)	\$500 is 'wages' under the Act and will be required to be included in wages declaration for 2019–2020.  The \$1,000 top-up payment will <u>not</u> be 'wages' under the Act.

### (l) Workforce Retention Bonus Grant top-up payments

Workforce Retention Bonus Grant top-up payments are not wages that should be declared. Employers will need to distinguish the payments they make to their employees between:

- 'wages' as defined in the Act; and
- top-up payments made so that the employees are eligible employees for the purpose of the Workforce Retention Bonus Grant.

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# WorkCover

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