

Independent Contracting - If This an Emerging Trend, Then There is a Better Risk Free Way!

Authors: Neil Fairley & David Blight – Contractor Compliance experts and advisors.

With the economy under pressure, Government revenue in decline and cost of living increasing, there is pressure to examine the working relationships of contractors, especially the highly paid ones!

A recent Sydney morning Herald headline claimed that “White-collar workers are the new class of exploited contractors”

This headline is just one of the signs of an emerging trend focusing on the way 30% plus of labour is deployed in Australia.

Signal No. 1

Over the past decade there has been an increasing number of businesses and workers (*Especially in higher paid white collar environment*) wanting to leave the restraints of the industrial relations system or common law employment. The reasons is these “old world” arrangements are not reflective of the way business and people wish to work in these modern times. Today more than 30% of the Australian workforce are self-employed. Source <http://www.independentcontractors.net.au/Research/How-Many/independent-contractors-how-many> This trend toward self-employment is continuing as businesses and workers strive for more flexible, productive and life balanced work opportunities.

Signal No. 2

Over the years, State and Federal Governments have modified various laws to adjust to changes in the structure of the workplace. They have deemed contractors to be employees for many of the Acts that formerly only covered employees, such as WorkCover, Payroll Tax, PAYG tax and Superannuation. Right now they are ramping up their enforcement activities in an effort to ensure these deeming provisions are met and many companies are being caught “unawares”.

- This is mainly due to the increase in contracting arrangements resulting in Government revenue declining as individuals have exited the employment sector.
- To maintain tax revenue and premium income for WorkCover and Payroll Tax purposes the State Governments have “deemed” contractors for the purposes of these acts.

Signal No. 3

The ATO, through data matching is conducting desk top and phone audits on contractors and businesses resulting in contractors having their ABN registration cancelled leaving current contracting arrangements in disarray.

Signal No. 4

Many businesses lack an understanding of, or just ignore a variety of regulations and do not meet their statutory obligations with regard to their contracting arrangements. Likewise individuals are being targeted to validate how they are actually in business for themselves. Businesses are being targeted via mandated payment reporting requirements to establish if they are engaging legitimate contractors - it's about ensuring that both business and workers' pay their fair share of the taxes and Government revenue is maintained – there have been many unreported settlements with the ATO.

So if these signals are an indication of a trend, what does it mean for labour based contracting models?

If this is a trend then consider these factors.

- There will be an increase in contracting arrangements to fulfil the need for productivity, flexibility and lifestyle choices.
- There will be greater scrutiny of contracting arrangements at both Federal and State levels.
- If a business strategic plan is based on a contractor driven model then it must be compliant, legal and sustainable - if not, the business strategy will fail!

If your business needs labour based service providers then there is a better way to engage legitimate self-employed independent contractors.

With more than 30 years' experience in compliant contractor engagement, the ContractRight team can assist in building lawful and compliant contractual relationships while retaining the productivity and flexibility a business needs along with the financial benefits contractors want.

You can run the risk or talk to one of our specialists to provide clarity on your circumstances or alternatively you can request a no obligation assessment at www.contractright.com.au contact@contractright.com.au or phone: 1300 358 431

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