Paying super for contractors

How does the Superannuation Guarantee (SG) apply to contract workers?

Generally, if you pay your contractors under a contract that is wholly or principally for labour, you have to pay super contributions for them. This is even if the contractor quotes an Australian business number (ABN). These contractors are considered your employees for SG purposes.

A contract is principally for labour if more than half of the value of the contract is for the person's labour or skills.

If your contractors are employees, for the purposes of the SG, you must provide the minimum level of super contributions.

The minimum super amount you have to pay is the super guarantee percentage of the worker's ordinary time earnings. You can check the SG percentage by visiting ato.gov.au.

Your contribution should be calculated only on the labour component of the contract.

What is a contract for labour?

A contract for labour can be made either verbally or in writing.

A contract may be considered wholly or principally for labour, if the contractor:

- is remunerated wholly or principally for their personal labour and skills;
- must perform the contract work personally; and
- is paid by reference to hours worked rather than completion of the contract.

If you make a contract with someone other than the person who will actually be providing the labour, there is no employer-employee relationship.

The following two situations are examples of when the contract is not for the labour of the individual:

- if you make a contract with a company, trust or a partnership; or
- if the person you have the contract with is able to hire other people to perform the work, even if the person ends up performing the work themselves.

How do you work out the labour part of the contract?

If the values of the various parts of the contract are not detailed in the contract, the Australian Taxation Office (ATO) will accept their market values and will take the normal industry practices into consideration.

If the labour component of a contract cannot be worked out you can use a reasonable market value of the labour component of the contract to represent the salary and wages of an employee.

The ATO provides a Superannuation guarantee eligibility decision tool and an Employee/contractor decision tool, which can help you work out if a contractor is an employee for super purposes, and if they're entitled to SG. You can find these on the ATO website **ato.gov.au** under 'Calculators and tools'.

What happens if you don't meet the SG requirements?

If you don't pay enough super for your eligible contractors, or if you miss the payment cut-off dates, you will have to pay the superannuation guarantee charge.

From 1 July 2026, Payday Super changes when SG must be paid. If a contractor is entitled to SG, their super will need to be paid at the same time as their salary or wages and received by their super fund within seven business days of payday.

For more information visit the ATO website.

Where should you pay your contractor's super?

Like any employee, if a contractor is entitled to SG, you must offer them a choice of super fund within 28 days of their start date. If they don't have a super fund, you should request their stapled fund information from the ATO.

Example 1:

Harry's Hobby Shop makes a contract with Pete's Paints to paint their new shop. The entire job is completed by one painter from Pete's Paints.

This painter is not an employee of Harry's Hobby Shop for SG purposes. The contract is between Harry's Hobby Shop and Pete's Paints.

Harry's Hobby Shop has no control over which particular individuals do the work and paid Pete's Paints to achieve a result. Pete's Paints may have SG obligations for the painter.

Example 2:

David's Caravan Park has a contract with Amanda, a freelance administrative assistant, to answer phones and do administrative work for 15 hours per week.

The contract specifies that Amanda herself must perform the work. Amanda has an ABN and invoices David weekly for the hours she works. Amanda is considered David's employee for SG purposes because:

- their contract is wholly for the labour and skills Amanda provides as an administrative assistant;
- she performs the work personally; and
- she is paid according to the number of hours worked.

Examples sourced from: ato.gov.au/businesses-and-organisations/super-for-employers/work-out-if-you-have-to-pay-super/super-for-independent-contractors (July 2026)

We're here to help, so let's talk

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