



Definition of Assessable Wages

Effective 4:00pm on 30 June 2020

Purpose

This definition serves as a guide to assist employers in determining assessable wages for the purpose of making wage declarations to Coal Mines Insurance Pty Ltd (CMI) in accordance with clauses 29(d) and 29(f).

Wages in relation to a worker generally include: salary, overtime, shift and other allowances, over-award payments, bonuses, commissions, payments to working directors, payments for public and annual holidays (including loadings), payments for sick leave, value of board and lodging provided by the employers for the workers, and any other consideration in money or money's worth given to the workers under a contract of service.

Change from 1 July 2012, so that the employer's compulsory superannuation guarantee contributions will be assessable as wages.

The definition is based on gross wages and is effective from 30 June 2012.

This definition is intended to assist employers with their CMI insurance policy obligations. CMI reserves the right to make final determinations on whether a particular amount is assessable. If you have any queries relating to whether an amount is assessable, please contact CMI on (02) 8270 3215.

Allowance/ Expense Reimbursement

This list is only a guide and while it aims to state the more commonly known items in this category as possible, it is not exhaustive. Any payments that fall into these categories of allowances and expense reimbursement, but which may not appear on this list, are also included in the definition of assessable wages.

The term **allowances** often refers to both **allowances** (paid to a worker for a particular skill or due to the nature of their work) and **expense reimbursement** (reimbursement of costs incurred by employee). For the purposes of this manual, a distinction is drawn between allowances and expense reimbursement.

Any allowance that is subject to payroll tax is included as assessable wages. The following are included:

- Additional Shift Allowance
- Assessors/ Trainers Allowance
- Bath Time Allowance
- Boom Welding Allowance
- Confined Spaces Allowance
- Call Back

Corporate Office

Newcastle

Singleton

Woonona

- Check Inspectors Allowance
- Continuous Miner Recovery Allowance
- Crib Time
- Dirty Work Allowance
- Erection of Scaffolding Allowance
- Experience Allowance
- Fire Officers Allowance
- First Aid Attendant Allowance
- First Aid Officer Allowance
- Heat Allowance
- Height Money
- High Money
- Isolation Allowance
- Laundry Allowance
- Licensed Plumber Allowance
- Leading Hands Allowance
- Longwall Allowance
- Open Cut Allowance
- Open Cut Shift Allowance
- Open Cut Trades Allowance
- Productivity Allowance
- Shaft Sinking of Drift Driving Allowance
- Shaft Work Allowance
- Shift Allowance
- Shot firers Allowance
- Site/ Height Allowance
- Stand Up Allowance
- Strike Breaking Allowance
- Supervision Allowance
- Surface Allowance
- Timber Drawing Allowance
- Tool Allowance - see **Tool allowance**
- Transport Allowance – see **Travel expenses** and **Travelling time**
- Tub Allowance
- Washery Allowance
- Water Money
- Working Clothes and Safety Boots Allowance – see **Clothing**
- Work Pattern Allowance
- Underground Allowance

Although the terms ‘allowances’ and ‘expenses’ are sometimes interchangeable the following principles generally apply regardless of the terminology applied to the payment:

- Any ordinary amount paid as part of wages under an award (such as shift allowance, skill allowance, etc.) is assessable as wages.
- Any consideration subject to fringe benefits tax is assessable as wages.
- Other allowances may be assessable as wages – depending on the payment.

Award means any industrial instrument within the meaning of the *Industrial Relations Act 1996*, any agreement with respect to salaries or wages entered into between an employer and a union under any other NSW law, and any other award, agreement or other instrument under a Commonwealth, State or Territory law.

Annual and public holiday payments (including loadings)

Annual leave and public holiday payments are assessable as wages.

For lump sum payments on termination for annual leave refer to **Termination Payments**.

Board and lodging

If the employer provides free or subsidised board and lodging to the worker as part of their conditions of employment (whether expressed or implied) and the benefit is subject to fringe benefits tax or identified on the worker’s group certificate, then the benefit is assessable as wages. The relevant market value is assessable as wages.

See **Fringe benefits**.

Bonuses

Bonuses are assessable as wages.

Book expenses

If the employer pays book expenses to the worker and the payment is subject to fringe benefits tax or identified on the worker's group certificate, then the payment is assessable as wages.

See **Fringe benefits**.

Camping allowance

See **Living-away-from-home allowance**.

Car allowances and expenses

If the employer pays car allowances or expenses to the worker and the payment is subject to fringe benefits tax or identified on the worker's group certificate, then the payment is assessable as wages.

However, if the employer pays car allowances or expenses to the worker and the payment is paid under an award at a rate specified by the award, the payment is not assessable as wages. Any payment greater than the award rate specified at the time of insurance is assessable as wages.

See **Company car** and **Fringe benefits**.

COVID-19 exclusions

In NSW, workers compensation premiums are calculated based on a range of factors, including the amount of wages paid by an employer to their workers during the period of insurance.

On 25 May 2020, the State Insurance Regulatory Authority (SIRA) introduced changes to its guidelines to minimise the impact on employer premiums from payments to workers subsidised by COVID-19 related government programs, such as JobKeeper payments. CMI has included those changes in its Wages Definition Manual to be consistent with other NSW workers compensation insurers.

In summary, payments made to a worker under their ordinary employment arrangements will be included as wages for premium purposes; however, any additional government-subsidised payments will be excluded from wages for premium purposes.

This amendment aims to ensure that premiums are not inflated by government programs designed to support workers and employers during the COVID-19 pandemic. Premiums will be based only on payments that the employer would ordinarily make to the worker.

1. Payments subsidised by government COVID programs

CMI will exclude from wages any payment (or any part of any payment) made to a worker by an employer if it is satisfied that:

- a)** the employer was provided funds to make the payment (or the employer was reimbursed for the payment) under a government program established to support workers and employers impacted by the COVID-19 pandemic; and
- b)** the worker was not entitled to receive the payment under their ordinary employment arrangements, for example the payment was not a payment for work performed or a paid leave entitlement.

CMI will exclude from wages any amounts received by a worker that have been paid under a relevant government program, to the extent of the difference between the amount of the funds provided to the employer to make the payment (or the amount of the reimbursement) and any amount the worker was entitled to receive during the period to which the payment relates, for example wages for work performed.

This exclusion applies to all policies in force for any period during which relevant government programs were being administered, irrespective of policy issue date.

For the purposes of this exclusion, government programs include but are not limited to the “JobKeeper payment”, the “Aged Care Retention Bonus” and the “Council Job Retention Allowance”. The primary requirement is that they be payments made by government programs designed to support workers and employers during the COVID-19 pandemic

Example: A part-time worker whose usual weekly earnings are \$500 may take annual leave and receive the full \$750 JobKeeper payment during that leave period. As the worker was entitled to receive \$500 under their usual employment arrangements, \$500 of the \$750 paid to the worker is considered wages for premium purposes and \$250 must be excluded from wages for premium purposes.

2. COVID payments made to workers not working

CMI may exclude from wages any payment (other than a payment subsidised by a government program described in 1 above) made to a worker who performed no work during the period to which the payment relates but only if the payment was a type of payment that is temporary in nature and made to support workers during the COVID-19 pandemic.

Example: An insurer may exclude a temporary paid leave entitlement for workers who are required to self-isolate because they contract or are exposed to COVID-19.

See **JobKeeper payments**

Childcare expenses

If the employer pays the worker’s childcare expenses and that benefit is subject to fringe benefits tax, then the payment is assessable as wages.

Clothing

If the employer reimburses the worker and the payment is subject to fringe benefits tax or identified on the worker’s group certificate, then the payment is assessable as wages.

If the employer provides free clothing (or otherwise directly funds clothing) as a benefit to a worker and the benefit is subject to fringe benefits tax or identified on the worker’s group certificate, then the benefit is assessable as wages.

See **Uniform allowance** and **Fringe benefits**.

Commission(s)

Commissions are assessable as wages.

Company car – private use of

If an employer provides a worker with a car (including a worker's private use of a car or through any type of leasing arrangements for private use), the benefit is assessable as wages.

See also **Car allowances and expenses** and **Fringe benefits**.

Company house (market value of rental)

See **Housing**.

Compensation payments

See **Workers compensation**.

Directors' fees and payments to working directors

- As a **non-working** director - Any fees paid to a director for carrying out the duties of a director are not assessable.
- As a **working director** - Where a director is paid an amount for providing services as an employee, this amount is assessable.

Dirt money

Dirt money is assessable as wages.

Distant work allowance

See **Living-away-from-home allowance**.

Dividends

Where the company's constitution provides for dividend payments to members, including directors, then the payments are not usually assessable as wages. However, where a dividend is paid in lieu of wages, the payment is assessable as wages for the purposes of calculating workers compensation premiums.

Early retirement benefits

See **Termination payments**.

Employee share schemes

Shares provided under employee share schemes are usually not assessable as wages. However, where these benefits are provided in lieu of wages, then the benefit is assessable as wages for the purposes of calculating workers compensation premiums.

See **Share options**.

Entertainment expenses

If the employer reimburses the worker for entertainment-related costs and the payment is subject to fringe benefits tax or identified on the worker's group certificate, then the payment is assessable as wages.

See also **Fringe benefits**.

Fares

See **Travel allowance**.

First aid allowances

First aid allowances are assessable as wages.

Free housing

See **Housing**.

Fringe benefits

Generally, if a non-cash component of a worker's assessable remuneration is considered taxable under the *Fringe Benefits Tax Assessment Act 1986* then, for the purpose of calculating the employer's premium, it is assessable as wages.

For more information about specific items attracting fringe benefits, see relevant headings in this list.

See also **Salary packaging/sacrifice**.

At what value?

For any fringe benefit, the amount that is to be assessable as wages is the value of the benefits calculated using the 'taxable value of fringe benefits' ending 31 March in the particular premium policy year, as specified in the *Fringe Benefits Tax Assessment Act 1986*. It is the actual value of the benefit provided (as determined by the *Fringe Benefits Tax Assessment Act 1986*) i.e. the grossed-up amount.

For example: if the value of the benefit of gym membership was \$2000 it would be valued at the grossed-up taxable amount which is \$2,000 x the relevant FBT gross-up formula amount (available from the Australian Tax Office website).

When a policy is cancelled mid-term the benefit declared should be calculated on a pro-rata basis having regard to the period elapsed.

When a business ceases to operate the employer should declare the value of the benefit up to the date of ceasing the business as per the employer's FBT return.

What if the benefit is available to all of an employer's workers?

Any fringe benefits that are available to workers as an incidental benefit of employment are assessable as wages.

Gifts

Gifts and *ex gratia* payments that are not part of the employment contract, are not assessable as wages.

Bonuses and incentive awards are assessable as wages.

Government training schemes

If Centrelink (or some other Government Department) directly pays an amount to a worker as part of a government-funded training scheme, then that amount is not assessable as wages for the purpose of assessing the employer's premium.

If an employer pays any amount to a worker for work experience or training as part of a government sponsored training scheme and that payment is subsidised (wholly or partly) under the training scheme, then the total amount the employer pays to the worker is assessable as wages.

Government training subsidies

If the Government pays an employer a subsidy to encourage the employer to employ or develop staff, then any amount the employer pays to the worker from that subsidy is assessable as wages.

Group apprenticeship schemes

Apprentices employed under an approved Apprenticeship Scheme that is registered by the NSW Department of Commerce, Office of Industrial Relations are workers of the Scheme and not the 'host employer'. Therefore, wages the 'host employer' pays to the apprentice under one of these schemes, or that the Scheme reimburses to the employer, is not assessable as wages for the 'host employer'. Instead, that payment is assessable as wages when the premium for the Group Apprenticeship Scheme is calculated.

GST

The GST component of any payment paid to a worker (or a contractor who is a 'deemed worker') is not assessable as wages.

Height money

Height money is assessable as wages.

Housing

Generally, housing payments (including company house, free housing and housing loans) are assessable as wages.

Remote housing allowances are not assessable as wages.

The following payments are assessable as wages:

- The current market rental value of a company house (less any amount the worker pays for the right to occupy the premises);
- The amount of temporary accommodation (associated with relocation) that is assessable for fringe benefits tax; and
- The taxable value of a housing loan that is offered to a particular worker as part of their 'salary package' and is subject to fringe benefits tax.

Housing loans (interest free or reduced interest)

See **Housing**.

Interstate employer

An interstate employer who has workers who work in NSW must have a NSW workers compensation policy. If an interstate employer engages a worker who works both within NSW and interstate:

- And the worker is engaged to work solely or predominantly in NSW, then the total amount paid to the worker is assessable as wages.

Remember: Workers compensation insurance requirements vary throughout Australia. Employers must verify with the relevant state or territory authority the legislative requirements of that state or territory.

JobKeeper payments

Payments made to a worker under their ordinary employment arrangements will be included as assessable wages for premium purposes; however, any additional government-subsidised payments will be excluded from wages for premium purposes.

Premiums will be based only on payments that the employer would ordinarily make to the worker.

Example: A part-time worker whose usual weekly earnings are \$500 may take annual leave and receive the full \$750 JobKeeper payment during that leave period. As the worker was entitled to receive \$500 under their usual employment arrangements, \$500 of the \$750 paid to the worker is considered assessable wages for premium purposes and \$250 must be excluded from the wages for premium purposes.

Please refer to the SIRA website (see link below) for further scenarios.

<https://www.sira.nsw.gov.au/resources-library/list-of-sira-publications/coronavirus-covid-19/covid-19-and-jobkeeper-payments>

Laundry allowance

If the employer pays laundry expenses to the worker and the payment is subject to fringe benefits tax then the payment is assessable as wages.

See **Fringe benefits**.

Leave loadings

Leave loadings and lump sum payments of leave loadings are assessable as wages.

Living-away-from-home allowance

If the employer reimburses the worker or provides a living away from home allowance, (for items such as accommodation or meals and incidental expenses, such as telephone costs) and the payment is subject to fringe benefits tax or is identified on the worker's group certificate, then the payment is assessable as wages.

The living away from home allowance is usually paid where the worker has relocated for work purposes.

For the treatment of allowances paid to a worker where the worker is temporarily away from their principal place of residence see **Travel Allowance**.

See **Travel allowance** and **Fringe benefits**.

Long service leave

- Long service leave payments are not assessable where the employer submits levies to the Coal Mining Industry Long Service Leave Fund administered by AUSCOAL Superannuation Pty Ltd.
- However, if the employer does not participate in this scheme, then the long service leave payments are assessable.

Lump sum payments in lieu of holiday, sick leave (and the like)

Lump sum payments in lieu of holidays, sick leave (and the like) including leave loadings and bonuses, are assessable as wages.

For lump sum payments on termination for payments in lieu of holiday, sick leave (and the like), refer to **Termination payments**.

Maternity leave payments

Maternity leave payments are assessable as wages.

Meal allowance

- If the employer pays meal costs to the worker and the payment is subject to fringe benefits tax then the payment is assessable as wages.
- However, meal allowances as provided in industrial instruments to reimburse direct costs are not assessable as wages.

Ordinary time earnings

Ordinary time earnings are assessable as wages.

Options

Share options are not assessable as wages.

See **Employee share schemes**.

Over-award payments

Any payment over the award rate is assessable as wages.

Overseas employers

An overseas employer who engages workers in NSW must have a NSW workers compensation policy.

If an overseas employer engages a worker who works both within NSW and overseas:

- And the worker is engaged to work solely or predominantly in NSW, then the total amount paid to the worker is assessable as wages.
- And the worker works mainly elsewhere but works on an occasional or temporary basis in NSW, the assessable wages are counted. The amount to be counted corresponds to the proportion of the wages that can be attributed to the time the worker is in NSW.

Overseas workers (from overseas, working in NSW)

Wages, salary, fringe benefits and/or other consideration an employer provides an overseas-based worker, working temporarily in NSW, is assessable as wages. This applies whether the payments are made within or outside Australia.

Overseas workers (from NSW, working overseas)

Wages, salary, fringe benefits and/or other consideration provided by an employer to any worker who is normally based in NSW while that worker is temporarily employed or working overseas, is assessable as wages. This is to apply whether the payments are made within or outside Australia. Employers should also verify with the relevant overseas authority the legislative requirements of that country.

Overtime payments

Overtime payments are assessable as wages.

Parental leave payments

Parental leave payments are assessable as wages.

Paternity leave payments

Paternity leave payments are assessable as wages.

Payments in lieu of notice

Payments in lieu of notice are not assessable as wages.

See **Termination payments**.

Payments made on behalf of the worker

If the employment contract requires the worker be put to additional expense (e.g. while living away from his or her normal place of residence) and the employer reimburses these expenses and the payment is subject to fringe benefits tax or is identified on the worker's group certificate, then the payment is assessable as wages.

If the employer spends money on behalf of the worker to the direct benefit of the employment of the worker (e.g. a computer course, training in relation to employment) then the payment is not assessable as wages.

In any other case, the payment is assessable as wages.

Penalty rates

Penalty rates are assessable as wages.

Personal services income

Any personal services income attributed to an individual and not otherwise taken as salary or wages or other non-exempt form of remuneration is assessable as wages.

Profit sharing schemes

Benefits workers receive from profit sharing agreements are not usually assessable as wages. However, when these benefits are provided in lieu of wages, then the benefit is assessable as wages for the purposes of calculating workers compensation premiums.

Private use of company car

If an employer provides a worker with the private use of a company car and the benefit is subject to fringe benefits tax or is identified on the workers group certificate then the benefit is assessable as wages.

See **Fringe benefits** and **Company car**.

Public and annual holiday payments (including loadings)

Public and annual holiday payments (including loadings) are assessable as wages.

Redundancy payments

See **Termination payments**.

Retrenchment payments

See **Termination payments**.

Reward – payment by way of

Payment by way of a reward is assessable as wages.

See **Commission(s)**.

Royalties

Royalty payments are not assessable as wages.

Salary

Salary is assessable as wages.

Salary package/sacrifice

Generally, any wages, salary and the value of fringe benefits and other consideration in money or money's worth the employer provides to workers as part of a 'salary package' or 'salary sacrifice arrangement', are assessable as wages. In the case of fringe benefits, the amount counted is the taxable value of the benefits according to the *Fringe Benefits Tax Assessment Act 1986*.

See specific entries for details of particular benefits.

If the employer contributes to the worker's superannuation fund above the 9% statutory requirement or pays any amounts of fringe benefits (including those items exempt from Fringe Benefit Tax) and those contributions or payments are debited to the worker's salary package, then they are assessable as wages.

In the case of these benefits:

- Where Fringe Benefit Tax is incurred the assessable value will be the grossed up value of such benefits.
- Where no Fringe Benefit Tax is incurred the assessable value will be the total value of the benefit paid.

Severance payments

See **Termination payments**.

Share options

Share options are not assessable as wages.

See **Employee share schemes**.

Shift allowance

A shift allowance is assessable as wages.

Sick leave

Sick leave is assessable as wages.

For lump sum payments on termination for sick leave refer to **Termination payments**.

Site allowance

Site allowances are assessable as wages.

Staff discounts and benefits

If a staff discount is available to all workers as an incidental benefit of being employed by that employer, then the value of the discount is not assessable as wages.

Any fringe benefits that are available to workers as an incidental benefit of employment are assessable as wages.

Strike-breaking allowance

A strike-breaking allowance is assessable as wages.

Superannuation contributions and benefits

1. Compulsory employer contributions to superannuation schemes.

- In accordance with the applicable statutory rate for the policy period are assessable as wages.
- Amounts in excess of the statutory rate are also assessable as wages.

2. Worker contributions to superannuation schemes are assessable as wages.

Telephone allowance

If the employer reimburses the worker for telephone-related expenses or provides telephone services as a benefit to a worker and that benefit is subject to fringe benefits tax then the benefit is assessable as wages.

Termination payments

Payments that represent a lump sum payment of accrued sick leave, annual leave, including leave loadings or bonuses, and long service leave made on termination or retirement are not assessable as wages except where the unused leave has been accrued during the preceding 12 months to the date of termination or retirement.

See also **Long service leave**.

Payments made in lieu of notice on termination arising from redundancy, severance, retrenchment or early retirements are not assessable as wages

Redundancy, severance, retrenchment, early retirement benefits or termination payments and payments made in lieu of notice on termination are not assessable as wages.

Ex gratia payments to workers on termination are not assessable as wages.

For long service leave payments made on termination, the long service leave payments are not assessable where the employer submits levies to the Coal Mining Industry Long Service Leave Fund which is administered by AUSCOAL Superannuation Pty Ltd. However, if the employer does not participate in this scheme, the long service leave payments are assessable

Tips and gratuities

Tips and gratuities are assessable as wages.

Tool allowance

If an employer reimburses the worker for tool-related expenses that the worker incurs as part of their employment, then the reimbursement is not assessable as wages. In any other case, the payment is assessable as wages.

Travel allowance

If an employer provides a worker with a travel allowance and that allowance is subject to fringe benefits tax then the allowance is assessable as wages.

However, if the employer provides a worker with a travel allowance and the payment is paid under an award at a rate specified by the award, the payment is not assessable as wages. Any payment greater than the award rate specified at the time of insurance is assessable as wages.

Any payments to workers that directly reimburse work-related travel costs (e.g. where the costs relate to duties performed away from their usual place of work) that are not subject to fringe benefits tax and are not identified on the worker's group certificate are not assessable as wages.

If the employer pays the travel expense for another reason (e.g. as a form of additional remuneration or bonus for 'services' rendered under a contract of employment) then the payment is assessable as wages.

See **Fringe benefits**.

Travelling time

Any payment to a worker for work-related travel time is assessable as wages.

Uniform allowance

If the employer pays uniform expenses to the worker and the payment is subject to fringe benefits tax then the payment is assessable as wages.

See **Clothing** and **Fringe benefits**.

Workers' compensation payments

Any workers compensation benefits an employer pays to a worker (including the excess on the claim – which the employer pays) are not assessable as wages – provided the employees are covered by CMI.

However, payments by an employer to an injured worker over and above the workers compensation benefits paid to workers by the workers' compensation insurer are considered assessable as wages.