

# Employee or contractor? Guide to understanding the difference



For the purpose of workers compensation coverage, the extended definition of a worker can include sub-contractors, where they are paid for their labour or services.

Businesses must assess whether the employment relationship between their workforce is based on a 'contract of service' or 'for service'. The former indicates an employee relationship, while the latter doesn't.

There is no single determining factor or combination of factors. However, it is likely that an individual is employed within a contract of service and is an employee if they

- work under the business owner's control
- are paid for the time they work
- have income tax deducted by their employer
- receive paid leave (sick, annual and long service benefits)
- use materials or equipment provided by the business to do their job
- perform the duties of the position
- have agreed to provide their personal service to represent your business, rather than represent their own business
- bear no financial risk, and/or
- work hours which are set by an agreement or an award

For additional information refer to the [Difference between employees and contractors](#) on the ATO website or Fair Work Ombudsman, [Independent contractors and employees](#).