



# Employee OR Contractor



For small businesses that hire both employees and independent contractors, it is important to know the difference. Employees and contractors are considered different for taxation, control and liability purposes. While it is cheaper and easier to hire contractors, nothing beats the loyalty and dedication of a long term employee.

## Employee



## Independent Contractor



*long term*

An employee typically works for one employer only. They are trained to do the specified work at a designated location.



*Per project*



A contractor may work for multiple companies on per project basis. Their workspace and hours are up to them.

1



*Dependent*

An employee usually works under the supervision of others and is strictly instructed on how the job is done. They have no control over working hours and resources.



*Independent*



A contractor uses their own tools, skills, knowledge and workspace to complete tasks. The employer can not control the process.

2



*Regular*

Payment for employees is on an per hour basis or a monthly wage. Can be eligible for overtime pay.



*Per finished job*



Contractor's fee is usually decided upon before the project begins and is set. They issue invoices per work completed.

3



*Loyal to the company*

The employee contract is more complicated and gives benefits to the employee so that they stay loyal and grow the company's assets. There are predetermined clauses.



*Service contract*



The contractor and the company sign a contract for each job that is negotiable.

4



*You are responsible*

The company pays taxes on behalf of employees. There is a tax deduction from the monthly pay.



*Not your concern*



Generally, companies do not pay taxes on behalf of contractors. They manage their own tax files.

5



*Eligible*

Employees are entitled to benefits such as health insurance, retirement plan, vacation days, unemployment benefits, etc.



*On their own*



Contractors usually handle their insurance and retirement plans on their own and are not eligible for company benefits.

6



*Too complicated*

Hiring employees is not easy from a legal point of view - there is a lot to take care of but all is necessary to avoid legal problems and claims from employees classified wrongly as contractors.



*The easy way*



Many companies choose to classify employees as contractors because it's easier and cheaper. However, this is the wrong way to hire. Make sure you review your employees status to make sure they are properly compensated.

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