



Commercial Design
CONSOLIDATED (NSW) PTY LIMITED

“COVENANT RATE”

There is an opposition Agency offering a method where by “Individual” / “ Sole Traders” can maximise their take home remuneration by circumventing paying out 9% SGL on their Gross hourly rate.

This method is using a “Covenant” on a percentage of their hourly rate . The covenant relates to a proportion of remuneration that is paid as an allowance towards the running of their contractor business and so is not deemed “Personal Income”.. although Taxed it is not personal income and as such is not deemed wages and as such does not attract 9% SGL.

This method of business is used in the building industry , a ratio of 60% wage - 40% plant and equipment is common place.

The problem is that if Audited the individual contractor has to prove 40% of income used to support his business activities.. this is virtually impossible.

More so if “Individual” is an hourly rate Cad drafter where under the payroll Tax legislation, the max amount allowed for equipment allowance is 5%.

If the “Individual” fails an Audit, the “Labour Hire Firm” is for the purposes of the act the employer and has to contribute the monies to the contractors SGL fund, it is conceivable that the Labour Hire Firm would be held liable for non payment into the Fund and be held accountable for making up the difference in underpayment and “Fined” for being in breach of the legislation.

Commercial Design will not be a party to offering a “Covenant Rate”