



Salary Packaging Policy

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ISSUED BY:

OFFICE OF INDUSTRIAL
RELATIONS AND WORKFORCE
STRATEGY

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Introduction

1. The ACT Government needs to be well positioned to attract, retain and improve the capability of its workforce. The ACT Government also recognises employees need to have access to flexible remuneration planning that better suit their individual needs and financial circumstances. Salary packaging, also known as salary sacrificing, is one way to provide this flexibility.
2. Salary packaging is a tax-effective way for employees to receive their total remuneration as a combination of salary and benefits.
3. This policy is intended to inform employees of their responsibilities and eligibility for salary packaging and to set out the salary packaging arrangements and items that may be applicable to ACT Government employees.
4. This policy may be amended by the Head of Service as required.
5. The Head of Service will:
 - a. promote and maintain the salary packaging policy;
 - b. approve and review the menu of eligible items which can be salary packaged; and
 - c. not restrict the benefit available to salary package by employees, except to ensure that they comply with Australian Tax Office (ATO) requirements.
6. This policy regulates the parameters of the salary packaging arrangements, including the types of benefits that can be salary packaged and the administrative arrangements provided and administered by the Shared Services Salary Packaging Team in Shared Services Finance Services.

Application

7. This policy contains a set of whole-of-government instructions issued by the Head of Service under section 17(2)(a) the *Public Sector Management Act 1994* (PSM Act) and binds all employees engaged under that Act.
8. For the purpose of this policy, employees are defined as including permanent officers, temporary employees, casual workers and Statutory Office Holders of the ACTPS. Independent contractors, paid through the accounts payable system, are not eligible to salary package.

Key Legislative Provisions

9. Key principles of this policy are consistent with:
 - a. *Fringe Benefits Tax Assessment Act 1986*;
 - b. *Income Tax Assessment Act 1936*;
 - c. *Safety Rehabilitation and Compensation Act 1988*;
 - d. *Public Sector Management Act 1994*;
 - e. *Public Sector Management Standards Act 2006*;
 - f. *Financial Management Act 1996*; and
 - g. applicable ACTPS Enterprise Agreements.

Principles

10. The following principles underpin the provision of eligibility of salary packaging within the ACT Government:
- a. The ACT Governments' salary packaging policy and practices are guided by the provisions of the *Fringe Benefit Tax Assessment Act 1986* (FBT Act), the *Income Tax Assessment Act 1936*, Australian Tax Office (ATO) publications, superannuation legislation and other relevant legislation and the ACT Government's Enterprise Agreements. The policy and practices may be amended as required, to ensure ongoing compliance with legislation and administrative requirements;
 - b. Utilisation of salary packaging is voluntary for eligible employees;
 - c. Employees are entitled to salary package up to one hundred percent of their remaining gross salary after the deduction of any compulsory superannuation contributions, fringe benefits tax repayments and other required deductions;
 - d. Where the total taxable value of all fringe benefits provided to an employee exceeds \$2,000, the grossed up taxable value of all fringe benefits will be reported as the 'Reportable Fringe Benefits Tax Amount' on the employees' 'PAYG Payment Summary'. Salary packaged amounts, where reportable, will be used by the ATO when determining eligibility or a liability for a number of surcharges, levies, tax offsets, rebates, family assistance payments or other payments (refer to ATO website for the complete list);
 - e. Salary for packaging purposes is the relevant salary specified in the employees' Enterprise Agreement or Australian Workplace Agreement (AWA). It does not include variable payments such as higher duties, shift and penalty allowances and overtime payments, unless these have been converted to annualised salary;
 - f. An employees' salary for superannuation purposes will be the ordinary time earnings (OTE) that the employee would have received if not taking part in salary packaging. Eligible employees may contribute to their current superannuation scheme and the level of the employer contribution will be based on the employees' OTE; and
 - g. An employees' salary for compensation purposes, under the *Safety Rehabilitation and Compensation Act 1988*, will not change because of salary packaging. Eligible employees may continue their salary packaging arrangements while on compensation. Public Sector Workers Compensation Fund will not provide any compensation for loss of taxation relief or investment benefit, where the employee subsequently retires because of a compensation-related condition or ceases to be an eligible employee.

Taxation

11. The FBT Act regulates the relevant tax payable in respect of fringe benefits. Any changes to the FBT Act, or any other legislation that may impact salary packaging, will be reflected in the employees' remuneration package and will not be paid by the employer.
12. At the sole discretion of the Head of Service, employees performing work exclusively in, or in connection with, a public hospital or public ambulance service,

may be eligible for taxation concessions on part of their salary. Taxation legislation requires the taxable value of any fringe benefit to be “grossed up” and shown on an employee’s payment summary at the end of each financial year. Employees of the Canberra Health Service Directorate, ACT Ambulance Service personnel and Digital, Data and Technology Solution that exclusively support Canberra Health Services may be eligible for this concession.

Eligibility for Salary Packaging

13. Eligible employees include:

- a. Executives engaged under the PSM Act;
- b. Statutory office holders;
- c. A permanent officer or temporary employee employed under the PSM Act, is covered by an Enterprise Agreement, a SEA or an AWA, which contains a clause providing access to salary packaging;
- d. A casual employee, employed under the PSM Act who is covered by an Enterprise Agreement that contains a clause providing access to salary packaging may, subject to the agreement of the relevant Director-General or Chief Executive Officer (or his or her Delegate), be permitted to salary package limited items from the menu; and
- e. Officers who have been declared excess are eligible to commence or continue salary packaging.

Financial Advice

14. Independent financial advice is recommended for all employees prior to commencing salary packaging, so employees are more informed of the financial implications of their salary packaging.
15. If an employee chooses not to obtain financial advice, they are required to complete and sign the acknowledgement of importance of receiving financial advice prior to salary packaging.
16. Where an employee seeks financial advice, it is recommended that the financial adviser is an authorised representative of an Australian Financial Services Licence holder or the licence holder themselves.

Salary Packaging – Employee Costs and Accountabilities

17. All the costs associated with an employee’s salary package are to be met by the participating employee.
 - a. When an employee signs the Letter of ‘Offer to Salary Package’, the employee is agreeing to meet all costs *associated* with salary packaging.
 - b. Any resulting fringe benefits tax liability incurred by an employer due to an employees’ salary sacrifice arrangements will be met by the employee. Any fringe benefits tax (FBT) paid by the employer to the ATO, because of an employees’ salary packaging arrangements, will be recovered from the employees’ salary within the next FBT year. This recovery is in accordance with the agreed terms as set out in the letter to ‘Offer to Salary Package’ and the Salary Packaging Manual.
 - c. Should there be an increase in taxation payable by the employer, including FBT or any tax equivalent, the employer shall pass on all costs to the employee. The

employee must pay any additional amounts at the end of the reconciliation process by the Shared Services Salary Packaging Team. In the event of any change, the employee will be entitled to amend their salary packaging arrangements in accordance with the Policy.

- d. Eligible employees are permitted to use the Employee Contribution Method (ECM) as part of their salary packaging arrangements. The ECM involves the employee contributing after-tax dollars to reduce the taxable value of any fringe benefit liability that may result from salary packaging.

Portability of Salary Packaging

- 18. Where eligible, an employees' salary packaging arrangement is portable across all directorates, agencies and statutory offices. The employee is responsible for notifying the Shared Services Salary Packaging Team of any change of employer.
- 19. Employees that were utilising the public hospital/public ambulance FBT concession should note that the change of employer may result in the cessation of these concessions and therefore should contact the Shared Services Salary Packaging Team.
- 20. Any employee incorrectly claiming the public hospital FBT concessions, will be required to fully repay the value of the benefit paid from the period when the employee first became ineligible.
- 21. If Administrative Amendments are issued which affect the operational nature of an ACT Government directorate, agency or organisational unit, affected eligible employees will continue to be able to salary package until a new policy, industrial agreement or contractual arrangement is in place.

Changing a Salary Package

- 22. An employee may review the components of their salary package and vary package items at any time.
- 23. The employee is entitled to have the components of the salary package reviewed if the employers' FBT status changes.

Ceasing Salary Packaging

- 24. Employees may cease salary packaging at any time.
- 25. If the employee ceases employment or ceases to be an eligible employee, all financial responsibility for their salary packaging will immediately revert to them.

Responsibilities

CMTEDD - Shared Services Finance Services Responsibilities

26. CMTEDD, Shared Services Finance will:
- a. maintain and promote the salary packaging policy; and
 - b. review the menu items available for salary packaging.

Salary Packaging Team Responsibilities

27. The Salary Packaging Team will:
- a. provide each employee wishing to participate in salary packaging with information on salary packaging in the ACT Government, including the 'Salary Packaging Policy and the Salary Packaging Guidelines;
 - b. prepare and distribute salary packaging documentation (Letter of Offer, Salary Packaging Terms and Conditions and Salary Packaging Guidelines) to potential participants;
 - c. coordinate and present staff information sessions on the salary packaging services offered;
 - d. maintain and update salary packaging documentation;
 - e. prepare and make salary packaging information available;
 - f. commence and maintain employee salary packaging deductions;
 - g. maintain and provide salary packaging data;
 - h. provide general information on aspects of salary packaging;
 - i. prepare and distribute FBT statements to employees currently salary packaging and the reporting teams in Shared Services Finance Services, for employer FBT reporting purposes; and
 - j. will respond to salary packaging related queries.

Directorate, Agency, Territory Authority or Statutory Office Responsibilities

28. Directorates, Agencies, Territory will:
- a. advise Shared Services Finance Services and the Shared Services Salary Packaging Team of any directorate or agency specific packaging arrangements or requirements;
 - b. direct employee enquiries to the Shared Services Salary Packaging Team; and
 - c. for specific Directorates, whose employees are eligible for the public hospital/public ambulance FBT concessions, these will be required to conduct regular audits on employee purchases made using prepaid Meal Entertainment and/or Venue Hire debit cards.

Employee Responsibilities

29. Employees:
- a. will familiarise themselves with the Salary Packaging Policy and the Shared Services Salary Packaging Guidelines and fact sheets;
 - b. are strongly advised to seek financial advice from a licensed financial adviser, prior to commencing salary packaging;

- c. all provide the financial adviser with accurate information in order to obtain the best advice on the proposed salary packaging arrangement;
 - employees will need to take the Letter of Offer with them to their financial adviser as proof that the employer has agreed to allow them to salary package, and the maximum level of salary, which is available for packaging, and have the Financial Advice section of the Offer of Salary Packaging letter signed, or complete the waiver section.
- d. will complete and sign the Letter of Offer and forms sent to the employee and provide all required information as requested;
- e. where the employee either is currently making payroll deductions for items they intend to salary package or have other payment arrangements in place with a financial institution, the employee must take the appropriate steps to change these arrangements;
- f. if the employee chooses to salary package a car or e-bike, they should contact a leasing company to familiarise themselves with the terms and conditions and any finance arrangements;
- g. if the employee is packaging a car or e-bike, they are responsible for completing the FBT Declaration in relation to odometer readings, days the car or e-bike is available for private use any out of pocket (unreimbursed) expenses and submitting this to the Shared Services Salary Packaging Team by the advised date, following the end of each FBT year (31 March);
- h. once the salary packaging arrangement has commenced, the employee is responsible for notifying the Shared Services Salary Packaging Team of any changes in the employees' circumstances, such as:
 - a temporary or permanent transfer to another directorate or agency;
 - changed personal circumstances affecting their salary packaging arrangements;
 - commencement of a period of leave without pay;
 - termination of employment; and
 - any changes to the employee's pay that may adversely impact their ability to meet their salary packaging payments.
- i. is responsible for all costs associated with their salary packaging, including:
 - salary packaging payments;
 - all administration fees and charges as outlined in the Shared Services Salary Packaging Manual;
 - any FBT and GST payable;
 - any costs associated with obtaining financial advice.; and
 - any other taxes, fees or charges which any level of government or the ATO may impose.

Consultation

30. This policy was consulted with the Taxation Support and Compliance Manager of Shared Services Finance Services, Taxation Director of KPMG Canberra and the Australian Taxation Office.

References

31. The relevant legislation, policy and employment arrangements underlying this operational guidance are:
- a. [Australian Taxation Office Salary Sacrifice Arrangements](#)
 - b. [Shared Services Salary Packaging Manual](#)

Further Information

32. For further information please contact the Executive Group Manager, Whole of Government Industrial Relations and Public Sector Employment, Office of Industrial Relations and Workforce Strategy, Treasury and Economic Development Directorate (CMTEDD).
33. You may obtain further information by contacting the Salary Packaging Team on 6207 9000 or via email at: salarypackaging@act.gov.au.

Review

34. This policy is due for review 3 years from the last issued or reviewed date, or earlier where there are changes that affect the operation of the policy.

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Approval Authority

Geoffrey Rutledge
Deputy Director-General
Office of Industrial Relations and Workforce Strategy
Chief Minister, Treasury and Economic Development Directorate
On behalf of the Head of Service

(20 October 2023)

Attachment A – Menu items available for Salary Packaging

This list may be amended from time to time by the Head of Service, without prior notice:

CATEGORY A - Otherwise Deductible Items

1. A laptop computer provided to an employee to perform work duties (conditions apply).

CATEGORY B - Concessionally Taxed Items

2. Contributions to a complying superannuation fund, excluding salary packaging to a defined benefit fund (CSS and PSS) but including PSSAp. Employer contributions are exempt from FBT and income tax but are subject to a 15% contributions tax on receipt by the fund.
3. New and used cars when salary packaged through a novated finance lease.
4. Salary packaged electric bicycles via a novated finance lease.

CATEGORY C- Non-Concessional FBT Items*

5. Mortgage payments for owner occupied residences or rental payments for principal residences.
6. Personal loan repayments.
7. Everyday living expenses via an Everyday Living Expense Card.
8. EML Payments Solutions Stored Value Prepaid Card.
9. Qualifying meal entertainment and venue hire expenses, via a Meal Entertainment and Venue Hire Card.

****The salary packaging of these items can only be accessed by employees eligible for the Public Hospital or Public Ambulance FBT concessions.***



OFFICE OF INDUSTRIAL RELATIONS AND
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