



# **Salary Packaging Manual**

6 July 2022

# Table of Contents

## Table of Contents

Table of Contents .....	1
Disclaimer .....	3
Explanation of Terms.....	4
1.0 Introduction .....	5
1.1 Salary Packaging Overview.....	5
1.2 Salary Packaging Arrangement.....	6
1.3 Effective Salary Packaging Arrangement.....	6
1.4 What are the Salary Implications for Employees? .....	6
<b>1.4.1 Assessable Income.....</b>	<b>6</b>
<b>1.4.2 Income for Superannuation Purposes .....</b>	<b>6</b>
<b>1.4.3 Income for HECS Purposes.....</b>	<b>7</b>
1.5 Who can participate in Salary Packaging .....	7
1.6 To Commence Salary Packaging .....	7
1.7 Independent Financial Advice.....	7
1.8 Fringe Benefit Tax Debt Recovery process.....	8
1.9 Employee Responsibilities in the Administration of a Salary Package .....	9
2.0 Items able to be packaged .....	9
2.1 Category A – FBT Exempt Benefits.....	9
<b>2.1.1 Notebook/Laptop Computers .....</b>	<b>9</b>
<b>2.1.2 Electric Bicycles (E-bikes).....</b>	<b>10</b>
2.2 Category B - Concessionally Taxed Benefits .....	10
<b>2.2.1 Superannuation .....</b>	<b>10</b>
<b>2.2.2 Cars.....</b>	<b>12</b>
2.3 Category C – Full FBT Benefits.....	14
<b>2.3.1 Home mortgage .....</b>	<b>15</b>
<b>2.3.2 Personal Loans.....</b>	<b>15</b>
<b>2.3.3 Private Rental.....</b>	<b>15</b>
<b>2.3.4 Everyday Living Expenses .....</b>	<b>16</b>
<b>2.3.5 Meal Entertainment and Venue Hire.....</b>	<b>16</b>
2.4 Reportable Fringe Benefits.....	17
2.5 Fringe Benefits Tax.....	17
2.6 Input Tax Credits and the GST .....	17
3.0 Administration Fees .....	18
3.1 Standard Fees.....	18

3.2	Non-Standard Fees.....	18
4.0	Payments.....	18
5.0	Changing or Terminating the Package.....	19
6.0	Leave without Pay (LWOP) or Long Service Leave (LSL)/Annual Leave at Half-Pay.....	19
7.0	Statements.....	20
8.0	FBT Declarations .....	20
8.1	Novated Vehicle Leases.....	20
8.2	Novated E-Bikes.....	20
9.0	Contacting the Salary Packaging Team .....	20
	<b>MENU ITEMS AVAILABLE FOR SALARY PACKAGING .....</b>	<b>21</b>
	<b>CATEGORY A - FBT Exempt.....</b>	<b>21</b>
	<b>CATEGORY B - Concessionally Taxed Items.....</b>	<b>21</b>
	<b>CATEGORY C- Non-Concessional FBT Items.....</b>	<b>21</b>

## Disclaimer

This publication has been prepared without consideration of the particular investment objectives, financial situations and needs of Territory employees ("employees"). In all cases, employees must conduct and rely upon their own investigation and analysis of the information contained in this publication. No employee should act on the basis of any matter contained in this publication without considering, and, if appropriate, obtaining legal, financial, and other professional advice upon the employee's particular circumstances.

The actions of the employer, and Shared Services, as the salary packaging administration provider, in making payments to a third party for employment benefits in accordance with an employee's salary package, do not in any way imply a transfer of liability to the Territory, or the provider (Shared Services), in relation to any agreement, understanding or obligation between the employee and the third party.

The Australian Capital Territory Public Service ("ACTPS"), each employee, employees of Shared Services and every person involved in the preparation of this publication expressly disclaims all liability for any loss or damage of whatsoever kind (whether foreseeable or not) which may arise from any person acting or relying on any statements contained in this publication, and notwithstanding any negligence, default, or lack of care.

**Employees should not assume that any item or matter not covered by this manual is available for packaging but should seek clarification of the matter from the Salary Packaging Team, Shared Services. Changes in Australian taxation legislation, any Australian Taxation Office (ATO) publication or external taxation advice issued or received may override or render invalid any part of the contents of this manual at any time.**

While this publication discusses taxation at a general level, given the complexity of taxation legislation, individual circumstances may produce particular results.

This disclaimer does not limit or alter those statutory rights that cannot be excluded.

Please be aware, Financial Planners do not determine the Shared Services administrative policy on salary packaging. Consequently, you need to be familiar with the Shared Services approved items and arrangements. If in doubt about any aspect, contact the Salary Packaging Team, Shared Services Finance.

## Explanation of Terms

Unless stated otherwise, terms referred to in this document have the following meaning:

<b>Concessionally Taxed Items</b>	Those package items that are not fully liable for FBT.
<b>Employee Contribution Method</b>	After-tax salary package contributions made by an employee to reduce the employee's FBT liability.
<b>Exempt Items</b>	Those packaged items that are exempt from FBT.
<b>FBTAA</b>	The <i>Fringe Benefits Tax Assessment Act 1986</i> .
<b>FBT</b>	Fringe Benefits Tax imposed by the FBTAA Regulations.
<b>Full FBT Items</b>	Those packaged items where the total cost is subject to FBT.
<b>GST</b>	Goods and Services Tax.
<b>GST Act</b>	<i>A New Tax System (Goods and Services Tax) Act 1999</i> .
<b>Gross Salary</b>	An employee's cash salary before tax is deducted.
<b>HECS-HELP</b>	A loan for eligible Commonwealth supported students studying at public universities (and some approved private institutions of higher education).
<b>Input Tax Credits</b>	A refund of GST paid.
<b>ITAA</b>	The <i>Income Tax Assessment Act 1936</i> .
<b>Novated Lease</b>	An arrangement comprising a finance lease between a lender and the employer and a novation agreement between the employer and the lender, where the employee's lease payments and other obligations are made by the employer from the employees' pre-tax and post-tax salary, for the term of the lease, or until the employee resigns from service or commences leave without pay. The novation agreement ceases when either of these changes occur, or the lease agreement expires or is finalised. The employee is then liable for any remaining costs under the finance lease.
<b>Otherwise Deductible Items</b>	Those packaged items which would be deductible to the employee if claimed in their tax return. An employee cannot claim a tax deduction for any salary packaged items.
<b>PH</b>	Organisations which have the status of a Public Hospital under section 57 of the FBTAA. In the ACT this is Canberra Health Services and the Public Ambulance Division of ESA.
<b>Reimbursement</b>	A pre-tax deduction from an employee's gross salary, which is returned to the employee's nominated bank account to compensate them for the cost of purchasing an asset that can be salary packaged.
<b>Salary Packaging</b>	An arrangement between an employee and the employer, where the employee elects to exchange salary for non-cash benefits.

## 1.0 Introduction

Shared Services administers the salary packaging for all ACTPS staff.

This manual should be read in conjunction with the *ACTPS Salary Packaging Policy and Procedures*.

### 1.1 Salary Packaging Overview

Salary packaging is a process where an employee, can receive their salary as a combination of taxable salary and non-cash benefits. There is no PAYG tax payable on salary packaged benefits. The non-cash benefits are paid from the employee's pre-tax salary. Depending on the asset financed, Fringe Benefits Tax (FBT) may be payable on a portion of the value of the benefit. The overall tax outcome for each employee will vary, depending on the employee's particular circumstances.

Salary packaging may provide a range of benefits to both employees and employers, including:

- a) more effective remuneration for employees;
- b) retention of employees; and
- c) attraction of future employees.

This manual sets out the administrative process and procedures, including the types of benefits that may be salary packaged under the current salary packaging arrangements. These arrangements may change from time to time to reflect changes in legislation or government policy.

The *Fringe Benefits Tax Assessment Act 1986* and *Income Tax Assessment Act 1936* regulate the relevant tax payable on such benefits. Any changes to this legislation, or any other legislation, that impacts on salary packaging will be reflected in the employees' remuneration package and will not alter the total cost to the employer. Should such a change in legislation occur, the employee will be entitled to amend their salary packaging arrangements in accordance with arrangements set out in this document.

If a higher rate of FBT, or any other applicable tax, becomes payable on a packaged item, the employee must pay the additional amount, to their employer at the end of the reconciliation period.

Some benefit items and expenses attract Goods and Services Tax (GST). Under a salary packaging arrangement, GST paid can sometimes be claimed as an effective refund (known as an Input Tax Credit, ITC). In the case of novated motor vehicle leases, any pre-tax salary deductions do not include GST, so any refunded ITCs are retained by Shared Services.

All employees of Canberra Health Services, some employees of the ACT Ambulance Service and the Digital, Data and Technology Solutions Canberra Health Service Team may be eligible for an exemption of FBT on the value of benefits provided to a grossed-up value of \$17,000 being the annual value of the benefit after it is multiplied by the applicable FBT factor, known as grossing up. The grossed up taxable value of any fringe benefit is shown on the employees' payment summary at the end of each financial year. Within the ACTPS, only employees of Canberra Health Services and eligible employees of the ACT Ambulance Service can receive the FBT exemption.

The Salary Packaging team within Shared Services salary packaging offers a streamlined service to ensure the administration costs of salary packaging are minimised. Salary packaging is at the discretion of the employee and no employee is under any obligation to salary package.

## 1.2 Salary Packaging Arrangement

A salary packaging arrangement (also known as salary sacrificing) is an agreement between the employer and the employee, where the employee agrees to forego part of their future entitlement to salary or wages, in return for the employer providing a stated benefit.

Under a salary packaging arrangement:

- The employee continues to pay income tax on the reduced salary or wages.
- The employer is liable to pay FBT on the fringe benefits provided. Under the ACTPS Salary Packaging Policy, any employer FBT liability is to be paid by the employee.
- Salary packaged/sacrificed superannuation contributions are classified as concessional contributions and form part of the concessional superannuation contributions cap, from 1 July 2021 the cap is \$27,500 per annum. Concessional contributions are taxed at 15% on entry to the complying superannuation fund.

## 1.3 Effective Salary Packaging Arrangement

A salary packaging arrangement is an agreement between the employer and the employee, detailing the amount of salary to be sacrificed and the type of non-cash benefit gained.

An effective arrangement is one that is recognised as being tax deductible. To achieve this, the agreement must be entered into before the employee becomes entitled to the salary to be packaged, is paid to them. Only future salary can be substituted for fringe benefits, not salary that was earned (or accrued) prior to a salary packaging agreement being signed.

The arrangement would be entered into prior to the work for which the employee will be paid for, is performed.

Overtime, backpay, long service and purchased leave cannot be salary packaged.

Employees can amend their salary packaging arrangement at any time.

## 1.4 What are the Salary Implications for Employees?

### 1.4.1 Assessable Income

The employee pays income tax only on the reduced salary and the employee receives a reduced salary, plus the non-cash benefit. When an employee salary packages a car, they will be required to make contributions from their post-tax salary to offset the FBT liability.

### 1.4.2 Income for Superannuation Purposes

The employees' income for superannuation guarantee purposes is their gross salary, excluding any deductions for salary packaging. That is, the impact of salary packaging does not reduce an employee's salary for superannuation guarantee purposes, or the amount of superannuation employers are liable to contribute.

### 1.4.3 Income for HECS Purposes

Salary Packaging reduces your taxable income. However, for the purposes of determining the eligibility or entitlement to a variety of Commonwealth rebates, assistance payments, or working out any child support obligations as an example, the grossed-up value of reportable fringe benefit amounts (RFBA) such as the Eligible Public Hospital and Ambulance Benefit and additional Superannuation contributions are shown on your payment summary. Even though a RFBA is shown on your payment summary, it is not included in your total income or loss amount, income tax or Medicare levy is not payable on these amounts. Refer to the ATO website for more information on 'The Consequences of having a reportable fringe benefit amount'.

An RFBA is also used to work out the amount you must repay against a Higher Education Loan Program (HELP – formally HECS) debt. Repayments are calculated as a percentage of 'repayment income', which is income that has reached the compulsory HELP repayment threshold. Employees with a HELP loan may wish to arrange for additional PAYG tax deductions to be deducted from their salary throughout the income year. Repayment amounts can be estimated using the HELP-HECS debt calculator for the relevant year on the ATO website.

## 1.5 Who can participate in Salary Packaging

Salary packaging is only available to eligible employees.

Eligible employees are defined as either a permanent officer or temporary employee, employed under the Public Sector Management Act 1994, who is covered by a Certified Agreement, an Australian Workplace Agreement (AWA) or Special Employment Arrangement (SEA) or an AWA, which contains a clause providing access to salary packaging.

Casual employees are not precluded from salary packaging. However, due to their employment status, the benefits able to be accessed, are limited. A casual employee may salary package superannuation, plus an Everyday Living Expenses and Meal Entertainment and Venue Hire cards if employed by either Canberra Health Services or the ACT Ambulance. Service. This eligibility does not extend to novated car leases, owing to the general length of the commitment and the uncertain tenure of the employee. Casual employees must submit the relevant deduction authority form to the Salary Packaging Team each fortnight they wish to salary package.

## 1.6 To Commence Salary Packaging

To commence salary packaging, employees are required to request a 'Salary Packaging Letter of Offer' from the Salary Packaging Team by either calling 6207 9000 or alternatively, submitting a request via email to 'salarypackaging@act.gov.au'.

## 1.7 Independent Financial Advice

Shared Services recommends that all employees wishing to salary package obtain financial advice, including specialist advice on packaging options, before making any decisions.

Employees need to be familiar with the items that Shared Services offer for packaging.

## 1.8 Fringe Benefit Tax Debt Recovery process

FBT paid to the Australian Taxation Office on behalf of the employee for salary packaged benefits will be recovered by the Salary Packaging Team from the employee's salary in pre-tax dollars.

The employee will receive correspondence from the Salary Packaging Team if they have incurred a FBT debt for their salary packaged benefits. The correspondence will provide details of the debt and the repayment schedule to recover the FBT debt.

Following advice provided to the employee, automatic pre-tax salary deductions from the employee's fortnightly salary will commence in line with the correspondence until the FBT debt is fully extinguished. The FBT debt will be repaid in full in the following FBT year commencing in July. The total FBT debt will be divided across the remaining paydays in the FBT year, with the minimum regular fortnightly repayment being \$50.00. By contacting the Shared Services Salary Packaging Team, employees have the option to increase the fortnightly FBT recovery deduction above the minimum, to extinguish their FBT debt over fewer pay cycles.

### Example 1:

A \$120 FBT debt is incurred on the salary packaging of a car benefit due to a delay in receiving the paperwork to commence car lease deductions.

Pay 1 \$50.00 pre-tax FBT debt salary deduction

Pay 2 \$50.00 pre-tax FBT debt salary deduction

Pay 3 \$20.00 pre-tax FBT debt salary deduction.

A total of \$120 has been repaid to extinguish the debt.

### Example 2:

A \$1,000 FBT debt is incurred on the Living Expense benefit where the employee has re-spent a refund from a purchase from the prior FBT year that was refunded back onto the employees Living Expense Card, there is 16 pay cycles left in the FBT year.

\$1,000 divided by 16 pay cycles equates to \$62.50 per pay.

Pay1 through to Pay 16: \$62.50 pre-tax FBT debt salary deduction.

A total of \$1,000 has been repaid to extinguish the debt.

Where an employee has incurred a car FBT debt and the car lease terminates, any outstanding balance of the FBT debt for that car will be deducted from any excess funds received from the car leasing company.

Where an employee has incurred a FBT debt on their Meal Entertainment & Venue Hire (MEVH) benefit, any outstanding FBT for ineligible MEVH purchases will be deducted from any refunds received back into the ACT Government Salary Packaging bank account, from the MEVH card provided.

Where an employee has incurred a FBT debt on their Living Expense benefit, any outstanding FBT for the overspent purchases will be deducted from any refunds received back into the ACT Government Salary Packaging bank account, from the Living Expense card provided.

Employees that cease employment with ACT Government will have the balance of salary packaging FBT debts recovered from final monies. Where there are insufficient final monies

to recover the FBT debts, the employee is required to repay the outstanding balance to the ACT Government Salary Packaging bank account.

## 1.9 Employee Responsibilities in the Administration of a Salary Package

Employees are required to take a pro-active role in their salary packaging arrangement.

## 2.0 Items able to be packaged

- New cars through a novated lease arrangement.
- Used cars through novated leases from some (but not all) leasing companies.
- Laptop/notebook computers (conditions apply).
- Contributions to complying superannuation funds. Contributions to the CSS and PSS defined benefit schemes aren't allowed under the fund rules, but salary packaging to the PSS accumulation plan scheme is.
- Electric bicycles (E-bikes); and
- Additional items which attract Full FBT (e.g. home mortgage payments, residential rent payments and expenditure on meal entertainment) are only available to staff employed in areas with Public Hospital (PH) status. These include some employees of the Digital, Data and Technology Solutions Health Team, ACT Ambulance Service and all staff employed by the Canberra Health Services Directorate.

Independent financial advice is highly recommended before entering a salary packaging arrangement.

## 2.1 Category A – FBT Exempt Benefits

### 2.1.1 Notebook/Laptop Computers

Prior to salary packaging a laptop/notebook computer, a declaration is required and must be signed by your manager, stating;

- the equipment is required for the employee to carry out their current employment duties; and
- the employee has not been provided with a work-provided laptop.

Laptops cannot be salary packaged for self-education purposes.

Additionally, only one laptop per FBT year can be salary packaged unless it is a replacement item for a computer lost, stolen or irreparably damaged.

Desktop computers and mobile phones are not able to be salary packaged.

## **Notebook/Laptop Computer Salary Packaging Process**

- The employee purchases a notebook or laptop.
- The employee's manager signs an FBT declaration stating that the device is required for the employee to carry out their current employment duties **and** that the employee has not been provided with a laptop by their employer.
- To receive the reimbursement, employees must send the original tax invoice, receipt, and declaration to the Salary Packaging Team.
- A Salary Packaging Deduction Authority must be provided to the Salary Packaging Team to commence the reimbursement process. The authority needs to include the account name, BSB and account number where the reimbursement is to be deposited.
- The employee nominates the number of pay periods the reimbursement will be made over.

### **2.1.2 Electric Bicycles (E-bikes)**

In July 2018, the Australian Taxation Office (ATO) provided the ACT Government with a private ruling that classed the salary packaging of e-bikes as an exempt benefit, provided that strict usage conditions are complied with including the following:

- Usage is restricted to travel to and from work, business related travel and non-work-related use that is minor, infrequent, and irregular. This is defined via another ATO ruling as approximately 200 kilometres per annum;
- Travel that breaches the above conditions of usage will result in the removal of the FBT exemption and FBT will apply at the rate prescribed by the ATO (currently 17 cents for each kilometre travelled during the FBT year);
- Employees that refuse or fail to submit an annual FBT declaration by the 10<sup>th</sup> of April will be required to lease the e-bike directly with e-Australian in post-tax dollars; and
- Employees must complete annual declarations, providing opening and closing kilometres supported by photographs of the odometer reading.

Employees who are looking to salary package an e-bike bike should in the first instance, contact the Salary Packaging Team.

## **2.2 Category B - Concessionally Taxed Benefits**

### **2.2.1 Superannuation**

Employees may contribute to a complying superannuation fund through salary packaging. The CSS and PSS Defined Benefit Schemes are not complying funds and therefore do not accept salary packaged contributions.

There is no FBT payable on packaged superannuation amounts, however, these amounts are required to be reported on the employees' payment summary as 'Reportable Employer Superannuation Contributions'.

Salary packaged superannuation contributions are classified as concessional contributions and are subject to annual limits (from 1 July 2021 the cap is \$27,500). Employees will only be able to direct funds to certain self-managed superannuation funds (SMSF) as prescribed by legislation.

All salary sacrificed contributions are subject to a 15% tax levied by the superannuation fund on receipt of the contribution.

A Shared Services Salary Packaging Deduction Authority must be provided to the Salary Packaging Team before the deductions can commence.

Casual employees may salary package into superannuation each fortnight on completion of a casual salary sacrifice deduction authority form. Further information is available from the Salary Packaging Team.

Due to the cap on concessional contributions, it is highly recommended that you seek financial advice prior to commencing salary packaging superannuation.

ACT Government makes superannuation payments through the My Super portal.

ACT Government does not manage employee superannuation contributions to comply with contribution cap limits.

If the superannuation fund is a standard choice superannuation fund, you must supply the following:

- Super Fund Australian Business Number (ABN); and
- Unique Superannuation Identifier (USI).

If the fund is a self-managed superannuation fund (SMSF), the employee must supply the following:

- SMSF Trustee Australian Business Number (ABN);
- SMSF Australian Prudential and Regulatory Authority (APRA) and Registrable Superannuation Entities (RSEs) ATO letter of compliance; and
- SMSF ATO Registered Fund electronic service address (ESA).

Only superannuation funds that accept electronic fund transfers (EFTs) can be used for salary packaging.

Salary packaged (pre-tax) superannuation is in addition to any post-tax superannuation contributions you may currently already be contributing. Unless you advise the Salary Packaging Team in writing, any existing post-tax superannuation contributions will continue, regardless of any changes in salary packaged (pre-tax) superannuation contributions.

## **2.2.2 Cars**

### **Definition**

For FBT purposes, only a car that is a vehicle designed to carry less than nine passengers and have a carrying capacity of less than one tonne can be salary packaged.

### **Novated Leases**

All salary packaged cars must have a signed novated lease arrangement in place.

A novated lease structure comprises two related agreements, a finance lease, and a novation agreement. The novation agreement enables all the loan repayments and the cars operating expenses to be deducted from the employee's pre-tax salary.

Employees wishing to salary package a car, should decide on a make and model, then contact the Salary Packaging Team for a list of current leasing companies able to arrange and manage a finance lease. The employee selects the leasing companies from the list to supply a quote. When the employee has agreed on a quote and the finance has been approved, the leasing agreement and novation agreements will be prepared and signed.

The Salary Packaging Team will assist with certain aspects of the set-up and administration of the lease, including arranging the novation agreement. Most leasing companies can enter into novated leases for both new and used vehicles.

A finance lease is between the employee and a leasing company and sets out the details of the car and the repayments. At the time the lease commences, the employer enters into a novation agreement, making the employer responsible for the lease repayments while the employee is employed with the ACTPS. The lease repayments and the operating expenses such as fuel and maintenance, are deducted from the employee's pre-tax salary. Operating expenses are usually calculated in advance by the leasing company and are based on the expected usage of the car.

When the employee commences leave without pay, leaves the ACTPS, or has insufficient salary to meet the lease repayments, the novation agreement expires, the employers' liability ceases and the employee becomes responsible for the future lease repayments.

If the car has been unavailable due to accidental damage or repairs, the employee is required to submit a FBT declaration to the Salary Packaging Team for the relevant FBT year, the days the car was in the workshop and an invoice to substantiate the declaration. The declaration must be submitted by the 10<sup>th</sup> of April at the following FBT year. Out of pocket, unreimbursed expenses cannot be submitted with the declaration to reduce any FBT liability payable and can be forwarded to your leasing company for reimbursement from the money set aside in your lease payments for operating expenses.

At the finalisation of the lease, the leasing company will pay any outstanding operating expenses from amounts set aside to cover these expenses, or if there are insufficient funds the leasing company will recover any shortfall directly from the employee. The Salary Packaging Team will work out any FBT outstanding or owing on the car. Any remaining money after the car lease and salary packaging reconciliation will be returned to the employee via the payroll process.

The residual value of the car as set out in the lease agreement cannot be salary packaged. The employee is required to pay this amount directly to the leasing company. Work related travel using a salary packaged car cannot be legally claimed as a deduction in the employee's tax return.

## Fringe Benefits Tax on Cars

A car fringe benefit generally arises when a car, which is owned or leased by an employer, is made available for the private use of an employee. If the employer's car is under the control of an employee, it is regarded as having been made available for private use, even if it isn't used by the employee.

Cars that are salary packaged also attract FBT, notwithstanding that the car is owned by a leasing company until the residual value is paid.

As mentioned previously, salary packaged cars for ACTPS employees can only be provided through a novated lease arrangement. All running and maintenance costs are included in the packaged cost of the car. Employees must package and claim all out of pocket running expenses, such as fuel purchased without a supplied fuel card, with their leasing company.

Running costs include petrol, oil, auto club membership, repairs, tyres, service costs, insurance and registration. Only expenses defined in the FBT Act are legitimate expenses. Infringement notices and road tolls are not able to be salary packaged.

FBT is paid from the commencement date of the lease on a daily (pro-rata) basis for the first FBT year. Excess or insufficient post-tax payments are adjusted at the end of the first year based on actual usage or expenses.

## Calculating FBT on Cars

The statutory formula method is used for calculating the FBT liability is:

$$\text{Taxable Value} = (A \times B \times C) / D - E$$

Where:

- A = the 'base value' of the car
- B = 0.20 (the statutory percentage)
- C = the number of days in the FBT year when the car was used or available for private use by the employee
- D = the number of days in the FBT year
- E = after tax employee contributions

*Calculation of taxable value of Motor Vehicle where:*

A = \$25,000

B = 20%

C = 365 days

D = 365 days

E = NIL

Taxable value is calculated as;  $(\$25,000 \times 20\% \times 365) / 365 - 0$

Taxable value is \$5,000

Grossed up taxable value (reported on the payment summary)

GUTV is  $5,000 \times 2.0802 = \$10,401$

FBT is the taxable value x the gross-up factor x the FBT rate

FBT payable is  $\$5,000 \times 2.0802 \times 47\% = \$4,888.47$

Note: For the example above, the gross-up factor and FBT percentage are based on 2021-22 rates.

All novated lease cars are set up with post tax dollar lease payments to offset the FBT. Using the example above where the taxable value of the car is \$5,000 the employees lease payments would set up to include \$5,000 in post-tax dollars. This value is divided by 26 pays equating to \$192.31 in post-tax dollars per pay cycle to offset the FBT. To fully offset the FBT all of the 26 pay deductions must be processed.

Taxable value is calculated as;  $(\$25,000 \times 20\% \times 365)/365 - \$5,000$

Taxable value is nil

Grossed up taxable value (reported on the payment summary)

GUTV is  $\$0 \times 2.0802 = \$0$

FBT is the taxable value x the gross-up factor x the FBT rate

FBT payable is  $\$0 \times 2.0802 \times 47\% = \$0$

## 2.3 Category C – Full FBT Benefits

These benefits are only available to employees employed by Canberra Health Services, the ACT Ambulance Service personnel, and some employees within the Digital, Data and Technology Solutions (DDTS) Canberra Health Services Team. Call the Salary Packaging Team on 6207 9000 for clarification if you are unsure whether you qualify.

These benefits are exempted from FBT to a limit or cap under section 57A of the FBT Act. Separate annual caps apply for each. For items 2.3.1 to 2.3.4 below, the annual amount is approximately \$9,009 measured in pre-tax dollars. For the Meal Entertainment and Venue Hire benefit, the annual cap is currently \$2,650.

The amounts packaged in either benefit must not exceed the respective FBT cap and employee usage will be monitored by the Salary Packaging Team. The benefit is typically spread evenly over the FBT year. However, the 'acceleration' of benefits is only accepted in the following three instances:

- where an employee commences employment/salary packaging, after the start of the FBT year (i.e. from 1 April);
- where an employee's employment is terminating (e.g. resignation or retirement) prior to the end of an FBT year; or
- where an employee is employed on a short-term contract, for e.g. a secondment or temporary transfer to EPHA eligible position for six months of an FBT year.

Note: the administration fee is accelerated in line with the accelerated access to the salary packaged benefit. The administration fee is also pro-rated where employees commence salary packaging partway through an FBT and maximise their salary packaging across the remainder of the FBT year.

The employee must inform the Salary Packaging Team if they move to an ineligible position or directorate or perform duties in an ineligible area of ACTAS or DDTS. The benefit will cease at this point. Any benefits provided after this date are subject to full FBT and will be recovered from the employee.

### **2.3.1 Home mortgage**

- The employee must provide proof of the financial arrangement through mortgage and bank statements.
- Every second year, the employee must produce proof that the mortgage or investment loan is continuing.
- The benefit will be scheduled for two years and cease after this time, pending ongoing substantiation.
- The home mortgage benefit should be paid into the mortgage account. Due to Australian Tax Office compliance requirements, prior to the end of each FBT year (31 March), you will be requested to provide evidence that the salary packaged funds are sent to a current mortgage account.

### **2.3.2 Personal Loans**

- The employee must provide proof of the financial arrangement through repayment statements.
- Every second year, the employee must produce proof that the loan is continuing.
- The benefit will be scheduled for two years and cease after this time or for the length of the loan if the expiry date is less than 2 years, pending ongoing substantiation.
- The personal loan benefit should be paid directly into the personal loan. Due to Australian Tax Office compliance requirements, prior to the end of each FBT year (31 March) you will be requested to provide evidence that the salary packaged funds are sent to a current personal loan account.

### **2.3.3 Private Rental**

- The employee must provide proof of the rental agreement. This benefit will extend to the period of the current rental agreement only.
- Should the employee be on a month-to-month agreement, the benefit will be scheduled for a maximum of six months.
- A new home rental contract must be provided to recommence the benefit.
- The benefit will be spread evenly over the FBT year.
- The rent benefit will be paid into the account where rental payments are made from for the duration of the rental agreement. Due to Australian Tax Office compliance requirements, you will be requested to provide evidence that the salary packaged funds are used to make private rental payments.

### **2.3.4 Everyday Living Expenses**

- Employees may package everyday living expenses, such as groceries, private travel, non-salary packaged car expenses, insurance, school fees, and utility charges via the Living Expenses Benefit.
- As discussed above, the benefit is capped. Amounts packaged more than this will be subject to full FBT at a marginal tax rate of 47%.
- The value of the benefit will be spread evenly across the FBT year. This will allow the employee to spend any outstanding amounts on the accompanying card before 31 March each year.
- The benefit is paid by loading up an everyday Living Expense Benefit Card through fortnightly pre-tax deductions from your salary.
- Only salary packaged deductions from your pay can be transferred onto the Living Expense Benefit Card. Employees cannot transfer any other funds onto the card.
- To apply for an Everyday Living Card, contact the Salary Packaging Team via email [salarypackaging@act.gov.au](mailto:salarypackaging@act.gov.au).
- The Everyday Living Expense Benefit Card is cancelled when you move from an eligible position, including undertaking duties in another part of ACT Government or resign from service. The employee must notify the Salary Packaging Team if either of these circumstances occurs.
- Any of these benefits provided after leaving an eligible position is subject to full FBT. Funds left on the card at the date of ineligibility will be taxed and reimbursed to the employee through the payroll system.

### **2.3.5 Meal Entertainment and Venue Hire**

- Employees may package meal entertainment as per the Meal Entertainment and Venue Hire guidelines.
- This benefit is subject to a cap of \$2,650. Amounts more than this will be subject to FBT at the rate of 47%.
- As with the Everyday Living Expenses Card, only salary packaged amounts can be transferred onto the card. Employees cannot transfer any other funds onto the card.
- The benefit will be spread evenly over 25 pays. This will allow the employee to utilise the benefit before 31 March each year as advised in section 2.3.3.
- Employees must retain their receipts for a period of seven years for audit purposes. The employees' directorate may request these receipts for verification purposes. If an employee does not retain their receipts, the benefit may be withdrawn.
- An application form is available from the Salary Packaging customer services menu.

## 2.4 Reportable Fringe Benefits

If the taxable value of certain fringe benefits received by an employee in an FBT year exceeds \$2,000 the grossed-up value of those benefits will be recorded on the employee's payment summary for the corresponding income year (1 July to 30 June). Grossing up is carried out to equate the value of the benefit to the amount of gross salary that would have to be earned to purchase the benefit from after tax dollars. This is calculated at the highest marginal tax rate, including Medicare.

The value of fringe benefits reported on the payment summary is known as a Reportable Fringe Benefit.

The ATO advises that any reportable fringe benefits will not be included in the employee's assessable income or affect the amount of basic Medicare levy payable.

The figure will however be used to calculate the following expenses and revenues:

- Medicare levy surcharge;
- Deduction for personal superannuation contributions;
- Superannuation contributions and termination payments surcharge;
- The amount of Higher Education Loan Program (HELP) repayments;
- The amount of child support obligations; and
- Any entitlement to certain income tested government benefits.

## 2.5 Fringe Benefits Tax

Fringe benefits tax makes it possible for employers to legitimately offer non-cash benefits to employees. The employer pays FBT in lieu of PAYG. As salary packaging is offered to staff at no cost to the ACT Government or any ACTPS agency, employees are required to repay any FBT liabilities incurred by the government on their behalf.

The amount of FBT payable by individual employees is reconciled at the end of each FBT year. Each FBT year is independent of other FBT years.

Any additional FBT liability incurred each FBT year as a result of insufficient post tax dollar contributions or planned pre-tax FBT salary deductions for the salary packaging of cars, will be paid by your directorate and recovered from the employees' future pre-tax salary prior to the commencement of the following FBT year.

## 2.6 Input Tax Credits and the GST

Several benefits that are commonly packaged will be subject to GST. In the case of novated car leases, the fortnightly salary post-tax deduction is GST inclusive, and the pre-tax deduction is net of GST. In this situation, any GST paid and claimed by Shared Services will be retained.

## 3.0 Administration Fees

The Salary Packaging Team charges an administration fee for providing salary packaging services on a cost recovery basis. This decision is based on the condition that the “in-house” salary packaging model must be at no cost to the ACT Government, Shared Services or participating directorates, agencies, or territory authorities.

All fees quoted and charged by the Salary Packaging Team do not include GST.

### 3.1 Standard Fees

- The standard fee per fortnight (excluding superannuation packaging) is \$10.00 (pre-tax). This amount is currently capped, irrespective of the number of benefits packaged.
- The fortnightly fee for casual employees who are salary packaging is \$10.00.
- Superannuation fees (for permanent employees with regular ongoing salary packaged superannuation deductions only) are \$5.00 per fortnight.
- Superannuation fees (for permanent employees with irregular non-ongoing salary packaged superannuation deductions only) are \$10.00 per fortnight.
- Note: the administration fee is accelerated in line with the accelerated access to the EPHA salary packaged benefit. The administration fee is also pro-rated where employees commence salary packaging partway through an FBT and maximise their salary packaging across the remainder of the FBT year (Refer to Section 2.3 Category C Full FBT Benefits).

\*Current as at 6 July 2022.

### 3.2 Non-Standard Fees

Non-standard fees are payable in addition to the above fees.

- For reimbursement of costs and processing, there is a once-only fee of \$50.00 for reimbursements for Notebook/Laptop computers for work use paid over one or more pay period.

\*Current as at 6 July 2022.

## 4.0 Payments

- The Salary Packaging Team will only process payment via EFT.

## 5.0 Changing or Terminating the Package

- Employees can terminate or amend their packaging arrangements at any time.
- There is no restriction on the number of variations to contribution rates when packaging superannuation an employee can make.
- Employees who decide to terminate their car lease, should be aware of the implications when they terminate. These details are set out in the Novated Lease Fact Sheet, which is available on the Shared Services Salary Packaging Portal.
- When terminating a car lease, adequate notice is required to ensure enough time to process the paperwork, collect any outstanding amounts and general management of the process.
- If an employee has allocated unspent amounts for repairs and maintenance for their car lease at the time of termination, the leasing company should advise them of the amount and refund the excess.
- If an employee who is salary packaging a car, has spent less than the agreed budgeted amount, the difference will be refunded as a taxed payment, when the lease is finalised and after a final reconciliation (including FBT owed on the car) is carried out.
- When an Everyday Living Expenses or Meal Entertainment and Venue Hire Card arrangement has been terminated, the card will be cancelled and any unspent amount remaining on either card, less any FBT owing will be returned to the employee as taxed salary.
- Payment of final monies to the resigning employee cannot be made until all salary packaging arrangements have been reconciled, outstanding monies including FBT, have been paid and all necessary documentation is received and actioned.

## 6.0 Leave without Pay (LWOP) or Long Service Leave (LSL)/Annual Leave at Half-Pay

- Employees will need to ensure they have adequate funds to continue to meet any salary packaging payment obligations while on LWOP or LSL/annual leave at half-pay.
- If the funds from their salary deduction are insufficient, the employee will need to make other arrangements, such as terminating the car lease, or suspending superannuation contributions. Employees need to contact the Salary Packaging Team when they receive sufficient pay to recommence the salary packaging deductions.
- Employees need to contact the Salary Packaging Team when they recommence work to reinstate their salary packaging deductions.

## 7.0 Statements

- Salary packaging reports are available by logging into the Shared Services Salary Packaging Employee portal, [www.salarypackaging.act.gov.au](http://www.salarypackaging.act.gov.au). Your ACT Government username and password are used to access your salary packaging information.

## 8.0 FBT Declarations

### 8.1 Novated Vehicle Leases

- At the end of each FBT year, employees are required to satisfy the substantiation requirements in the FBT declaration, which include the completion of any days the vehicle is unavailable. Closing odometer readings are no longer required for cars.
- Declarations are available on the intranet and will be required to be completed and returned to the Salary Packaging Team no later than the 10th of April each year.

### 8.2 Novated E-Bikes

- At the end of each FBT year, employees are required to satisfy the substantiation requirements in the FBT declaration. Annual closing odometer readings are a mandatory required for e-Bikes.
- Declarations are available on the intranet and will be required to be completed and returned to the Salary Packaging Team no later than 10<sup>th</sup> of April each year.

## 9.0 Contacting the Salary Packaging Team

Phone: (02) 6207 9000

Email: [salarypackaging@act.gov.au](mailto:salarypackaging@act.gov.au)

## **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 - FBT Exempt**

- A laptop computer provided to an employee to perform work duties (conditions apply); and
- Salary packaged electric bicycles via a novated finance lease (conditions apply).

### **CATEGORY B - Concessionally Taxed Items**

- Contributions to a complying superannuation fund, excluding salary packaging to a defined benefit fund (CSS and PSS) but including PSSAp. Employer superannuation contributions are exempt from FBT, and income tax however are subject to a 15% contributions tax upon entry into the fund; and
- New and used cars when salary packaged through a novated finance lease.

### **CATEGORY C- Non-Concessional FBT Items**

- Mortgage payments for owner occupied residences or rental payments for their principal residence; or
- Personal loan repayments; or
- Everyday living expenses via an Everyday Living Expense Benefit Card; or
- EML Payments Solutions Stored Value Prepaid Card; and
- Qualifying meal entertainment and venue hire expenses, via a Meal Entertainment and Venue Hire Card.

**Note 1:** salary packaging these non-concessional FBT items are only available to employees of Canberra Health Services, ACT Ambulance Service and select DDTS Health Teams.

**Note 2:** the administration fee is accelerated in line with the accelerated access to the EPHA salary packaged benefit. The administration fee is also pro-rated where employees commence salary packaging partway through an FBT and maximise their salary packaging across the remainder of the FBT year (Refer to Section 2.3 Category C Full FBT Benefits).