

# P 17 – Salary Packaging

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## 1 Objectives

The objective of this policy is to make various salary packaging options available to eligible Shire employees and to provide the guiding document for the provision of such benefits.

## 2 Scope

This policy applies to all full time, part time and fixed term employees (longer than 12 months duration), subject to meeting specific eligibility criteria relevant to the packaged benefit sought. Due to the variant hours of casual employees, they are able to access salary packaging of superannuation only, and are therefore not covered under this policy.

Superannuation is already offered as a salary packaging benefit by Council and will continue to be offered outside of this Policy.

## 3 Definitions

### 3.1 Allowable Benefits

means the following range of salary packing benefits:

- Work Related Items – i.e. laptops, mobile phones
- Novated Leasing of Vehicles
- Remote Area Housing Benefit – Rental
- Remote Area Housing Benefit Mortgage Interest
- Remote Area Domestic Energy

### 3.2 ATO

means the Australian Taxation Office.

### 3.3 Base Cash Salary

means remuneration in accordance with relevant workplace agreement or contract of employment paid by way of regular periodic cash payments subject to PAYG tax. This does not include superannuation guarantee contributions.

### 3.4 Benefit

means any non-cash benefit and cash payment (other than base salary) made or expected to be made for the benefit of the employee.

### 3.5 Fringe Benefits Tax (FBT)

means tax payable by the Shire of Bridgetown-Greenbushes to the Government on some categories of benefits provided to employees.

### 3.6 FBT Year

means 1 April to 31 March each year.

### 3.7 Otherwise Deductible

means a legitimate expense incurred in the course of earning assessable income which could otherwise be claimed by the employee at the time of submitting an income tax return.

### **3.8 PAYG**

means Pay As You Go taxation.

### **3.9 Remote Area**

means an area 'over 40 kms from a town with a population of 14,000 to less than 130,000 and over 100kms from a town with a population of 130,000 or more'. Note all land within the boundaries of the Shire of Bridgetown-Greenbushes is classified as a remote area.

### **3.10 Salary Packaging**

means an arrangement between an employee and employer whereby the employee elects to exchange cash salary for benefits but for the purpose of this Policy does not include superannuation.

### **3.11 Salary Sacrifice**

means an allocation of amount of money to be deducted from gross earnings before PAYG tax deductions are calculated.

### **3.12 Total Remuneration**

means total package value (expressed as an annual sum) assigned to the permanently occupied position that the employee is entitled to receive under an appointment or contract of employment with the Shire.

## **4 Policy**

Salary packaging will be made available to employees as a benefit in accordance with any operational practices and procedures implemented by the CEO and in accordance with ATO legislation, rulings and any other relevant legislation, as amended from time to time, but only to the extent of the Allowable Benefits as defined in this Policy.

Salary packages will be adjusted accordingly (within an employee's agreed total remuneration) to account for variations in a salary packaging arrangement, including variations in Allowable Benefits, taxation, and scheme participation.

No employee may salary package more than 50% of their Total Remuneration.

Salary Packaging Arrangements will be administered at no financial cost to the Shire and where required by the CEO or when required the external salary package provider administering the package. As part of any salary packaging arrangement, the cost of administering the package (if applicable) is to be met by the participating employee. Prior to approval by the CEO of any Salary Packaging Arrangements the participating employee is to be provided with a cost estimate for the Shire to administer the package in the form of an estimate of the number of hours per annum that Shire staff will expend on administering the employee's Salary Packaging Arrangements with an annual administration fee calculated based on the estimated hours times the salary and overheads of the relevant employee charged with administering the Shire's end of the arrangements. This administration fee will be charged against the employee as a payroll deduction and a written agreement is to be entered into prior to the Salary Packaging Arrangements commencing.

All employees entering into a salary packaging arrangement for the purposes of an allowable benefit must enter into an agreement as appropriate to the type of benefit. All employees must ensure compliance with the agreement entered into and all organisational practices and procedures, as amended from time to time.

Any Fringe Benefits Tax (FBT) or other tax liability is to be met by the participating employee and the employee must agree to this by signing a salary packaging agreement prior to entering into a salary packaging arrangement with the Shire.

It is an individual employee's responsibility to monitor packaging arrangements and to be aware of and responsible for any individual consequences of participating in an arrangement relating to allowable benefits. The Shire strongly urges employees contemplating salary packaging to seek independent financial or other appropriate advice.

Benefits of participation will vary according to individual circumstances and individual participation, therefore participation is a matter of individual employee decision, responsibility and risk.

In the event of tax rulings or laws changing the Shire of Bridgetown-Greenbushes takes no responsibility or liability for the rectification, amendment or ceasing of any existing Salary Package arrangement.

All salary packaging arrangements, with the exception of novated leasing, cease immediately when an employee leaves the employ of the Shire of Bridgetown-Greenbushes or is on Leave without Pay (LWOP) for a period exceeding 10 days. This includes employees on parental leave. Employees on LWOP must ensure that the reduced income and any payment consequences of that are notified and discussed with HR or the relevant external provider at least one (1) month prior to taking the leave.

Salary Packaging, with the exception of novated leasing, will be suspended during claims for Workers Compensation. As Workers Compensation is calculated on the taxable income, figures submitted to LGIS in relation to a claim will be based on the normal base wage applying to that employee (as would be the case without salary packaging).

The following benefit specific eligibility criteria apply:

#### *Remote Area Housing – Rental*

All employees, within the scope of this Policy, may be eligible for remote area housing benefits whereby they rent a property privately within a Remote Area.

#### *Remote Area Housing – Mortgage Interest*

All employees, within the scope of this Policy, may be eligible for remote area mortgage interest benefit whereby they own and live in a property located within a Remote Area.

#### *Work Related Items*

The following items (limit of one item per category per annum), where used for work purposes only and not provided by the Shire, may be paid for from an employee's pre-tax salary:

- portable electronic devices (laptops, mobile phones and PDA's)
- protective clothing
- briefcase
- calculator
- computer software

## Novated Leasing of Vehicles

Novated car leases for new or used cars may be packaged by employees. Novated leases may not be entered into for Shire provided (fleet) vehicles.

In entering into a novated lease, the Shire and an employee will enter into an agreement with the financier whereby the Shire will ensure repayments under the finance lease are made by deducting the repayment amount from the employee's salary.

The employee will own the vehicle and has the right to take the vehicle with them should they leave employment of the Shire.

On termination of the employee's employment, or on termination of the novated lease, the responsibility of the vehicle is passed on to the employee. This will also occur when the employee is on extended periods of LWOP and/or Workers Compensation.

## Remote Area Housing

The Shire of Bridgetown-Greenbushes is considered a 'Remote Locality' under the ATO's definition of 'Remote Area'. Additionally an employee will live outside of the Shire area and also be within a 'Remote Locality'.

Where an employer subsidises certain costs that employees incur in acquiring accommodation in Remote Areas, housing assistance concessions may be applicable. Specifically, eligible employees may salary package the following items under this Policy:

### Rent – Employer Provided Housing

The CEO, at his discretion may agree to provide eligible employees with a Council owned or leased rental property as part of their package, whereby the employee may enter into a salary sacrifice arrangement to salary package 100% of the rental value tax free.

### Rent – Private Rentals

Employees renting privately (i.e. employees who have a rental agreement with a landlord or agency), within a Remote Area can apply to salary package 50% of their rental value tax free through being paid part of their total remuneration as a nontaxable remote housing reimbursement. Their Base Cash Salary will be reduced accordingly.

Rental value relates to the employee's portion of the rental payment only, i.e. if an employee rents with another non dependant person, then the rental value will be half of the total rental value paid.

The employee must provide to the CEO (or when required the external salary package provider administering the package) a copy of their rental lease and this must clearly specify the rent payable, the term of the lease, and show them as the lessee or co lessee of the rental property. The employee must also sign a declaration stating whether they rent the property alone or with others and whether those others are dependants or not.

### Mortgage Interest

Subject to further qualifying criteria below, employees that have a mortgage on their home and which is in a Remote Area can apply to salary package their interest expenses on the mortgage. The home must be their usual place of residence.

The employee receives reimbursement of 100% of their interest expenses paid through being paid part of their total remuneration as a reimbursement. Their Base Cash Salary will be reduced

accordingly. 50% of the reimbursement does however attract FBT, which is payable by the employee. The reimbursement is not a reportable fringe benefit and is therefore exempt from payment summary reporting.

To be eligible to access a Mortgage Interest benefit under this Policy, the mortgage that an employee holds must be in strict accordance with the following criteria:

- The sole purpose of the loan must have been for the purchase of the employees home;
- The employee must reside in this property as their primary place of residence;
- The loan can be fixed and/or variable;
- The loan may be a principal and interest type loan of an interest only loan. In the event that an interest only loan is converted to a principal and interest loan, consolidation of other debts into the loan will disqualify it from eligibility;
- The loan cannot have a redraw facility;
- The 'home' must be a house, unit, flat or apartment (a caravan or mobile home is not considered a 'home' for these purposes)

The employee must provide to the CEO (or when required the external salary package provider administering the package) any evidence required to demonstrate the above criteria is met. Typically this will be:

- Property settlement papers showing the purchase details for the house.
- Copy of bank letter showing the loan arrangement – whereby the loan must be in the employee's name or jointly with their spouse and for the purposes of the purchase of the house only.
- Mortgage statements clearly identifying the interest reimbursement sought.

#### Remote Area Domestic Energy

Employees who package remote area housing benefits can apply to salary package 100% of the value of the cost of their residential electricity and gas tax free through being paid part of their total remuneration as a reimbursement. Their Base Cash Salary will be reduced accordingly. 50% of the reimbursement does however attract FBT, which is payable by the employee. The reimbursement is not a reportable fringe benefit and is therefore exempt from payment summary reporting.

The employee is only able to package residential electricity and gas costs paid during the period of their employment with the Shire of Bridgetown-Greenbushes and for the period that they are claiming a remote housing benefit.

The employee must provide to the CEO (or when required the external salary package provider administering the package) tax invoices and any other required evidence of purchase and payment of the domestic energy and that the energy was used in the house being packaged. The invoices must be in the employee's name or jointly with their spouse or partner.

## 5 Applicable Legislation and Documents

<b>Statutory Power</b> <i>(Acts, Regulations, Local Laws, TPS)</i>	<i>Local Government Act 1995</i> s.2.7(2)(b) – The council is to determine the local government’s policies <i>Income Tax Assessment Act 1997 (Cth)</i> <i>Fringe Benefits Tax Act 1986 (Cth)</i> <i>Fringe Benefits Tax Assessment Act 1986 (Cth)</i> <i>Fringe Benefits Tax Assessment Regulations 2018</i>
<b>Shire Policies</b>	N/A
<b>Related Documents</b>	N/A
<b>Related Procedure</b>	N/A

## 6 Administration

<b>Original Adoption Date</b>	30 March 2017 (C.09/0317)
<b>Last Variation Date</b>	28 November 2019 (C.06/1119)
<b>Last Reviewed</b>	28 April 2022 (C.08/0422)
<b>Scheduled Reviewed Date</b>	30 November 2023