

A Guide to Salary Packaging 'Reportable Fringe Benefits'

Date : September 2018

About The Salary Packaging People

The Salary Packaging People are an independent company who administer salary packaging on behalf of your employer. We are required to comply with statutory requirements and taxation legislation. All information sent to us is treated as strictly confidential.

What is Salary Packaging?

Your employer is regarded as a 'not for profit' or 'public benevolent institution' and therefore does not attract Fringe Benefits Tax (FBT). This tax status allows your gross salary to have a tax-free component per FBT year (1 April to 31 March each year). This tax-free component is for Reportable Fringe Benefits (refer to the following section) and is currently capped at \$15,900 worth of expenses. The amount paid through your salary deductions is 'Grossed Up' (refer to the 'Grossed Up' section of this document) and this amount appears on your PAYG Summary at the end of the Financial year.

What Can Be Salary Packaged? (Reportable Fringe Benefits)

Mortgage repayments	Private home rental
School & university fees	Personal loan
Household & living expenses	Health insurance
Credit card payments	Motor vehicle expenses
Life insurance/General Insurance	Medical, dental, optical expenses
Child care expenses	Salary Packaging Debit MasterCard

Please note: A credit card payment is treated as an 'expense' fringe benefit. Payment on the credit card account forms part of the salary packaging arrangement. You have the option to have this benefit directly debited to your credit card account.

The above is an outline of the most common Reportable Fringe Benefits that employees include in their Salary Package. You are also able to package Exempt and Concessional benefits, which are detailed in separate guides. If you wish to package expenses other than those listed, please consult us to ensure the amount falls within the FBT legislation and to arrange the method of payment.

How is Salary Packaging Paid?

Your nominated salary packaging amount is deducted from your gross pay (which in turn reduces your tax). This will appear on your payslip. That amount is transferred to us and we then disburse it in accordance with your instructions, usually the day after your pay day.

'Grossed Up' amount

A Grossed Up Amount is calculated because your salary deductions for your Reportable Fringe Benefits do not have income tax paid on them. Grossed Up is defined by the Australian Taxation Office as 'the gross salary an employee would have to earn at the highest marginal tax rate to purchase the packaged benefit from post-tax dollars'.

The formula issued by the ATO is:

Total Taxable Value ÷ (1 – Top marginal tax rate + Medicare Levy).

Therefore, if you salary package to your current maximum tax-free component of \$15,900, the following would apply:

$\$15,900 \div (1 - 0.47) = \$15,900 \div 0.53 = \$30,000$.

As a result, \$30,000 will appear on your employer supplied PAYG Summary at the end of the financial year. The Grossed Up amount does not mean you have to pay any extra tax. This amount is used in calculations for some income tested Government Benefits, Child Support obligations, HECS/HELP debts, etc.

How to Apply for Salary Packaging

You will need to complete our Salary Packaging Application/Amendment form which identifies the items that you wish to salary package and what you need to provide to ensure your packaging arrangement complies with any Government regulations.

You will need to provide 'evidence' to us that you will be incurring the expense that you have identified for salary packaging e.g. a copy of a credit card statement, a bank statement for your mortgage.

The Form also requests that you nominate which bank account you wish to have the money deposited.

The Form is available online at www.salarypackagingpeople.com.au or you can contact us on 03 5229 4200 or info@salarypackagingpeople.com.au.

After salary packaging details have been approved by us, the amount including fees is provided to payroll, who commence deductions from the following pay cycle.

Independent Financial Advice

It is recommended that you seek independent financial advice on the make-up of your salary packaging. Ensure that your financial advisor is familiar with salary packaging.

Please contact The Salary Packaging People on 03 5229 4200 or info@salarypackagingpeople.com.au with any queries and to arrange the set-up of this benefit.

You can also enquire through our website www.salarypackagingpeople.com.au