Policies and Procedures

Title Salary Packaging Policy

Sections: All

Introduction

Co.As.It. provides a voluntary salary packaging scheme for eligible Co.As.It. employees (refer to Eligibility).

Salary packaging is all about letting employees pay for some of their expenses, such as mortgage and credit cards, from their pre-tax salary and only pay tax on the cash remaining.

The Australian Taxation Office (ATO) recognises Co.As.It. as what is known as a Public Benevolent Institution (PBI). When a PBI provides benefits instead of cash salary, no tax is paid. The benefit for employees of Co.As.It. is that when they salary package, they pay NO TAX on the amount they package.

There are likely to be savings achieved by the employee through paying less tax and increasing their after tax income. After charges for an annual packaging administrative fee shared by individual participants and Co.As.It., the savings will be shared on a 50/50 basis between the employee and Co.As.It.

Advantages of Salary Packaging
Both employees and employers can benefit from salary packaging:

- increased after tax pay for employees,
- a 50/50 sharing of the after-tax savings and limited sharing of the scheme's administration costs, *(refer to Administration Cost)*
- improved staff morale gained by employees enjoying access to packaged benefits and
- a higher attraction level and retention rate of key and valued employees.

Policy

It is the organisation's policy to provide employees with flexibility and choice in relation to salary packaging on a user-pays basis and to maximise the available tax concessions with the provision of benefits that are of most use to employees and at least cost to the organisation. Salary packaging arrangements can be regularly reviewed to ensure flexibility and level of competitiveness maximised.

The employee is encouraged to seek financial advice to ensure any salary packaging arrangement meets their individual needs.

Items that may be packaged are those: -

- General expenses such as mortgage and credit cards up to a defined limit;
- Items that ATO defines as Fringe Benefits Tax (FBT) exempt; or
- that attract concessional FBT

Any FBT liability that arises as a result of the provision of benefits is fully costed to and borne by the employeeõs Annual Salary.

Definitions

Annual Salary
The sum of Cash Salary and any Salary Sacrifice arrangements. Used as the basis for calculating annual leave loading, overtime, employer superannuation contributions and other periodic payments.

Cash Salary
Salary taken in cash (before tax) excluding loadings, allowances, salary sacrifice or any other benefit. It does not include overtime, commissions, bonuses or any other special payments. Also commonly referred to as base salary or taxable salary.

Fringe Benefit Tax (FBT)
Applies where an employer, in respect of employment, provides a benefit to an employee. Non-cash benefits are generally subject to FBT payable by an employer.

(Personal) Income Tax
Applies to salary and like payments received by an employee. Cash Salary, including most allowances is subject to income tax at marginal rates.

Input Tax Credits (ITC)
An employer receives a refund of GST, where payable, on a fringe benefit packaged by an employee. The value of the credit will be passed back to the employee.

Otherwise Deductible
Where a fringe benefit could have been claimed as a personal income tax deduction.

Package Year
Each employee will operate their salary packaging arrangements within a ñpackage yearò. Irrespective of when an employee commences packaging, the ñpackage yearò ends in order to comply with 31 March FBT year reporting requirements. Each new ñpackage yearò is for twelve (12) months and commences on 1 April. At the completion of each ñpackage yearò, employees

may review and vary their benefits for the following "package year".

Salary Packaging
Refers to the process of structuring an employee's Annual Salary in such a way that it is most valuable and tax effective.

Eligibility
All full time and part-time employees whose contract or award under which they are employed allow for salary packaging are eligible to package their salary to meet their individual needs.

Voluntary participation
Entry into the salary packaging scheme is voluntary. If individuals choose not to join the scheme, they continue receiving 100% of their salary in cash and subject to the usual rate of withholding tax. Likewise, employees may exit the scheme at any time should their circumstances change, subject to meeting the required period of notice (4 weeks) and any payout obligations.

Salary Packaging Provider
An external provider has been engaged to manage employee's flexible salary packaging arrangements on a user-pays basis. The external provider is Remunerator (Aust) Pty. Ltd ("Remunerator"). Co.As.It. Payroll will continue to pay your cash salary

Employee Responsibilities
Employees must be careful to ensure that they have allocated sufficient funds to meet the total cost of benefits and that they have sufficient funds to support their day-to-day lifestyle.

Financial Advice
The nature of salary packaging is such that the value of benefits for each employee will be different as will be the impact of the different tax treatments that apply to the benefits. The needs and situations of employees are unique. For this reason, employees are encouraged to seek independent, professional advice eg. an accountant or financial advisor. Remunerator has available Financial Advisors to assist you where needed. Contact details are located on their website www.remunerator.com.au. In all circumstances, employees meet the cost of any Financial Advice.

FBT
Any fringe Benefits Tax liability that arises as a result of the provision of benefits will be fully costed to and borne by the employee's Annual Salary.

Maximum Limits on Salary Packaging
Employees will be able to package up to 100% of their Annual Salary.

Administration Costs
The cost of administering salary-packaging arrangements via the salary-packaging provider will be borne by the employee and the employer on a 50/50 basis. Cost associated with employee initiated changes after annual review will be borne by the employee.

Variation to Annual Salary Components
Adjustments to Annual Salary will generally be effective from the commencement of a pay cycle. Any variations within an existing package will be treated similarly.

Workers Compensation
Salary Packaging will be suspended while an employee is receiving Workers Compensation payments.

Unpaid Leave
In most instances, approval of any period of leave without pay of more than five days will require the employee to cease salary packaging.

However, for convenience we recommend that you notify payroll PRIOR to leave without pay period and arrange additional deduction(s) to cover the period without pay to cover the payment of benefits.

It is the responsibility of the employee to notify the salary packaging provider when an employee's salary packaging arrangements will be affected as a result of the approval of unpaid leave.

On returning from unpaid leave, the employee and employer will need to reach agreement on an appropriate time for the employee to rejoin the salary packaging scheme.

Changing From Full Time Employment to Part Time Employment
Where an employee ceases full time employment and enters into a new agreement with the employer to work part time, the existing salary package will cease from the commencement of part time employment, and a new salary packaging agreement will have to be negotiated.

It is the responsibility of the employee to notify the salary packaging provider of the change in employment status.

Changing the Agreed Salary Package
Changes to the Salary Package can be made on annual review at the end of each package year (31 March). (refer to Administration Costs)

Benefits that can be Salary Packaged

- General expenses such as mortgage and credit cards up to a defined limit;
- Items that ATO defines as Fringe Benefits Tax (FBT) exempt; or
- that attract concessional FBT

Any FBT liability that arises as a result of the provision of benefits is fully costed to and borne by the employee's Annual Salary.

FBT Exempt Threshold Benefits
As Co.As.It. is classified as a PBI under the FBT laws, you are able to package without adverse FBT or income tax consequences up to the lesser of: -

- the PBI threshold limit* (e.g. for the FBT year ending 31 March 2007- the net sum of $16,050 or equivalent "grossed up" amount of $30,000) or
- the maximum allowable packaging limit of your Annual Salary into general expenses such as mortgage, rent and credit card

FBT Exempt Items
These items are specifically excluded from FBT so the cost to package is simply the value of the benefit.

- Superannuation Contributions

Salary sacrifice superannuation contributions involve the employee sacrificing pre-tax salary in favour of having additional employer contributions made on the employee's behalf. This provides an opportunity for employees to boost their retirement savings and obtain potential benefits from tax concessions.

Co.As.It. will administer the payments of the Superannuation Contribution Guarantee (SCG) to the Default Superannuation Fund or employee fund of choice. This will be administered at no cost to the employee. However if a staff member wishes to make their own contributions, then they can do so via the salary package provider.

For this to occur, the Superannuation Fund must be a registered compliant fund and be able to take EFT deposits. Normal salary packaging costs will apply.

- Laptop Computer or Electronic Diaries

The exemption for portable computers is limited to the purchase or reimbursement of one computer and /or one electronic diary per year per employee.

- Meal Entertainment Expenses

  Meal Entertainment Expenses includes the food and drink you purchase from restaurants for yourself, your family or your friends. It doesnœt have to be work-related in any way and can include the catering for weddings or other functions. It can be packed free of Fringe Benefits Tax, and is **in addition to the FBT Exempt Threshold Benefits** that you are already entitled to package. Even better, there is no limit to the amount of Meal Entertainment that you can package.

The Effect of GST – Input Tax Credit

Where Co.As.It. can claim an input tax credit (ITC) (a refund of GST) on a fringe benefit packaged by an employee, it will pass on the value of the credit to the employee. Similarly, where Exempt Fringe Benefits are provided in an employeeœs package a GST liability does not arise.

This is attractive for both employee and employer: The employer is entitled to a GST refund (the benefit of which is passed on to the employee) and the GST refund would not have otherwise been available to the employee (if the item was claimed as an income tax deduction).

It should be noted that where GST payable benefits are included, because an ITC is received, the maximum allowable of $16,050 will reduce to the amount of ITCs obtained.

Reportable Fringe Benefits
Employers are required to keep records of the fringe benefits provided to each employee.

Where an employee receives fringe benefits with a total taxable value of more than $1,000 in an FBT year, employers must record the grossed-up taxable value of those benefits on the employeeœs payment summary (group certificate).

This amount does not attract income tax, however, these reporting arrangements ensure some government income tests take into account the reportable fringe benefits people receive.

The information that is reported on payment summaries will be used to work out an employeeœs: eligibility to claim superannuation tax offsets and deductions; liability for the termination payments surcharge and the Medicare levy surcharge; entitlements to certain income-tested government benefits and concessions; child support obligations; and higher education contributions scheme (HECS) repayments. Please refer to the "Pack Facts" section of the Remunerator website for further information on the impact of these entitlements when you salary package.

The financial implications of reportable fringe benefits vary for each individual and you are advised to speak with your accountant, or the Australian Taxation Office.

Related Policies •	
Related Forms •	
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