Salary Packaging

Department: Organisational Development & Governance
Responsible Officer: Executive Manager

Disclaimer

This document has been prepared without the consideration of the particular investment objectives, financial situations and needs of Bega Valley Shire Council (BVSC) employees (employees).

In all cases employees must conduct and rely upon their own investigation and analysis of the information contained in this document and from the Salary Packaging Provider (RACV Salary Solutions). No employee should act on the basis of any matter contained in this documentation without considering, and, if appropriate, obtaining independent, legal, financial and other professional advice upon the employee’s particular circumstances.

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

BVSC, each employee, employees of RACV expressly disclaims all liability for any loss damage of whatsoever kind (whether foreseeable or not) which may arise from any person acting or relying on any statements contained in this documentation, and notwithstanding any negligence, default of lack of care.

Employees should not assume any item or matter not covered by this document is available for packaging but should seek clarification of the matter from RACV.

While this document discusses taxation at a general level, given the complexity of taxation legislation, individual circumstances may produce particular results. Each person wishing to take advantage of remuneration packaging is required to take independent financial advice.

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

Please be aware, Financial Planners do not determine BVSC’s, or RACV’s procedures on salary packaging. Consequently employees need to be familiar with RACV’s approved items and arrangements. If in doubt about any aspect, contact RACV.

What is salary packaging?

Salary packaging is a legal process whereby an employee, with the approval of the employer can take their salary as a combination of cash and non-cash benefits. For example, the payment of a novated lease and running expenses associated with a motor vehicle; a laptop computer or supplementary superannuation; BVSC Council provided – in house benefits e.g. Childcare fees from Council administered Child Care Centres; and remote area taxation benefits may be packaged.

Salary packaging can provide a range of benefits to employees and BVSC as an employer, such as:

- Net increases in remuneration for employees
- Retention of valued employees, and
- Attraction of key employees.
There is no Pay as You Go (PAYG) tax payable on these benefits when salary is packaged. The non-cash benefits are paid for from the employee’s pre-tax salary. Under a salary packaging arrangement a combination of PAYG and Fringe Benefits Tax (FBT) replace the income tax normally payable on the employee’s pre-tax salary. The level of FBT depends on the type and value of the benefit items packaged. The overall tax outcome for each employee will vary depending on the employee’s particular circumstances.

Taxation rules now require the taxable value of any fringe benefit, as defined in the Fringe Benefits Tax Assessment Act 1986 (the Act), be “grossed up” and shown on the employee’s group certificate (payment summary) at the end of each financial year. The Act defines the type of benefits and how the benefits are treated for tax purposes. Any change in current legislation will impact on salary packaging.

Salary packaging for eligible BVSC employees became available from pay period ending 1 October 2010 and is provided by an external services provider, RACV Salary Solutions.

BVSC is not responsible for providing advice to employees about any aspect relating to establishment, administration and monitoring of any employee’s salary packaging arrangement.

RACV will manage all aspects of salary packaging directly with employees including information sessions about the approved items/products available for salary packaging, establishing, administration (including FBT) and monitoring of each individual employee’s salary packaging arrangement.

Employees can refer to Website: [https://www.RACVsalarysolutions.com/Public/default.aspx](https://www.RACVsalarysolutions.com/Public/default.aspx)

Customer Service Hotline: 1800 680 180

BVSC Pay and Conditions area will be responsible for deducting the required salary packaging contributions from employees’ fortnightly pay, as advised by RACV, and forward these payments to RACV.

**What are the salary implications/benefits for employees?**

**Assessable income**

The employee pays income tax only on the reduced salary (after the pre-tax salary packaging items have been deducted from the gross weekly salary) and the employee receives a reduced salary plus non-cash benefits. Employees can also make employee contributions from their after-tax income towards the cost of providing the benefit (ECM).

**Income for superannuation purposes**

The employee’s income for superannuation purposes is their gross salary excluding any deduction for salary sacrifice. Eligible employees will continue to contribute to their current superannuation scheme.

**Who can participate in “salary packaging”?**

Salary packaging is only available to permanent full-time or permanent part-time employees, fixed term/temporary employees with continuing employment for 6 months or more and Senior Contract Executive employees.

**Information as part of considering whether to enter into a salary packaging arrangement**

The below points must be carefully considered by BVSC employees prior to considering entering into the salary packaging scheme:

- The salary packaging scheme is voluntary.
- All administration costs associated with salary packaging are to be paid by the employee.
• An employee makes choices in their own best interest and within their own financial means.

• In agreeing to salary packaging, the employee’s annual remuneration will be comprised of a salary component, non-cash benefits, FBT if applicable, GST, stamp duties and other charges of a similar nature. Entering into salary packing will reduce the annual cash salary.

• Annual leave, sick leave, long service leave and superannuation will be calculated on the gross remuneration.

• It is the responsibility of the employee to notify RACV Salary Solutions of any changes in their work pattern and subsequent changes in salary packaging arrangements.

• The employee indemnifies BVSC against any FBT liability which may arise from salary packaging. (FBT liability may come about as a result of (amongst other actions) the employee not travelling the Kilometres nominated when setting up or changing their Novated Lease salary packaging arrangement with RACV

• Goods and Services Tax (GST) credits will be passed onto the employee.

• The employee indemnifies BVSC against any actions, claims, demands or proceedings arising from:
  o Any advice or communication between BVSC or RACV Salary Solutions and the employee including all costs, expenses or losses BVSC may incur defending such actions;
  o Any taxation liability, penalties, costs or charges incurred by BVSC in establishing a Salary Packaging Agreement;

• When employees resign from BVSC, the employee’s salary packaging arrangements will be terminated.

• Upon cessation of employment, BVSC shall deduct from final payments due to the employee, the value of any costs, charges or over-expenditure incurred on behalf of the employee by RACV including any FBT liability.

• The terms of any Agreement between BVSC, the employee and RACV Salary Solutions remain confidential.

• The employee agrees to reimburse BVSC for any FBT liability incurred in respect to their salary packaging from their usual salary paid in April each year, (being the first month after the previous FBT year).

Information relating to novated motor vehicle lease

Employees need to be aware of the following points regarding establishing a salary packaged novated vehicle lease arrangement:

• The motor vehicle is registered in the employee’s name.

• The employee must log their odometer every time they fill up with petrol and upon request from BVSC or RACV Salary Solutions.

• The vehicle fuel card is used for vehicle related expenses only.

• A valid tax invoice must be provided before any reimbursement of expenses.

Independent financial advice

Generally, BVSC requires all employees wishing to salary package to obtain independent financial advice, including specialist advice on packaging options, before making any decisions.

As part of establishing a salary packaging arrangement, employees will be required to sign a letter stating they have received independent financial advice (Attachment A). Should an employee not wish to obtain independent financial advice, they must sign a waiver letter – explaining they have forgone this requirement (Attachment B).

The independent financial advisor will provide a tax invoice for the service rendered which is an eligible salary packaging FBT exempt item as a reimbursement of the tax component. A Tax Invoice must be forwarded to RACV for processing/inclusion in the employee’s salary package arrangement.
Employees are strongly advised to ensure the financial advisor is a licensed securities dealer. Regardless of which independent financial adviser is chosen, each employee will need to be fully conversant with the items allowed to be packaged through RACV.

**Note**
BVSC will not be responsible for any advice provided to employees by their financial advisors.

**Employee responsibilities in the administration of a salary package arrangement**

Employees are required to take a pro-active role in the packaging administration themselves. For example, with novated motor vehicle leases, information in vehicle usage (odometer readings) in relation to FBT liability must be provided to RACV by the nominated date following the end of each FBT year (31 March) and monitoring of one’s accounts on a regular basis.

**Leave without Pay (LWOP) or Long service Leave (LSL) Annual Leave at Half-Pay**

Employees will need to ensure there are adequate funds in their package balance to sustain any period of LWOP or LSL leave at half pay. You will need to discuss this issue with RACV regarding ensuring salary commitments are met during periods of leave.
Employee Acknowledgement

I have read the Bega Valley Shire Council’s Salary Procedure and I am aware of my responsibilities regarding entering a salary package arrangement.

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Attachment A

SALARY PACKAGING INDEPENDENT FINANCIAL ADVICE

TO: Payroll Officer | Strategy and Business Services

I……………………………………………………………………………………………………… (Full Name)

Employee No: …………………………………………………………………………………

Intend to salary package: ……………………………………………………………………………………………………………………

(please enter item/s you will be packaging) have obtained Independent Financial Advice as required under the Bega Valley Shire Council Employee Salary Packaging Procedure.

I understand that any decision to proceed with an offer of Salary package is made with this advice.

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Attachment B

SALARY PACKAGING WAIVER OF INDEPENDENT FINANCIAL ADVICE

TO: Payroll Officer | Strategy and Business Services

I……………………………………………………………………………………………………… (Full Name)

Employee No: …………………………………………………………………………………

I intend to salary package ………………………………………………………………………………………………………………… (please enter item you will be packaging) and hereby request to waive the requirement to obtain
Independent Financial Advice as required as per procedure 5.04.30 Salary Packaging, dated 17 February
2014.

I make this request on the understanding that any decision to proceed with an offer of Salary Package is
made without this advice and therefore indemnify BVSC or RACV against any further actions related to my
salary packaging arrangement.

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