

POLICIES AND ASSOCIATED PROCEDURES

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POLICY NAME:	Salary Packaging
DATE APPROVED:	4 July 2008
POLICY TYPE AND CATEGORY:	General (Human Resources)
RESPONSIBLE OFFICER:	Director, Human Resources
FIRST EFFECTIVE DATE:	5 June 2006

1.0 PURPOSE

To establish a framework to facilitate eligible staff to confidently exercise voluntary salary packaging of available benefits.

2.0 BACKGROUND

Salary Packaging was introduced at Victoria University in 1997 with the purpose of providing more flexible remuneration to eligible existing staff and as one means of attracting new quality staff to the University. The administration of the scheme was outsourced until 2003 when a comprehensive review was undertaken. As a result of this review, the administration of salary packaging was brought in house allowing the scheme to operate more efficiently. Fees are no longer paid for any benefits other than vehicle leases.

3.0 DEFINITIONS

Salary Packaging – a legitimate scheme which allows eligible staff members to nominate the University to pay for benefits in future as a substitute for salary. The value of benefits taken results in a reduction to the staff member's gross salary before income tax is determined.

Salary Package Agreement – a signed agreement between the employer and staff member, where the staff member agrees to forego all or part of their future entitlement to salary in return for the employer providing benefits of equal value.

Fringe Benefits Tax (FBT) – a tax paid by employers on certain benefits provided by employers to staff in place of or in addition to salary. Under University salary package arrangements, any FBT applicable to benefits provided is paid by staff as part of the value of the benefit.

Operating Lease - is a vehicle leased to the University from a contracted vehicle supplier for a specified term and assigned to a staff member under a salary packaging arrangement.

Novated Lease – is a vehicle leased to a staff member from a contracted vehicle supplier for a specified term with a set purchase or residual value paid by the staff member at the end of the lease to own the vehicle.

Associate Lease - is a tripartite vehicle lease arrangement between the University, staff member and an associate of the staff member (spouse or eligible family member). This involves the associate renting the vehicle to the University under an operating lease agreement and the University providing the vehicle to the staff member under a salary package agreement.

4.0 KEY WORDS

Salary packaging, salary package agreement, FBT, operating lease, novated lease, associate lease

5.0 POLICY

5.1 ELIGIBILITY

Salary packaging is available to all continuing and fixed term staff members. However, staff employed on a fixed term contract, who wish to take up either an operating or associate vehicle lease, must have a contract end date beyond the end of the lease term.

Salary packaging is not available to sessional or casual staff members.

5.2 FINANCIAL ADVICE

There is no limit on the amount of a staff member's salary which can be salary packaged. However, the University strongly encourages all interested staff to obtain financial advice before commencing a salary packaging arrangement.

5.3 SALARY PACKAGE AGREEMENT

An individual salary package agreement between the University and a staff member must be executed before any benefits are provided. A staff member's substantive salary, before the affect of any salary package benefits, will remain the basis for the calculation of other remuneration benefits including employer superannuation, termination payments, overtime and shift penalties and annual leave loading.

5.4 RANGE OF BENEFITS

The range of items available to be salary packaged is restricted to benefits which do not incur FBT or where FBT is charged on a concessional basis. A list of benefits available is provided below:

Concessional FBT

Car Leases – Operating, Novated, Associate

FBT Exempt

Superannuation

Childcare costs at University centres (excluding St. Albans)

University Gym Membership

Purchases at University bookshops (limit \$1,000 per FBT year)

Victoria University Sports Camp Fees

Flinders Street Car Parking

Airport lounge memberships

University employment related relocation costs

Professional Memberships and Union Fees

Benefits requiring business substantiation in accordance with the Income Tax Assessment Act 1997 or work related test to satisfy the Fringe Benefits Tax Assessment Act 1986 are not provided.

In the case of operating lease vehicles, only one vehicle per staff member is available. There are no restrictions applicable for other types of vehicle leases.

FBT is payable by staff for all vehicles leased under an operating, novated, or associate lease. Each vehicle has a taxable value under FBT legislation determined by a formula which is based on the value of each vehicle and kilometres traveled in an FBT year: 1st April to 31st March. However, the payment of FBT can be eliminated where staff make **after tax** contributions through their pay equal to the taxable value of the vehicle.

5.5 ACCOUNTABILITY

The accounting for salary packaging will be conducted by University staff and systems with bank account reconciliations undertaken on a monthly basis.

The cost of salary package benefits is to be met by staff pay deductions, unless otherwise arranged.

In cases where staff elect to arrange their own insurance for a leased vehicle, a copy of the insurance policy noting the supplier as owner will be required by the Human Resources Department within seven (7) days after vehicle delivery.

A copy of the staff member's driver licence will also be required with each vehicle lease to meet University audit requirements.

Human Resources Department will ensure that up to date information on salary packaging benefits and tax legislation regarding salary packaged benefits is provided to staff.

5.6 WITHHOLDING OF BENEFITS

The University reserves the right to withhold any salary package benefits or remuneration in the event of unforeseen costs arising from any breach of a salary package agreement by a staff member.

The University reserves the right to review and amend the range of benefits available to staff at any time.

5.7 MILEAGE CLAIMS

Staff with operating, novated or associate leases are entitled to receive a taxable per kilometer allowance when using salary packaged vehicles for business use. Payment rates are set in the Travel Policy.

6.0 PROCEDURES

Steps to observe for staff interested in salary packaging are available in the Salary Packaging Guidelines available on the Human Resources web site, or in the attached [appendix](#).

7.0 CONGRUENCE WITH LEGISLATION AND RELATED POLICIES

Income Tax Assessment Act 1997.
Fringe Benefits Tax Assessment Act 1986.
Various taxation rulings.

8.0 ACKNOWLEDGEMENT

9.0 CONSULTATION

With Director of Human Resources, HR staff, Finance staff and VCAC Services

10.0 REVIEW

This policy will be reviewed by the 31st December 2008.

11.0 ACCOUNTABILITIES

11.1 RESPONSIBILITY

The Director Human Resources has senior management responsibility for this policy.

The General Manager, Employee Services – Human Resources is responsible for the implementation and maintenance of this policy.

11.2 IMPLEMENTATION PLAN

As this policy documents current practice no implementation plan is required. The University Induction Program includes information on salary packaging. Regular bulletins will be provided to staff on the range of benefits available.

11.3 TRAINING PLAN

No specific plan is required as Salary Package Guidelines detailing benefits available and steps to follow for eligible staff are available from the Human Resources website.

11.4 COMPLIANCE

The salary packaging scheme is subject to internal audit processes.

11.5 EFFECTIVENESS OF THIS POLICY

This can be measured by the number of staff participating in the salary packaging scheme.

12.0 POLICY ADVISOR

General Manager, Employee Services – Human Resources

13.0 FORMS

The following forms can be accessed at:

- Motor Vehicle Quote/Order
- Salary Packaging Expense Benefit Declaration
- Information Sheet – Salary Packaging Expense Benefit Declaration
- Motor Vehicle Kilometre Declaration

14.0 APPENDICES

[Salary Packaging Guidelines](#)

SALARY PACKAGING GUIDELINES

Overview

Salary Packaging is a legitimate form of flexible remuneration which allows eligible staff members to have the University pay for benefits as a substitute for salary. The total value of these benefits is defined as a "salary package", the cost of which is administered by a reduction from gross salary.

Eg: John Citizen earns \$50,000 and wishes to salary package \$21,000 of benefits – superannuation (\$3,500), a leased vehicle (\$13,000, inclusive of FBT and running costs) and childcare fees (\$4,500). John Citizens' residual salary is \$28,125 calculated as follows:

Gross Salary	50,000
<i>less:</i> Benefits Salary Packaged	21,000
<i>less:</i> Administration Fee (on vehicle lease)	250
Residual Salary	28,750

The salary package cost of \$21,250 is paid by John Citizen as a deduction from gross salary in 26 equal fortnightly payroll deductions of \$817.30 (i.e. \$21,250 divided by 26).

As salary package benefits are deducted from gross salary, the amount of income tax payable is substantially lower thereby reducing the impact on take home pay. This gain is illustrated in Example 1 on page 9.

Some benefits attract Fringe Benefits Tax (FBT), which can partly or fully offset these income tax savings. This aspect will be covered in detail under the section captioned "Range of Benefits" below.

Staff payroll contributions are calculated to meet payments over a prescribed period (e.g. vehicle lease, yearly FBT liability) or payment frequency (e.g. monthly fuel costs). There are no pro-rata payroll adjustments for benefits (e.g. childcare) commencing during a pay cycle. For staff reducing or changing their time fraction, fortnightly deductions continue to apply as per prior to the time fraction reduction or change (with the exception of percentage based superannuation contributions). Advanced payroll contributions are required to pay for a salary package for any period of unpaid leave. Any changes to salaries will not affect the value of payroll deductions (except percentage based superannuation contributions), but will affect take home pay due to income tax implications.

Changes to a salary package can be made at any time to add or delete items as well as change the value of existing items. The only exception is a leased vehicle where staff are committed to fulfill all financial obligations for the full lease term.

Superannuation and leave entitlements covered by awards or agreements remain based on substantive gross salary, not the residual salary after a salary package is instituted.

Whilst the Goods and Services Tax (GST) is payable on a number of benefits, the University can claim this cost as an "input tax credit". This results in the GST having no impact on the cost of salary packages for staff.

The value of taxable fringe benefits for income tax purposes (i.e. items attracting FBT) is reported on annual payment summaries where the taxable value exceeds \$1,000. This reported value does not affect income tax liability but may impact on eligibility for social security benefits and liability for surcharges and other obligations.

The salary packaging scheme is operated on a cost neutral basis to the University with all costs and any other financial consequences borne by staff. Any unexpected or additional costs, not covered by the arranged salary package, are a staff members' responsibility. These costs would also apply to any terminated salary package, irrespective of the reason for termination – resignation, voluntary exit or employment cessation at short notice.

A salary package arrangement cannot be effected until a signed agreement between the University and staff is first executed.

Staff members are strongly encouraged to obtain independent financial advice prior to entering into salary packaging arrangements.

Eligibility

Salary packaging is available to all continuing and fixed term staff members. However, staff employed on a fixed term contract who wish to take up leased vehicle benefits must have a remaining contract period of at least 18 months.

Salary packaging is not available to sessional or casual staff members.

Range of Benefits

The range of benefits has been categorized according to whether Fringe Benefits Tax (FBT) is payable on the benefits. Fringe Benefits Tax is a Federal Government tax payable by employers on the value of specified fringe benefits provided to employees. Under current salary packaging arrangements, this tax is passed on to staff as a cost incorporated in a salary package.

Superannuation

Members of UniSuper and VicSuper are permitted to salary package their superannuation contributions. FBT is not payable on superannuation contributions, however a 15% contribution tax is payable on salary packaged contributions. Example 2 on page 10 shows the affect on take home pay.

Salary package contributions can also be made to private superannuation funds, in addition to mandatory contributions to University default funds, provided that the fund is willing to accept fortnightly payments by electronic funds transfer.

There are possible cost implications at retirement for salary packaged superannuation contributions. Staff are encouraged to consult Lia Albergo, University Superannuation Officer on extension 5288 for details.

Motor Vehicle

Vehicles are available to be leased in any one of the following types;

- Operating Lease
- Novated Lease
- Associate Lease

Operating Leases

Operating leased vehicles are provided from the 3 contracted suppliers listed below. Australian built vehicles such as Toyota, Ford, Holden and Mitsubishi tend to be the cheapest cars to lease due to government discount pricing available on these vehicles. These vehicles are registered in the University's name and assigned to staff:

- Custom Service Leasing Ltd (trading as Custom Fleet)
- PAR Leasing (a subsidiary of Alan Mance Motors Footscray)
- LeasePlan Pty. Ltd

An approximate lease cost for each vehicle is provided in vehicle cost schedules on the HR website under Remuneration, then Salary Packaging followed by Vehicle Prices. These costs are represented on a yearly cost basis (notwithstanding the lease term) and cover the following components:

- **Lease:** the figure shown is the aggregate yearly cost of the monthly rental charged by the supplier. The lease cost covers registration, standard servicing, road care assistance and normal warranty conditions. Please note that the final scheduled service related to a lease is NOT required e.g. 40,000 km service on a 18 month/40,000 km lease.
- **Fuel:** an allowance is incorporated in the salary package for fuel purchases. A fuel card may be provided or fuel purchases can be paid by staff and obtain reimbursement.
- **Insurance:** vehicles are comprehensively insured through Lumleys Insurance. However, staff have the choice of their own insurance provider. A standard \$500 excess applies with Lumleys Insurance for any at fault claim as well as age and inexperienced driver excesses.
- **Fringe Benefits Tax:** Federal Government Tax charged on non-salary remuneration.
- **Administration Fee:** an annual fee of \$250 is charged by the University.

The rentals listed provide for automatic transmission and air conditioning as a standard feature in each vehicle. Manual vehicles may be ordered but require separate quotation. Rentals are reviewed every 2 to 3 months by the suppliers in accordance with market conditions and the list is updated accordingly. The supplier will hold the rental on a vehicle delivery at the level which applied at the date of order, except for any manufacturer's price change in the vehicle.

A number of lease term alternatives are provided for each vehicle (e.g. 18 months/40,000 kilometres, 24 months/40,000 kilometres). However, staff can elect to lease for longer lease terms/higher kilometre thresholds, e.g. 24 months/60,000 kms, 36 months/80,000 kms.

All vehicles are delivered to staff either at work or home as directed. Staff should contact dealerships to obtain information on vehicle colour options and specifications.

Strict compliance to vehicle lease terms/kilometre thresholds is required as vehicle suppliers set their rentals on the basis that the full lease term is observed. Staff are required to return the vehicle to the supplier unless a replacement vehicle is ordered. If staff are unable to return the vehicle themselves, transportation can be arranged at a cost. Penalties are imposed for either excess kilometres travelled or the return of a vehicle before the lease expiry date. However, some flexibility is offered on vehicle returns as follows:

- **Custom Fleet:** full lease term required but an additional 4999 kilometres allowed, e.g. for an 18 month/40,000 kms lease, a vehicle may be returned at the lease expiry with a maximum distance of 44,999 kms without any penalty.
- **PAR Leasing:** Vehicles may be returned up to 1 month before lease expiry with the other conditions applying as described above.
- **Lease Plan:** A 5000km. buffer is allowed on all leases.

It is important for staff to be most conscious that vehicles are leased from a commercial owner-supplier. Vehicles are therefore required to be returned in a good, saleable condition in accord with the expected market residual value. Staff will be faced with a cost liability if the vehicle is returned in a damaged condition. All three suppliers have "fair wear and tear" policies which staff should read and understand when entering a vehicle lease. Accidental breakages such as punctures, windscreen, side mirrors are a staff cost and should be repaired prior to vehicle return.

These expenses can be claimed as a reimbursement and charged against the package.

Any insurance claims/enquiries for serious damage or theft should be directed to Chris Glass (Lumleys Insurance Agent) on 9804 0299 or your own insurance officer as applicable.

It is important to contact the Salary Packaging Officer when a vehicle is delivered or returned so that salary package arrangements can be commenced or ceased accordingly.

Novated Leases

Under a novated lease arrangement, a staff member leases a vehicle from a supplier (Custom Fleet, PAR Leasing or LeasePlan) for an agreed term (e.g. 3 years) with a set residual value payable at the end of the lease. The staff member then pays the residual to own the vehicle.

A Deed of Novation is then established between the University, staff member and supplier with the University responsible for the lease payments (under a salary package arrangement with the staff member).

If the staff member resigns during the lease term, the staff member retains the vehicle but is now responsible for the lease payments.

Staff are not restricted by the type of vehicle which can be leased under this arrangement and second hand vehicles are also permitted.

Rentals for new vehicles under a novated lease are generally more expensive than under an operating lease due to the residual buyout option available at the end of the lease.

There are no rentals published for novated leases but quotations are available from PAR Leasing, LeasePlan and Custom Fleet.

Associated Leases

An associate lease is an arrangement where a vehicle registered in the name of an associate (spouse, partner, family member) is leased to the University for a deemed rental based on the value of the vehicle. Whilst the rental received by the associate is taxable income, a tax deduction can be claimed for depreciation (18.75%) of the vehicle. The associate is required to have an ABN number for the associate lease to be effected. The University then provides the vehicle to the staff member through a salary packaging arrangement. The lease rental (paid to the associate) as well as running costs and FBT is paid by the staff member as salary package deductions.

This type of lease may be beneficial where the associate is taxed at a lower marginal tax rate than the staff member and the value of the vehicle is relatively low thereby minimizing the amount of FBT payable.

A separate vehicle lease agreement between the associate and the University is required in addition to the standard salary packaging agreement.

Fringe Benefits Tax

FBT is payable on each leased vehicle type (operating, novated and associate) based on value and annual distance travelled according to the following scale:

40,001 kms or more	-7% of vehicle
25,000 kms – 40,000 kms	-11% of vehicle value
15,000 kms – 24,999 kms	-20% of vehicle value
less than 15,000 kms	-26% of vehicle value

FBT is assessed over a year from 1st April to 31st March, irrespective of the lease period of the vehicle.

"The current official version of this policy is maintained on the Victoria University Central Policy Register and downloading and printing of this policy will produce an uncontrolled copy which may not be current."

A provision is made for FBT in each salary package based on the anticipated annual distance corresponding to the nominated lease term, e.g. for an 18 month/40,000 km lease, the average annual distance is 26,667 kms. The FBT provision would therefore be 11% of the vehicle value on the assumption that the annual distance travelled would fall between 25,000 kms and 40,000 kms.

However, it is very important that each vehicle maintain the annual distance rate throughout the lease term to meet the March 31st assessable date. The FBT value will reflect either a full year cost for a vehicle for the whole FBT year or pro-rata assessment for any vehicle delivered or returned during an FBT year.

Each vehicle is treated as a separate fringe benefit. If a vehicle is replaced during an FBT year, the distance travelled by each vehicle is independently assessed.

FBT Exempt Benefits

FBT legislation specifically identifies the following benefits as FBT exempt:

- Superannuation
- Childcare costs at University centres (excluding St. Albans)
- University Gym Membership and Purchases at University bookshops (limit \$1,000 per FBT year)
- Victoria University Sports Camp Fees
- Flinders Street Car Parking
- Airport lounge memberships
- University employment related relocation costs
- Professional Memberships and Union Fees

Benefits such as childcare fees for University childcare centres, gym fees and professional or union subscriptions are directly paid to the service supplier. Other benefits listed above are required to be paid by staff and then claimed as an expense reimbursement. (By completing an expense declaration form shown on the HR website under Remuneration).

An example of this type of benefit is provided in Example 3 on page 11.

General Expenses

Any measurable benefit can be salary packaged, however items in this category attract the full rate of FBT (48.5%). Examples of these benefits are:

- HECs debt
- Mortgages and other loans
- School fees
- Credit cards
- Private health insurance
- Utility expenses

Given these items attract the full rate of FBT there is no benefit for University staff to salary package any of these items as the FBT cost is equal to or greater than the amount of income tax saved.

The value of fringe benefits is reported on annual payment summaries for government income testing rules applied to eligibility for social security benefits and liability for surcharges and other obligations.

How Salary Packaging Works

Parties Involved

The University's salary packaging scheme operates by the interface of staff with 2 other main parties:

Salary Packaging Officer – Employee Services Unit, HR

The Salary Packaging Officer is the first point of contact for new salary packaging enquiries. The primary responsibility of this role is to:

- Provide information on the range of salary package benefits, the documentation requirements and calculate the affect on net pay of nominated benefits.(e.g. car leases).
- Assist and guide staff on any statutory and operating requirements associated with salary packages.
- Arrange the signing of salary package agreements
- Implement salary packages including pay deductions and payment of supplier accounts
- Account for FBT liabilities on individual salary packages
- Answer general operating enquiries
- Process expense claims for reimbursed benefits such as VU Bookshop and vehicle maintenance costs associated with an associate lease.

Motor Vehicle Suppliers

The University currently has contractual arrangements with 3 motor vehicle suppliers:

- Custom Service Leasing Pty Ltd (trading as Custom Fleet), 92 Bell Street, Preston 3072 – contact is Marcie Lorient on 9474 1562
- PAR Leasing (Alan Mance Motors, Footscray), 435 Barkly Street, Footscray 3011 – contact is David Beever on 8387 1210
- LeasePlan, 607 St.Kilda Rd., Melbourne, 3004 – contact is Phil Dobbie on 9269 2307.

The role of these suppliers is to deliver vehicles, as far as practicable, within requested timeframes. They also provide quotes on leasing vehicles and any variations/extensions to existing leases.

Steps

The steps involved in establishing a salary package are as follows:

- All enquiries should be directed to the Salary Packaging Officer on extension 5281.
- A meeting can be arranged to provide more specific information including an estimate of the cost impact on take home pay.
- The Salary Packaging Officer will arrange for a salary package agreement to be mutually signed with the staff member.
- The Salary Packaging Officer will then arrange the commencement of the salary package.
- Staff can change the composition or value of their salary packages at any time with the exception of a vehicle lease.

For packages with a vehicle lease:

- Staff member first submits a vehicle order obtained from the HR website.
- The Salary Packaging Officer will co-ordinate the vehicle delivery, signing of the agreement and commencement of the package as detailed above.
- Vehicles must be returned to the vehicle supplier at the expiry of the lease. If a replacement vehicle is desired, the order should be placed at least 8 weeks prior to lease expiry to ensure a smooth changeover.

Start of Salary Package

Each salary package commences upon the signing of a salary package agreement with payroll deductions commencing the next pay day thereafter.

Payroll Deductions

The salary package deductions are designated on the pay slip as follows:

- **VEH1** - Cost of lease payment to the vehicle supplier (i.e. Custom Fleet, PAR Leasing or LeasePlan).
- **FUE1** - Cost of fuel budget for a leased vehicle.
- **INS1** - Cost of vehicle insurance paid by the University. This code does not apply where staff arrange their own insurance.
- **FBT1** - Cost of fringe benefits tax associated with the vehicle.
- **SALPAK FEE** - Administration fee charged by the University.
- **ASSOC LEAS** - Cost of a payment to a spouse, family member or associate under an associate lease.
- **EXTPAY** - Cost of payments made to external providers (other than leased vehicles) such as non-University superannuation schemes.
- **REIM-BANK** - This code represents benefits paid by reimbursement to staff after they have expended their own funds. It applies to items such as the VU Bookshop, VU car parking at Flinders St. campus, self purchased insurance, professional subscriptions, etc. There is no fortnightly payroll deduction applied for these benefits. The amount of any claim is fully deducted from pay as a pre-tax expense with the funds from the deduction deposited in the staff member's bank account. The staff member gains from the income tax saved

Package Account Reconciliation

A reconciliation of payments and payroll deductions made is undertaken either at the end of a lease in the case of vehicles or otherwise when a salary package is terminated by staff. This may result in either over or under spending requiring repayment to the University or a refund to staff.

Staff Responsibilities

The onus is on staff to understand their responsibilities in terms of action and communication required to ensure that benefits are provided and accounted for in a timely manner. Key responsibilities in relation to various aspects of salary packaging are outlined below:

General

- Read and understand the contents of this guide.
- Close attention should be given to the defined separate roles of the 2 main parties and the taxation treatment of the 4 benefit categories.
- Staff are responsible to monitor their salary packages compared with pre-determined estimates (eg. fuel).
- Ensure that all salary package agreements are promptly signed and returned to the Salary Packaging Officer.
- It is very important for staff to understand their liability for any costs not covered by the salary package. These costs may include, but are not restricted to;
 - overspending on nominated benefits
 - shortfall in payroll contributions to meet nominated benefits
 - charges by vehicle suppliers for early vehicle return
 - excessive distance travelled beyond the lease threshold,
 - sundry vehicle repairs or other services.
- These financial liabilities would apply to any terminated salary package account in the event of staff resignation, voluntary exit from the salary packaging scheme or termination of employment at short notice.
- All expense reimbursement claims are required to be submitted with a completed expense declaration form (HR website) and ORIGINAL receipts to satisfy taxation requirements

Vehicles

- Provide an odometer reading each March 31st to the Salary Packaging Officer otherwise you may incur additional FBT costs not covered in your salary package.
- Staff are advised to ensure that the set time (e.g. 18 months) and the kilometre maximum (e.g. 45,000 kilometres for a 40,000 kilometre lease) is attained for an operating lease vehicle.
- Be alert to vehicle suppliers lease parameters and return conditions. These are commercial factors separate from government FBT requirements.
- Advise the Salary Packaging Officer when a vehicle is delivered (including registration number) or returned. This advice will ensure that payroll deductions and FBT calculations are correct.
- Contact the vehicle suppliers regarding queries directly related to the vehicle specifications i.e. registration, delivery and return arrangements, features, accessories, colour options.
- Ensure that the vehicle is returned as required either by the driver or by arrangement with a third party at a cost to the staff member.
- Ensure that the vehicle is serviced as specified in the manufacturer's driver guide.
- If it is preferred to arrange insurance of a leased vehicle through a company of your choice, ensure that an insurance certificate is provided stating the lease provider as the vehicle owner.

FBT Exempt Benefits

- Determine the yearly amount to be packaged as a direct payment to the supplier or expense reimbursement and advise the Salary Packaging Officer.
- Staff should ensure that all claims for reimbursement are lodged with the Salary Packaging Officer prior to package termination.

Example 1

John Citizen earns \$50,000 per year and wishes to salary package the following benefits:

- Superannuation \$ 3,500
- Leased vehicle \$13,250 (inclusive of FBT, running costs and administration fee)
- Childcare fees \$ 4,500

	With Packaging	Without Packaging
Salary	50,000	50,000
Less: Superannuation	-4,125	
Vehicle	-13,250	
Childcare	-4,500	
Salary After Deductions	28,125	50,000
Less: Income Tax	-4,836	-10,820
Less: Superannuation		-3,500
Vehicle		-10,800 (no FBT or admin' fee applicable)
Childcare		-4,500
Take Home Pay	23,289	20,380

John Citizens' take home pay is higher by \$2,909 per annum from salary packaging the above 3 benefits.

Example 2

Tom Smith earns \$52,000 per year and wishes to salary package UniSuper contributions:

	With Packaging	Without Packaging
Salary	52,000	52,000
<i>less:</i> Pre-tax super (8.25%)*	-4,290	
Residual Salary	47,710	52,000
<i>less:</i> After tax super (7%)		-3,640
Income Tax	-11,201	-12,552
Take Home Pay	36,509	35,808

Tom Smith's take home pay has increased \$701 per year by salary packaging his employee superannuation contributions.

* Pre-tax super contributions are paid at the rate of 8.25% to offset contribution tax that is applied because they are now deemed to be employer contributions. This is to ensure super benefits remain unaffected by salary packaging.

Example 3

Susan Wilson earns \$45,000 per year and wishes to salary package childcare fees of \$5,000 per year currently paid from take home pay.

	With Packaging	Without Packaging
Salary	45,000	45,000
<i>less:</i> Childcare Fees	-5,000	
Residual Salary	40,000	45,000
<i>less:</i> Income Tax	-8,772	-10,347
<i>less:</i> Childcare Fees		-5,000
Disposable Income	\$31,228	\$29,653

Susan Wilson's disposable income has increased \$1,575 per year by salary packaging childcare fees.