

## P 10 – Salary Packaging Policy

---

### 1 Objectives

The objectives of Salary Packaging Policy are to:

- 1.1 Make various salary packaging options available to eligible Shire employees.
- 1.2 Provide the guiding document for the provision of such benefits.
- 1.3 Enable an employee to renegotiate existing salary (with the approval of the Shire) into a combination of cash and benefits, to provide a higher net salary for the employee.
- 1.4 Assist employees to effectively structure their remuneration package from a taxation perspective.
- 1.5 Ensure both the Shire and the employee are aware of their respective obligations under any agreement.

### 2 Scope

This policy applies to all full-time, part-time and fixed term employees (longer than 12 months duration).

### 3 Definitions

#### Allowable Benefits

means the following range of salary packaging benefits:

- 3.1.1 Work Related Items (e.g. technology)
- 3.1.2 Novated Leasing of Vehicles
- 3.1.3 Remote Area Housing Benefit (rental)
- 3.1.4 Remote Area Housing Benefit (mortgage interest)
- 3.1.5 Remote Area Domestic Energy

#### ATO

means the Australian Taxation Office.

#### Base Cash Salary

means remuneration in accordance with a 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.

#### 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.

#### Councillors

means members of an elected body that make decisions on behalf of a local government through a formal meeting process. Generally, local government Councillors, who include the Mayor or President and Councillors, do not have any authority to act or make decisions as individuals.

#### Employee

means a person that's hired to provide a service to a company either on a full-time, part-time or casual basis in exchange for payment. Also known as staff.

#### Fringe Benefits Tax (FBT)

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

#### FBT Year

means 1 April to 31 March each year.

#### Otherwise Deductible

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

#### Worker

A part-time or full-time employee, casual employee, contractor, subcontractor, self-employed person, outworker, apprentice or trainee, work experience student, employee of a labour hire company placed with a 'host employer' and volunteers.

#### PAYG

means Pay As You Go taxation.

#### Remote Area

means an area 'over 40 kms from a town with a population of 14,000 to less than 130,000, and over 100 kms from a town with a population of 130,000 or more.' Not all land within the boundaries of the Shire of Bridgetown-Greenbushes is classified as a remote area.

#### Salary Packaging

means an arrangement between an employee and employer whereby the employee elects to exchange cash salary for benefits. For the purposes of this policy, Salary Packaging does not include superannuation.

#### Salary Sacrifice

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

#### 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

- 4.1 Council supports salary packaging as a means of enabling an employee to renegotiate existing salary into a combination of cash and benefits to provide a higher net salary for the employee.
- 4.2 The salary packaging program must be at nil cash cost to Council.
- 4.3 The components of salary packaging are:
  - 4.3.1 The Benefits payable.
  - 4.3.2 The Fringe Benefit Tax and Goods and Services Tax (GST) payable, where applicable.
  - 4.3.3 All other government taxes, levies and/or duties.
  - 4.3.4 Any abnormal costs associated with the implementation or operation of the salary packaging program.

- 4.4 Any earnings that are not subject to superannuation such as leave loading, overtime, casual payments and higher duties allowances may not be packaged.
- 4.5 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.
- 4.6 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 a salary packaging arrangement with the Shire.
- 4.7 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.
- 4.8 Benefits of participation will vary according to individual circumstances. Participation is an individual employee decision, responsibility and risk.
- 4.9 In the event of tax rulings or laws changing the Shire takes no responsibility or liability for the rectification, amendment or ceasing of any existing salary packaging arrangement.
- 4.10 All salary packaging arrangements, except for novated leasing, cease immediately when an employee leaves the employ of the Shire or is on Leave Without Pay (LWOP) for a period exceeding 10 days. This includes employees on parental leave.
- 4.11 Paid leave taken during the term of the salary packaging agreement will not affect the salary packaging arrangement.
- 4.12 Salary Packaging, except for novated leasing, will be suspended during claims for Workers Compensation.
- 4.13 An employee can only package a total maximum of 50% of an employee's substantive, annual, base salary unless the employee can demonstrate that he/she can afford to sacrifice more of their income.
- 4.14 The Shire retains the right to refuse to process an employee's application for salary sacrificing if this could increase the Shire's administration or other costs and liabilities in any way.
- 4.15 Any information provided in this policy is not to be read as legal advice. The employee is responsible for obtaining independent professional legal and financial advice.

#### *Technology*

- 4.16 Employees may salary sacrifice the cost of one laptop, personal handheld device and/or portable printer per Fringe Benefits Tax year (1 April to 31 March) and be exempt from Fringe Benefits Tax. Only hardware and basic software required to make the unit operational can be packaged in line with Australian Taxation Office regulations.
- 4.17 Only portable printers designed for use with a notebook computer, a laptop computer or a similar portable computer are exempt and can be salary packaged. The total cost of the laptop, personal handheld device and/or portable printer to the employee is the cost of the laptop, personal handheld device and/or portable printer minus GST. Repayments will be over a maximum term of one year.
- 4.18 If the employee's employment is terminated for any reason prior to the end of the repayment schedule, the total outstanding must be recouped to the Shire during the last full payroll period.

#### *Novated Car Leases*

- 4.19 A Novated Lease is a tripartite agreement between the employee, the employer and a financier. An employee enters into a finance lease and then by way of a Novation Agreement, transfers the lease to his/her employer. The employer undertakes to meet the lease rentals whilst the employee remains

employed by the employer.

- 4.20 Novated car leases for new or used cars may be packaged by employees. A car classified as 'luxury' by the Australian Taxation Office cannot be salary packaged. The lease can be financed only, partly maintained or fully maintained.
- 4.21 At the end of the period of the lease the employee can elect to purchase the vehicle for the residual price or have the finance company sell the vehicle. If the vehicle is sold for less than the residual price the employee must pay the difference.
- 4.22 Fringe Benefits Tax applies to novated car leases but can be offset if an employee makes a personal contribution towards the car out of after tax salary.
- 4.23 GST is applicable to car leases. An employee will be eligible to have the GST credited back to them provided the Shire receives a tax invoice provided by the Novated Lease provider. The GST on the residual due at the end of the lease period or on employee contributions made after tax will not be able to be claimed back.

#### *Remote Area Housing*

- 4.24 The Shire is considered a 'Remote Locality' under the ATO's definition of 'Remote Area.' Additionally, an employee may live outside of the Shire area and potentially be within a 'Remote Locality.'
- 4.25 When an employer subsidises certain costs that employees incur in acquiring accommodation in Remote Areas, housing assistance concessions may be applicable.

#### *Employer Provided Housing (Rent)*

- 4.26 When an employee lives in a Shire-owned or leased rental property as part of their package, the employee may enter a salary sacrifice arrangement to salary package 100% of the rental value tax free.

#### *Private Rentals*

- 4.27 Employees renting privately in 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. The Base Cash Salary will be reduced accordingly.

#### *Remote Area Housing (Mortgage Interest)*

- 4.28 Employees that have a mortgage on their home in a Remote Area can apply to salary package their interest expenses on the mortgage. The home must be the usual place of residence.
- 4.29 The employee receives reimbursement of 100% of their interest expenses paid through being paid part of their total remuneration as a reimbursement. The Base Cash Salary will be reduced accordingly. 50% of the reimbursement does attract FBT, which is payable by the employee. The reimbursement is not a reportable fringe benefit and is therefore exempt from payment summary reporting.
- 4.30 To be eligible to access a Mortgage Interest Benefit under this policy, the mortgage that an employee holds must be in accordance with the following criteria:
  - 4.30.1 The purpose of the loan must be for the purchase of the employee's home.
  - 4.30.2 The employee must reside in the property as their primary place of residence.
  - 4.30.3 The loan can be fixed and/or variable.
  - 4.30.4 The loan may be a principal and interest type loan or an interest only loan.
  - 4.30.5 The loan cannot have a redraw facility.
  - 4.30.6 The home must be a house, unit, flat or apartment (a caravan or mobile home is not
  - 4.30.7 considered a home).

### Remote Area Domestic Energy

- 4.31 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 attract FBT, which is payable by the employee. The reimbursement is not a reportable fringe benefit and is therefore exempt from payment summary reporting.
- 4.32 The employee is only able to package residential electricity and gas costs paid during the period of their employment with the Shire and for the period that they are claiming a remote housing benefit.
- 4.33 The employee must provide 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 Accountabilities & Responsibilities

- 5.1 Council is accountable for:
- Ensuring the organisation has in place a lawful, transparent, and accountable policy framework, supported by a suite of compliant and appropriate policies and procedures.
  - Endorsing (or not) each organisational policy document in a timely and effective manner.
  - Delegating implementation of each policy document to the CEO.
- 5.2 The CEO is accountable for ensuring the development, implementation, monitoring and review of this policy document, in accord with governing legislation and Council directives.
- 5.3 The Executive Management Team and Managers is responsible for:
- Ensuring that all employees under their direction comply with this policy document.
  - Enacting process to redress non-compliance with this policy document.
- 5.4 All employees are individually responsible for complying with this policy document.

## 6 Risk Management

The risks of not having a Salary Package Policy in place include (but are not limited to):

- 6.1 Salary packaging options are not available to eligible Shire employees.
- 6.2 There is no guiding document for the provision of such benefits.
- 6.3 Employee are not able to renegotiate existing salary (with the approval of the Shire) into a combination of cash and benefits, to provide a higher net salary for the employee.
- 6.4 Employees are not able to effectively structure their remuneration package from a taxation perspective.
- 6.5 Neither the Shire nor the employee are aware of their respective obligations under any agreement.

## 7 Legislation, Policy & Other Related Documents

<p>Act</p>	<p>s.2.7(2)(b) <i>Local Government Act 1995</i> – The council is to determine the local government's policies</p> <p><i>Income Tax Assessment Act 1997 (Cth) Fringe Benefits Tax Act 1986 (Cth)</i></p> <p><i>Fringe Benefits Tax Assessment Act 1986 (Cth)</i></p>
------------	---

Regulation	<i>Fringe Benefits Tax Assessment Regulations 2018</i>
Local Law	N/A
Shire Policies	N/A
Related Documents	N/A
Related Procedure	N/A

## 8 Administration

Original Adoption Date	30 March 2017
Last Reviewed	28 April 2022
Last Updated	27 May 2024
Scheduled Reviewed Date	27 May 2027