

FLEET  
MANAGEMENT  
salpac



**Salary Packaging**  
everything you need to know

# Salary Packaging

everything you need to know

## What is salary packaging?

Salary packaging is an arrangement between you and your employer, which allows you to sacrifice some of your salary in return for a benefit of the same value. By paying for this benefit with pre-tax dollars, you reduce your taxable income and therefore increase your disposable income.

## Why salary package?

When you salary package using pre-tax salary, you reduce your taxable salary, therefore reducing the amount of Pay As You Go (PAYG) tax you pay. To offset this reduction in PAYG tax, the Australian Taxation Office (ATO) levies another tax called Fringe Benefits Tax (FBT).

As an employee of a Public Benevolent Institution (PBI), you are entitled to an FBT exemption of **\$15,900** per annum (\$30,000 grossed up) to salary package towards expense items.

This means you can salary package **\$15,900** from your pre-tax salary each FBT year (April- March), therefore reducing your taxable income by this amount and providing you with substantial benefits.

Please note that benefits being provided internally through your employer, such as a company car or Novated Lease, will reduce the threshold of **\$15,900** available for salary packaging.

## What expense items can be salary packaged?

Within the limit of **\$15,900**, you can choose to package a range of items including your mortgage, rent, personal loan or school tuition fees. You may also choose our convenient Salpac Transaction Card to package everyday living expenses such as groceries, bills, clothes etc.

## What is the Salpac Transaction Card?

The Salpac Transaction Card is a specially designed VISA card that provides a convenient and efficient method of purchasing everyday living expenses and bills. The Salpac Transaction Card can be used anywhere globally that VISA is accepted.

The card can only be used for purchases or payments and cannot be used for cash withdrawals. Direct debits cannot be set up from the Salpac Transaction Card account.

Each pay, you sacrifice an agreed amount. This amount is allocated to your Salpac Transaction Card account by Salpac. These funds are then available for use on your card. Only available funds can be used on the card and transactions will be rejected if there are insufficient funds. Card holders may check the credit balance of their account at any time.

For example:

*Peter decides to salary package **\$15,900** to the Salpac Transaction Card. Salpac assists Peter in setting up his arrangement and orders the card. Each fortnight, Peter's employer deducts money from his pre-tax salary and sends this amount to Salpac. Salpac then transfers these funds to Peter's Salpac Transaction Card account. Peter is then free to use this card for purchases anywhere VISA is accepted, meanwhile receiving substantial savings on PAYG tax.*

## Packaging to an expense item such as mortgage, rent, personal loan or school fees

When salary packaging an expense item, you are required to provide evidence that the expense exists (e.g. a copy of your mortgage or personal loan contract).

These expenses can be packaged up to the threshold amount of **\$15,900** and evidence that the expense is equal or greater to this amount needs to be provided.

# Salary Packaging

everything you need to know

Once evidence has been provided, a regular pre-tax deduction will be set up from your pay and sent to Salpac. Salpac will then reimburse this money back to your nominated bank account.

For example:

*Sally decides to salary package \$15,900 towards her mortgage payments. She provides Salpac with her mortgage statement and her salary packaging arrangement is set up. Each fortnight, her employer deducts money from her pre-tax salary and sends this amount to Salpac. Salpac will then reimburse the funds into Sally's nominated bank account. Sally can then use these pre-tax funds to pay for her mortgage, meanwhile receiving substantial savings in PAYG tax.*

## Meal Entertainment

The Meal Entertainment benefit enables you to purchase meals and drinks with your pre-tax salary without having to pay PAYG tax. You can use pre-tax dollars when you dine out with the family or catch up with friends for lunch. This benefit can be packaged in addition to the \$15,900 FBT threshold amount and is made even easier by the convenience of the Salpac Meal Entertainment Card. The Salpac Meal Entertainment Card is a VISA card and is used solely for Meal Entertainment expenses.

Please refer to your employer's specific handbook for more information and policies.

## Accommodation

Entertainment Facility Leasing Expense (EFLE) enables you to pay for accommodation with your pre-tax salary, therefore saving PAYG tax. EFLE refers to accommodation associated with the hire/lease of a hotel or motel room, rented holiday house or on site caravan and more. You can use pre-tax dollars for accommodation costs and it's all in addition to the \$15,900 FBT threshold amount.

Salpac will process claims and collect funds as and when required rather than budget for future expenses.

## Maintaining your salary package

Salpac will take care of the management of your salary package. You can access your account and transaction information using Salpac's secure online member area.

## Changing your salary package

You can contact Salpac to review and amend your salary packaging arrangements at any time.

## Reportable Fringe Benefits

Centrelink or any other government agency requiring full disclosure of income and packaged benefits must be advised by employees of the decision to salary package.

It is the employee's responsibility to provide their salary packaging details to any state or federal government agency providing them with support. Subsequently, a change in the amount of the benefit payment being received from the government agency may occur, or HECS/HELP, child support payments, Medicare levy surcharge may be affected.

The grossed up FBT value of your salary packaged benefits is a reportable item on your payment summary, enabling government agencies to determine the full value of your remuneration.

## Terminating your salary package

Employees are responsible for notifying Salpac and their employer of their intention to cease salary packaging. Notice of at least one calendar month must be given.

# Salary Packaging

everything you need to know

## Things to consider:

- Select the specific expense(s) and the amount that you would like to salary package;
- Consider adding an additional budget for Meal Entertainment and Accommodation expenses to increase your available benefit;
- Salary packaging can affect HECS/HELP, government paid benefits, child support payments, Medicare and other relevant benefits. It is important you seek advice from the relevant agencies as to the impact salary packaging may have on your personal circumstances.

## How to proceed

If you are interested in proceeding with salary packaging or would like further information, please contact one of our dedicated consultants on 1300 888 870. They will be happy to answer any questions you have and provide you with a free salary packaging quote based on your personal circumstances.

### Salpac

Level 1  
2 Fennell Street  
Port Melbourne 3207

Telephone. 1300 888 870  
Facsimile. (03) 9525 2949

[info@salpac.com.au](mailto:info@salpac.com.au)  
[www.salpac.com.au](http://www.salpac.com.au)