

FLEET
MANAGEMENT
salpac



Salary Packaging
everything you need to know

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Do you earn over \$65,000 per annum? If so, you could receive a tax benefit by salary packaging towards your mortgage, rent, personal loans or school tuition fees. Find out more below....

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. 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).

When you salary package you are required to pay FBT, however as an employee of a rebateable organisation you are entitled to an FBT rebate on amounts salary packaged up to \$15,900 per annum (\$30,000 grossed up). This means if your taxable salary is over \$65,000 per annum, even with FBT payable, you could receive a tax benefit by salary packaging to an expense item such as mortgage, rent, personal loan payments or school tuition fees.

Salaries under \$65,000 generally do not receive a tax benefit by salary packaging to an expense item due to the FBT component payable being higher than the PAYG tax paid. However for salaries under this amount there may still be benefits in salary packaging to a Novated Lease or FBT exempt item. Information on these items is contained in separate brochures.

Please note that benefits being provided internally through your employer, such as a company car, Novated Lease, school fees or accommodation, 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, less the FBT component, 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:

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

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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. Once evidence has been provided, a regular pre-tax deduction, including FBT, will be set up from your pay and sent to Salpac. Salpac will then reimburse this money, less the FBT component, 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 pay period, her employer deducts money from her pre-tax salary, including FBT, and sends this amount to Salpac. Salpac will then reimburse the funds, less the FBT component, into Sally's nominated bank account. Sally can then use these pre-tax funds to pay for her mortgage, meanwhile receiving savings in PAYG tax.

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.

Things to consider:

- Select the specific expense(s) and the amount that you would like to salary package;
- 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.

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