



## Salary packaging

### Background

1. The Enterprise Agreement provides for salary packaging at clause 20.
2. Salary packaging, according to the Australian Taxation Office (ATO), is an arrangement between the employer and the employee where the employee agrees to forgo a part of his or her salary in return for the employer (or someone associated with the employer) providing a benefit of a similar nature. The employee's cash salary is reduced or 'sacrificed' by the cost of the benefit and any associated tax and administrative costs.
3. Salary packaging is offered on the basis that it incurs no cost to the employing Member or the Department and complies with all relevant legislation.

### Salary packaging services and information

4. SmartSalary Pty Ltd (SmartSalary) administers salary packaging services for MOP(S) Act employees.
5. Employees interested in salary packaging should contact SmartSalary on 1300 476 278 to obtain further information. Employees interested in information on novated lease arrangements should contact SmartSalary on 1300 144 873. Alternatively, employees can access the SmartSalary website. Enter your employer as 'Members of Parliament Staff'. Please note, however, that the Department has no control over and takes no responsibility for the information contained on that website.

### Policy

6. Ongoing employees may access salary packaging arrangements for items listed in the benefits profile on the SmartSalary website for MOP(S) Act employees. Enter your employer as 'Members of Parliament Staff'.
7. Non-ongoing employees whose employment agreement is for a period of three months or longer, may only salary package additional employer superannuation contributions. Other non-ongoing employees and casual employees do not have access to salary packaging.

8. Employees are strongly encouraged to seek independent financial advice from a Registered Financial Adviser prior to committing themselves to a salary packaging arrangement. Costs associated with financial advice are the responsibility of the employee but may form part of a salary package if the employee decides to go ahead with salary packaging.
9. It is the employee's responsibility, not the responsibility of the Department or the employing Member, to ensure that the employee's proposed salary package meets relevant ATO rulings and the terms of these Guidelines.
10. All costs associated with salary packaging, including Fringe Benefits Tax (FBT), Superannuation Contributions Tax and ongoing administration costs are to be met by the employee. These costs may form part of an employee's salary package.
11. Items that may be included in a salary package are those that attract either no FBT or a concessional rate of FBT. Examples are leased motor vehicles, contributions to a private 'complying superannuation fund' (within the meaning of the Superannuation Industry (Supervision) Act 1993) and, subject to certain restrictions, laptop computers. Salary packaging these items may provide a benefit to the employee as a result of the difference between the rate of personal income tax and the (nil or concessional) rate of FBT.
12. Items that attract the full rate of FBT may not be included in salary packaging because the only benefit to the employee is an artificial reduction in salary for taxation purposes (and the potential to avoid income determined surcharges or access income tested welfare payments). Examples of such items are: mortgage repayments, non-work-based childcare and desktop computers.
13. An employee cannot claim a personal tax deduction for any items that are packaged.
14. Employees may elect to salary package up to a maximum of 100 per cent of their fortnightly salary (including parliamentary staff allowance (PSA) or electorate staff allowance (ESA)) once employee superannuation payments and other statutory obligations such as child support have been deducted.

## Salary packaging deed

15. Before a salary package can be finalised, employees need to complete a Salary Packaging Deed. The purpose of the Deed is to indemnify the Department from any liabilities it may incur by allowing the employee to salary package. A representative from the Department will sign the Deed on behalf of the Commonwealth.
16. Copies of the Deed and other relevant documents can be obtained by contacting SmartSalary. Employees should complete and sign all relevant forms then forward them to the Department at [Mailbox-MOPSSalaryPackaging@finance.gov.au](mailto:Mailbox-MOPSSalaryPackaging@finance.gov.au) for action. All relevant documents will then be forwarded to SmartSalary by the Department. Employees should keep the original of the Deed for their own records.

## Commonly packaged items

17. **Motor vehicles** attract a concessional rate of FBT. When a motor vehicle is packaged, all running costs can also be packaged. All lease payments and running costs will be deducted from gross salary, together with any FBT liabilities incurred. Cars subject to the luxury car tax cannot be packaged. According to the ATO this means the cost of the car, including GST, must be less than \$66,331, or for a fuel efficient car, \$75,526 (in the 2018-19 financial year). Fuel efficient cars are defined by the ATO as cars that have a fuel consumption of seven litres per 100 kilometres or less.
  - a. At the date of this Guideline, vehicle leases must be fully novated in order to receive concessional FBT treatment. The ATO will not allow concessional treatment for partially novated leases.
  - b. Employees need to be aware that committing to a lease, including a motor vehicle lease, does not constitute or imply continued employment under the MOP(S) Act for the life of that lease. Lease obligations are an employee's personal responsibility and are independent of the Department or the employing Member. Should a person cease to be employed under the MOP(S) Act during the term of a vehicle lease, the person may be liable under certain taxation provisions unless they are able to novate the lease to another employer without a break in continuity. Financial advice should be sought from an independent professional financial adviser as to potential liabilities that may arise in these circumstances.
18. **Portable electronic devices** (such as notebook, laptop or tablet computers, portable printers, mobile phones and global positioning system (GPS) navigation devices) are limited to one item per FBT year, for items that have a mostly identical function, unless the item is a replacement item. These items can only be packaged if the item is mainly for work-related use, and a Statutory Declaration is signed to this effect.
19. **Airline lounge membership.**
20. **Additional employer superannuation contributions** to a 'complying superannuation fund' within the meaning of the Superannuation Industry (Supervision) Act 1993, or a Retirement Savings Account (RSA). These additional contributions may be made to the Public Sector Superannuation accumulation plan (PSSap) but not to the Commonwealth Superannuation Scheme (CSS) or the Public Sector Superannuation Scheme (PSS).

## SmartSalary

21. SmartSalary's administrative fees are payable by the employee and may be included in the salary package. For these fees SmartSalary will manage an employee's salary package, including making regular payments such as vehicle lease instalments and superannuation contributions, maintaining detailed records on behalf of the employee for the purposes of meeting the requirements of the ATO and providing regular reports to enable the employee to monitor and reconcile expenditure.

22. The administrative fees are listed as part of the package details when an employee completes the application process on the SmartSalary website or may be obtained by contacting SmartSalary.
23. SmartSalary must not be relied upon as a substitute for independent professional financial advice.