



## EMP37 SALARY SACRIFICE

Aim	To outline the parameters for the provision of various Salary Packaging options
Application	All Staff
Statutory Environment	Shire of Ashburton Enterprise Agreement
Principles	Strategic Community Plan 2017 – 2027 (2019 Desktop Review) Goal 05 Inspiring Governance Objective 4 Exemplary team and work environment
Approval Date	OMC 17 December 2019 (MINUTE: 722/2019)

### Objective

The objective of this policy is to provide the guiding document for the provision of various salary packaging options to eligible Shire of Ashburton employees. Salary Packaging is primarily an attraction and retention tool and hence this policy aims to increase staff attraction and retention.

### Policy Statement

This Policy is applicable to all full time, part time and fixed term employees (longer than 12 months duration). It provides for the salary packaging of an Allowable Benefit with specific eligibility criteria applicable relevant to the Allowable Benefit sought. For clarity superannuation is already offered as a salary packaging benefit by Council and will continue to be offered outside of this Policy to all employees including casual employees.

Term	Meaning
<b>Allowable Benefit</b>	Refers to the following range of Salary Packaging Benefits: <ul style="list-style-type: none"> <li>• Work related items – i.e. laptops, mobile phones.</li> <li>• Aquatic/Leisure Centre and Child Care Fees (at Shire operated premises only).</li> <li>• Novated Leasing of Vehicles.</li> <li>• Remote Area Housing Benefit.</li> <li>• Rental</li> <li>• Mortgage Interest</li> <li>• Remote Area Domestic Energy</li> <li>• Airline Lounge Membership.</li> </ul>
<b>ATO</b>	Australian Taxation Office.
<b>Base Cash Salary</b>	Remuneration in accordance with 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.
<b>Benefit</b>	Any non-cash benefit and cash payment (other than base salary) made or expected to be made for the benefit of the employee.



<b>Fringe Benefit Tax (FBT)</b>	Tax payable by the Shire to the Government on some categories of benefits provided to employees.
<b>FBT Year</b>	1 April to 31 March each year.
<b>Management</b>	Any employee who has direct responsibility for supervision of one or more workers.
<b>PAYG</b>	Pay As You Go taxation.
<b>Remote Area</b>	Area which is one of the following: <ul style="list-style-type: none"> <li>• At least 40 kms from an urban centre with a population of 14,000 or more.</li> <li>• At least 400 kms from an urban centre with a population of 130,000 or more.</li> </ul>
<b>Salary Packaging</b>	An arrangement between an employee and employer whereby the employee elects to exchange Base Cash Salary for a Benefit but for the purposes of this Policy does not include superannuation
<b>Total Remuneration</b>	Total package value assigned to the permanently occupied position that the employee is entitled to receive under an agreement or contract of employment with the Shire expressed as an annual sum.

### **Content**

Salary Packaging will be made available to employees as a benefit in accordance with Shire internal procedures and in accordance with ATO legislation, rulings, and any other relevant legislation, as amended from time to time, but only to the extent of an Allowable Benefit as defined in this Policy.

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 an Allowable Benefit, taxation, and scheme participation.

Salary Packaging arrangements will be administered at minimal financial cost to the Shire and where required by the CEO, by an external Salary Packaging provider approved by the Shire. As part of any Salary Packaging arrangement, the cost of administering the package (if applicable) is to be met by the participating employee.

Any Fringe Benefits Tax (FBT) or other tax liability is to be met by the participating employee.

All employees entering into a Salary Packaging arrangement must enter into an agreement appropriate to the type of Benefit. All employees must ensure compliance with the agreement entered into and all organisational practices and procedures, as amended from time to time.

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 an Allowable Benefit. The Shire strongly urges employees contemplating Salary Packaging to seek independent financial or other appropriate advice. Benefits of participation will vary according to individual circumstances and individual



participation, therefore participation is a matter of individual employee decision, responsibility and risk.

### **Responsibilities**

#### **Elected Members are responsible for:**

- Adopt and review this policy on a periodic basis as required.

#### **CEO is responsible for:**

- Endorse and enforce all standards documented in this policy;
- Endorse and enforce Salary Packaging internal procedures which include, but are not limited to:
  - Eligibility and participation criteria ○
  - Rules for application of Salary Packaging;
  - Processes and/or forms to ensure an effective, compliant scheme;
  - Information capture requirements; ○ Training requirements.
- Regularly review Salary Packaging opportunities to continuously identify opportunities for improved attraction and retention of staff;
- Establish mechanisms to monitor compliance with this policy; and
- Establish processes to deal with instances of non-compliance to this policy or related internal procedures.

### **Eligibility**

Specific eligibility and participation criteria apply dependant on an employee's employment status at a point in time, and the Allowable Benefit provided. The Shire's internal procedures detail criteria further to that outlined below.

#### Work Related Items

The following items, where used for work purposes only and not provided by the Shire, may be paid for from an employee's pre-tax salary:

- portable electronic devices (laptops, mobile phones and PDA's)
- protective clothing
- briefcase
- calculator
- computer software

There is a limit of one item per category per FBT year. Novated Leasing of Vehicles  
Novated car leases for new or used cars may be packaged by employees. A car classified as 'luxury' by the ATO cannot be salary packaged. Novated leases may not be entered into for Shire provided (fleet) vehicles.

In entering into a novated lease, Council and an employee will enter into an agreement with the financier whereby Council will ensure repayments under the finance lease are made by deducting the repayment amount from the employee's salary.

The employee will own the vehicle and has the right to take the vehicle with them should they leave employment of the Shire, with responsibility for the vehicle passed on to the employee.

#### Remote Area Housing

Eligible employees may salary package the following items under this Policy:

##### *Rent - Private Rentals*

Employees renting privately (i.e. employees who have a rental agreement with a landlord or agency), within 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 non-taxable remote housing



reimbursement. Their Base Cash Salary will be reduced accordingly.

#### *Mortgage Interest*

Subject to qualifying criteria outlined in the Shire's operational practice and procedure, employees with a mortgage on their home which is in a Remote Area can apply to salary package their interest expenses on the mortgage. The home must be their usual place of residence.

The employee receives reimbursement of 100% of their interest expenses paid through being paid part of their Total Remuneration as a reimbursement. Their Base Cash Salary will be reduced accordingly. 50% of the reimbursement does however attract FBT, which is payable by the employee. The reimbursement is not a reportable fringe benefit and is therefore exempt from payment summary reporting.

The employee is only able to package interest paid during the period of their employment with the Shire of Ashburton.

#### *Remote Area Domestic Energy*

Subject to qualifying criteria outlined in the Shire's internal procedure, 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 expenses 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 however attract FBT, which is payable by the employee. The reimbursement is not a reportable fringe benefit and is therefore exempt from payment summary reporting.

The employee is only able to package energy costs paid during the period of their employment with the Shire and for the period that they are / have been claiming a remote housing benefit.

#### Airline Lounge Membership

Employees can apply to salary package the cost of the following:

- Airline lounge membership joining fee
- Airline membership annual renewal fee

Their Base Cash Salary will be reduced accordingly. These membership fees are "tax free" when provided to an employee as part of a Salary Packaging arrangement.

Membership fees to more than one airline lounge facility are permitted.

Frequent Flyer membership fees are not eligible for salary packaging as they do not give an entitlement to use an airline lounge facility.

#### **ASSOCIATED DOCUMENTS**

Internal: EMP19 Residential Employee Accommodation (Directive)