

POLICY NO LG10 SALARY PACKAGING POLICY

DEPARTMENT:	Governance
RESPONSIBLE OFFICER:	Human Resources Manager
LINK TO STRATEGIC PLAN:	Promote Council as Employer of Choice
STATUTORY AUTHORITY:	Income Tax Assessment Act 1936 and 1997 Fringe Benefits Tax Assessment Act 1986 Superannuation Industry (Supervision) Act 1993 Taxation Laws Amendment Act (No 8) 2000 Australian Taxation Office Guidelines
OBJECTIVE:	To offer Break O'Day Council employees the option of Salary Packaging as an added benefit to assist in recruiting and retaining employees. Salary Packaging allows for remuneration flexibility enabling eligible staff to receive at least part of their salary in a form other than take home pay if they wish to do so.
POLICY INFORMATION:	Adopted 19 March 2012 – Minute No 03/12.15.4.069 Amended 20 May 2019 – Minute No 05/19.16.6.121

POLICY

1. PURPOSE

Salary Packaging allows an eligible staff member to either purchase items or pay for particular items in a more tax-effective manner than if they just paid for those items from their after tax income.

This policy allows eligible employees the flexibility to request a combination of cash salary and benefits to suit their individual and personal needs and provides an opportunity to increase disposable income.

2. SCOPE

This policy applies to all permanent staff employed by Break O'Day Council, although eligibility for packaging options varies depending on employment contract conditions.

3. POLICY STATEMENT

Break O'Day Council is endeavouring to attract suitably qualified employees by offering additional financial benefits to attract existing residents or possibly entice new residents to move to the area and work. Council recognises that employees need to have access to flexible remuneration planning which suits their individual needs and financial circumstances. Salary sacrificing is one way to provide this flexibility.

Break O'Day Council has implemented Salary Packaging to provide a financial benefit to staff and also as a recruitment and retention strategy. Salary packaging arrangements will be conducted to ensure a cost neutral outcome for Council.

The following rationale underpins the salary packaging provisions offered by Break O'Day Council:

- This Salary Packaging Policy and practices are guided by the provisions of the Fringe Benefit Tax, Tax Office Rulings, Superannuation Legislation and other relevant Australian Legislation and certified agreements and will be modified from time to time to maintain alignment with the changes to the Legislation.
- Continuing and fixed term employees are able to salary package benefits offered by Council, however Break O'Day Council may exercise its discretion to limit the extent of packaging available to staff depending on the items requested to be packaged.
- Salary packaging is not mandatory. Employees are free to negotiate only for those benefits that best satisfy their financial and personal needs from the list of benefits offered by Council. Alternatively an employee may continue to take 100% of his/her remuneration in the form of normal cash salary and compulsory superannuation.
- There is an administration fee associated with salary packaging of most benefits which is reviewed from time to time and adjusted.
- The benefit items that are available for salary packaging purposes are limited to those items that are totally exempt from the payment of Fringe Benefits Tax (FBT) or those that are concessionally taxed.
- Benefits that are able to be claimed as an income tax deduction (otherwise deductible) are not available for salary packaging (with some noted exceptions) as there is no tax advantage to this arrangement.
- All arrangements for commencing or ceasing salary packaging of benefits must be prospective and not retrospective.
- Break O'Day Council will always decide the salary and benefits to be made available to staff.
- The cost of an employee's remuneration package should be no more than the total cost of employment prior to salary packaging occurring. In the event of any increase in taxation payable by the Council, including FBT or any state tax equivalent, the Council will pass on such costs to the employee.
- Break O'Day Council does not impose a limit on the amount that can be Salary Packaged.
- The Australian Taxation Office has, for a number of years, accepted remuneration packaging arrangements as a bona fide way of remunerating staff. However, should there be any Legislative changes in the future in relation to salary packaging; the Council reserves the right to make alterations to the salary packaging policies and procedures which currently apply (as stated in this policy or the Salary Packaging Procedure).
- Participation in Salary Packaging must be with the Council Salary Packaging Provider.
- Break O'Day Council strongly encourages staff to seek independent financial advice on all financial aspects of salary packaging prior to participating in the program.

Employees contemplating participating in the salary packaging are strongly advised to read the policy and the supporting procedures carefully.

4. DEFINITIONS

Key word or acronym	Definition
ATO	Australian Taxation Office
Benefits	Any non-cash benefit and cash payment (other than salary) made or expected to be made for the benefit of the staff member and cash payment made or expected to be made to the staff member by way of reimbursement of expenses incurred by the staff member
Break O'Day Council	Represented by General Manager or delegated Responsible Officer
Fringe Benefits Tax (FBT)	Tax payable by Break O'Day Council to the Commonwealth on some categories of benefits provided to employees.
FBT Year	Runs from 1 April to 31 March.
Otherwise deductible	A legitimate expense incurred in the course of earning assessable income which could otherwise be claimed by the staff member at the time of submitting an income tax return if not salary packaging.
PAYG	'Pay As You Go' taxation
Remuneration	Salary plus benefits
Salary	Remuneration in accordance with relevant workplace agreement paid by way of regular periodical cash payments subject to PAYG tax.
Salary Sacrifice	Allocating an amount of money to be deducted from gross earnings before PAYG tax deductions are calculated.

5. MONITORING AND REVIEW

This Policy will be reviewed every three (3) years in line with the Council's Policy Framework or earlier in the event of major changes to legislation or related policies, procedures or if deemed necessary by the General Manager.