

Number	Salary Packaging	Version 2
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1. PURPOSE

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

2. SCOPE

This policy applies to all full time, part time and fixed term employees (longer than 12 months duration), subject to meeting specific eligibility criteria relevant to the packaged benefit sought. Due to the variant hours of casual employees, they are able to access salary packaging of superannuation only, and are therefore not covered under this policy.

This Policy provides for the salary packaging of allowable benefits:

Superannuation is already offered as a salary packaging benefit by Council and will continue to be offered outside of this Policy.

Definitions

Allowable Benefits

The following range of Salary Packaging Benefits:

- Work Related Items – i.e. laptops, mobile phones
- Leisure Centre and Child Care Fees (at City operated premises only)
- Novated Leasing of Vehicles
- Remote Area Housing Benefit
 - Rental
 - Mortgage Interest
- Remote Area Domestic Energy
- Airline Lounge Membership

ATO

Australian Taxation Office

Base Cash Salary

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.

Benefit

Any non-cash benefit and cash payment (other than base salary) made or expected to be made for the benefit of the employee

Fringe Benefits Tax (FBT)

Tax payable by the City to the Government on some categories of benefits provided to employees

FBT Year

1 April to 31 March each year

Otherwise deductible	A legitimate expense incurred in the course of earning assessable income which could otherwise be claimed by the employee at the time of submitting an income tax return
PAYG	Pay As You Go taxation
Remote Area	An area 'over 40 kms from a town with a population of 14,000 to less than 130,000, and over 100 kms from a town with a population of 130,000 or more'. Note not all of the City of Busselton district is classified as a remote area. A map showing the cut off is available in the City's Salary Packaging Guide.
Salary Packaging	An arrangement between an employee and employer whereby the employee elects to exchange cash salary for benefits but for the purposes of this Policy does not include superannuation.
Salary Sacrifice	Allocation of amount of money to be deducted from gross earnings before PAYG tax deductions are calculated
Total Remuneration	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 City expressed as an annual sum.

3.0 POLICY CONTENT

Salary packaging will be made available to employees as a benefit in accordance with City operational practices and 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 the Allowable Benefits 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 Allowable Benefits, taxation, and scheme participation. No employee may salary package more than 50% of their Total Remuneration.

Salary Packaging Arrangements will be administered at minimal financial cost to the City and where required by the CEO, Executive or Human Resources staff, by an external salary packaging provider approved by the City. 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 and the employee must agree to this by signing a salary packaging agreement prior to entering into a salary packaging arrangement with the City.

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 allowable benefits. The City 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.

3.1 Responsibilities:

Elected Members will:

- Ensure guidelines for salary packaging are put in place via this policy;
- Review this policy on a periodic basis as required.

CEO and Executives will:

- Endorse and enforce all standards documented in this policy;
- Endorse and enforce operational salary packaging practices and procedures which includes, but is not limited to:
 - Eligibility 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;
- Establish processes to deal with instances of non-compliance to this policy or related operational practices and procedures.

Managers will:

- Ensure officers under direct and indirect supervision are aware of and are following guidelines detailed in this policy and related operational practices and procedures;
- Ensure new employees are made aware of the salary packaging policy and related operational practices and procedures;
- Implement endorsed procedures to deal with instances of non-compliance to this policy or related operational practices and procedures.

Human Resources will:

- Develop operational salary packaging practices and procedures for the effective, compliant implementation of this policy;
- Support Managers and Employees in the application of this Policy and related operational practices and procedures;
- Monitor the integrity of the scheme in liaison with relevant finance staff;
- Assist the CEO and Executives in the review of salary packaging opportunities.

Employees will:

- Comply with this policy and associated procedures;
- Consider personal implications of participation and take and pay for their own expert advice where necessary.
- Sign the appropriate Agreement provided to them.

3.2 Eligibility Criteria

Specific eligibility and participation criteria will apply dependant on an employee's employment status at a point in time, and the benefit provided. These will be detailed in the City's operational practices and procedures.

All salary packaging arrangements, with the exception of novated leasing, cease immediately when an employee leaves the City or is on Leave Without Pay (LWOP) for a period exceeding 10 days. This includes employees on parental leave. Employees on LWOP must ensure that the reduced income and any payment consequences of that are notified and discussed with HR or the relevant external provider at least one (1) month prior to taking the leave.

Salary Packaging, with the exception of novated leasing, will be suspended during claims for Workers Compensation. As Workers Compensation is calculated on the taxable income, figures submitted to LGIS in relation to a claim will be based on the normal base wage applying to that employee (as would be the case without salary packaging).

Superannuation contributions are calculated on base salary i.e. salary before the deduction of any salary sacrifice monies.

The following benefit specific eligibility criteria applies:

Remote Area Housing – Rental

All employees, within the scope of this Policy, may be eligible for remote area housing benefits whereby they rent a property privately within a Remote Area.

CEO and Directors, subject to the prior agreement of the Council only, may be eligible for City provided housing and associated remote housing benefits.

Remote Area Housing – Mortgage Interest

All employees, within the scope of this Policy, may be eligible for remote area mortgage interest benefit whereby they own and live in a property located within a Remote Area.

3.3 Salary Packaging Benefits – Participation Requirements and Rules

General Requirements

All employees entering into a salary packaging arrangement for the purposes of an allowable benefit must enter into an agreement as 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.

Specific Benefit Requirements

Work Related Items

The following items, where used for **work purposes only** and not provided by the City, 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 City 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 City.

On termination of the employee's employment, or on termination of the novated lease, the responsibility of the vehicle is passed on to the employee. This will also occur when the employee is on extended periods of LWOP and/or Workers Compensation

Remote Area Housing

A portion of the City of Busselton district, is considered a 'Remote Locality' under the ATO's definition of 'Remote Area'. Additionally areas outside of the City of Busselton district where employees may reside are also considered a Remote Area. Where an employer subsidises certain costs that employees incur in acquiring accommodation in Remote Areas, housing assistance concessions may be applicable. Specifically, eligible employees may salary package the following items under this Policy:

Rent - Employer Provided Housing

Council, at its discretion may agree to provide eligible employees with a Council owned or leased rental property as part of their package, whereby the employee may enter into a salary sacrifice arrangement to salary package 100% of the rental value tax free.

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.

Rental value relates to the employee's portion of the rental payment only, i.e. if an employee rents with another non dependant person, then the rental value will be half of the total rental value paid.

The employee must provide to the City a copy of their rental lease and this must clearly specify the rent payable, the term of the lease, and show them as the lessee or co lessee of the rental property. The employee must also sign a declaration stating whether they rent the property alone or with others and whether those others are dependants or not.

Mortgage Interest

Subject to further qualifying criteria below, employees that have a mortgage on their home and 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 City of Busselton and only from 1 July 2014 onwards.

To be eligible to access a Mortgage Interest benefit under this Policy, the mortgage that an employee holds must be in strict accordance with the following criteria:

- The sole purpose of the loan must have been for the purchase of the employees home;
- The employee must reside in this property as their primary place of residence;
- The loan can be fixed and/or variable;
- The loan may be a principal and interest type loan or an interest only loan. In the event that an interest only loan is converted to a principal and interest loan, consolidation of other debts into the loan will disqualify it from eligibility;
- The loan cannot have a redraw facility;
- The 'home' must be a house, unit, flat or apartment (a caravan or mobile home is not considered a 'home' for these purposes)

The employee must provide to the City any evidence required to demonstrate the above criteria is met. Typically this will be:

- Property settlement papers showing the purchase details for the house
- Copy of bank letter showing the loan arrangement – whereby the loan must be in the employee's name or jointly with their spouse and for the purposes of the purchase of the house only
- Mortgage statements clearly identifying the interest reimbursement sought

Remote Area Domestic Energy

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 City of Busselton and for the period that they are / have been claiming a remote housing benefit.

The employee must provide to the City tax invoices and any other required evidence of purchase and payment of the domestic energy and that the energy was used in the house being packaged (e.g. electricity bills and / or gas bills). Reimbursements for gas will be for connected mains gas or for the purchase of large size (45kg or greater) bottles only. These must be submitted to the City on a regular basis. The invoices must be in the employee's name or jointly with their spouse or partner.

Airline Lounge Membership

Employees can apply to salary package the cost of their "entitlement to use an Australian Airline Lounge Membership", e.g. the Qantas Club, by being paid part of their total remuneration as a reimbursement. 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.

Allowable under this benefit are:

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

To be eligible for this benefit, the tax invoice must be in the employee's name.

Policy Background

Policy Reference No. -

Owner Unit – Employee Services & Risk

Originator – Employee Services & Risk

Policy approved by – Council

Date Approved - For consideration

Date Reviewed - As required

Related Documents Salary Packaging Operational Practices, Procedures and Manuals

Salary Packaging Agreement

City of Busselton Enterprise Agreement 2014

History

Council Resolution	Date	Information
		Amended Policy to include Remote Area Mortgage Interest, Remote Area Domestic Energy, Airline Lounge Membership Version 3
C1204/095	24 April 2012	Broader capacity for local government officers to have access to salary packaging options in accordance with the Enterprise Agreement Version 2
		Version 1