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| Number | Salary Packaging | Version 3 |
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1. PURPOSE

The objective of this policy is to provide the guiding document for the provision of various salary packaging options to eligible City of Busselton employees. 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.

This Policy provides for the salary packaging of an Allowable Benefit as defined.

Definitions

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| Allowable Benefit | The following range of Salary Packaging Benefits: <ul style="list-style-type: none"> ○ 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 <ul style="list-style-type: none"> ● 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 Cash 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 |
| PAYG | Pay As You Go taxation |
| Remote Area | An area which is one of the following: <ul style="list-style-type: none"> ○ At least 40 kms from an urban centre with a population of 14,000 or more |

- At least 100 kms from an urban centre 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 Base Cash Salary for a Benefit but for the purposes of this Policy does not include superannuation.

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 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 City and where required by the CEO, 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.

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 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:

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

CEO will:

- Endorse and enforce all standards documented in this policy;

- Endorse and enforce operational Salary Packaging practices and 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;
- Establish processes to deal with instances of non-compliance to this policy or related operational practices and procedures.

3.2 Eligibility Criteria

Specific eligibility and participation criteria apply dependant on an employee's employment status at a point in time, and the Allowable Benefit provided. The City's operational practices and 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 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, 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 - 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, and the employee may apply to salary package 100% of the rental value tax free by being paid part of their Total Remuneration as a non-taxable remote housing reimbursement. Their Base Cash Salary will be reduced accordingly.

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 City'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 City of Busselton and only from 1 July 2014 onwards.

Remote Area Domestic Energy

Subject to qualifying criteria outlined in the City's operational practice and 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 City of Busselton 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.

Policy Background

Policy Reference No. -

Owner Unit –

Employee Services & Risk

Last updated xx/xx/xxxx (implementation)

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 |
|---------------------------|-------------|--|
| | | Date of implementation Version 1 |
| | | Amended Policy to include Remote Area Mortgage Interest, Remote Area Domestic Energy, Airline Lounge Membership Version 2 |
| | | Amended Policy to streamline and simplify Version 3 |