

## Salary packaging

On this page

- [Eligibility for salary packaging](#)
- [Entering into a salary packaging agreement](#)
- [Fringe benefits tax shortfall](#)

Salary packaging (or salary sacrificing) is an [Australian Taxation Office](#) (ATO) approved way to restructure employee income to purchase goods or services out of pre-tax salary, potentially resulting in a monetary saving.

Salary packaging is provided for under the [Enterprise Agreement](#) (EA). You may be able to package up to 100% of your annual salary. See the [salary packaging policy](#) for more information.

### Eligibility for salary packaging

All ongoing employees, including the SES, can participate in salary packaging arrangements.

Probationers, non-ongoing staff and casual staff are permitted to:

- salary package superannuation into a fund that complies with the Australian Prudential Regulatory Authority and ATO requirements
- salary package other approved benefits where they can acquit the full cost of those benefits within the period of their contract.

Non-ongoing employees may apply to the Director Payroll for these restrictions to be waived. Should non-ongoing employment cease before the end of a leasing arrangement, the benefit will cease.

### Entering into a salary packaging agreement

We have an agreement with a salary packaging provider to administer employee salary packaging arrangements in consultation with the department, excluding superannuation.

You should seek independent professional financial advice, at your own expense, before entering into salary packaging arrangements.

### Salary packaging providers

Departmental employees can choose from the following salary packaging providers:

- [Smart Salary](#)
- [SG Fleet](#)
- [Maxxia.](#)

You can review available benefit items on the salary packaging provider websites, noting:

- not all items will generate a tax saving

- an administrative fee is applied to package items, which may outweigh any tax benefits.

### **Fringe benefits tax exempt items**

- airline lounge memberships
- briefcases, calculators and electronic diaries
- computer software used for employment purposes
- employer provided parking (Yaradhang)
- financial counselling fees
- mobile phone accounts (for business use)
- onsite childcare (onsite includes facilities on Commonwealth premises)
- professional memberships and subscriptions
- self-education expenses for full-fee paying, work-related courses.

### **Concessionally taxed items**

- novated vehicle lease (including luxury vehicle)
- superannuation (additional employee contributions) to a fund complying with the relevant Australian Prudential Regulatory Authority and ATO requirements.

### **Otherwise deductible items**

- disability or income protection insurance
- home office expenses.

No information provided by the department or the salary packaging provider can be taken as financial, taxation or financial product advice or recommendations.

The department accepts no liability – financial or otherwise – for the consequences of any decisions taken by our employees to enter into salary packaging arrangements.

### **Superannuation packaging**

Superannuation packaging arrangements are administered internally by the department. There are no administration fees associated with superannuation packaging.

To apply, complete and submit an [application form](#) through a [payroll enquiry request](#).

To stop your superannuation packaging, submit a [cessation form](#) through a [payroll enquiry request](#).

### **Fringe benefits tax shortfall**

It is your responsibility to monitor and manage salary packaging arrangements to ensure sufficient funds are allocated, deducted and disbursed to meet all commitments.

A fringe benefits tax (FBT) shortfall occurs when insufficient funds have been deducted from your salary to cover the FBT liability. An FBT shortfall is treated as a debt you owe to the department.

Shortfalls will be treated as a debt to the Commonwealth under the [Accountable Authority Instructions](#) (AAIs), [Finance Business Rules](#) and the [Public Governance, Performance and Accountability Act 2013](#), where there is an amount outstanding after this period or the employee leaves the department and recovery through the payroll is not possible.

Consistent with the [AAIs](#), there is discretion in these recovery processes for the delegate to consider hardship.



# Salary Packaging Policy

We are currently updating policies for consultation with staff and getting procedures and systems in place to support the new Enterprise Agreement. See more on the [Enterprise Agreement page](#).

## Contents

1. Purpose/Principles .....	2
2. Quick Guide .....	2
3. Detailed Information.....	3
Eligibility.....	3
Financial Counselling .....	3
Entering into a salary packaging agreement.....	3
Superannuation packaging.....	3
Salary packaging provider .....	4
Menu of benefit items .....	4
Fringe Benefits Tax (FBT) shortfall .....	5
Overview .....	5
Debt recovery.....	5
Goods and Services Tax (GST), Input Tax Credits and Salary Packaging.....	5
Reconciliation of salary packages.....	5
Further assistance.....	5
4. Responsibilities .....	6
Employees .....	6
Department.....	6
Salary packaging provider.....	6
5. Legislation .....	7
6. Related Topics, References and Forms .....	7

7. Version control .....	7
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## 1. Purpose/Principles

Salary packaging (or salary sacrificing) is an Australian Taxation Office approved means of restructuring income to enable an employee to purchase goods or services out of pre-tax salary, potentially resulting in a monetary saving to the employee.

Salary packaging is provided for under the [Department of Health Enterprise Agreement \(EA\) 2019-2022](#) with employees having the ability to package up to one hundred per cent of their annual salary.

The department respects that employees are best placed to make decisions about their own remuneration and financial arrangements. However, the department expects that employees entering into salary packaging arrangements will fully inform themselves of the financial and taxation implications of their proposals before proceeding. The department also expects employees will appropriately monitor their salary packaging arrangements and seek assistance as necessary.

Access to salary packaging aligns with the objectives of the department's [People Strategy 2016-20](#), specifically 'managing workforce composition' by providing attraction and retention frameworks that guide recruitment, optimise the retention of key talent and balance rewards and benefits in return for performance.

## 2. Quick Guide

- This policy provides the parameters within which salary packaging is made available to employees.
- The department has an agreement with a salary packaging provider to administer employee salary packaging arrangements in consultation with the department. However, the department offers salary packaging of superannuation for employees in-house rather than using the salary packaging provider.
- Employee participation in salary packaging will be at no cost to the department.
- The department strongly recommends that employees seek independent professional financial advice before entering into salary packaging arrangements. This will be at the employee's own expense.
- No information provided by the department or the salary packaging provider can be taken to constitute financial, taxation or financial product advice or recommendations. The department accepts no liability—financial or otherwise—for the consequences of any decisions taken by its employees to enter into salary packaging arrangements.

### 3. Detailed Information

#### Eligibility

All ongoing employees, including SES are eligible to participate in salary packaging arrangements.

Probationers, non-ongoing employees and casual employees are eligible to salary package superannuation into a fund that complies with relevant Australian Prudential Regulatory Authority and Australian Taxation Office requirements. However, their eligibility to salary package other approved benefits is dependent upon their ability to acquit the full cost of those benefits within the period of their contract.

A non-ongoing employee may apply to the Director, Payroll for this restriction to be waived (e.g. to enter a car leasing arrangement). The Director's decision will have regard to the relevant non-ongoing employee's circumstances and length of contract. Non-ongoing employees who are granted such a waiver should note the requirement to notify the salary packaging provider on cessation of their contract of employment with the department.

Should a non-ongoing employee's employment cease before the end of a leasing arrangement the benefit will cease, with ongoing lease and other related expenses becoming the direct responsibility of the employee. The department is not liable for any costs associated with the leasing arrangement.

#### Financial Counselling

Employees are strongly encouraged to seek financial advice from an independent professional financial advisor before entering into salary packaging arrangements. This will be at the employee's own expense.

Employees must direct all queries for advice about salary packaging and associated issues such as superannuation, compensation, taxation and administration to their financial advisor (if applicable) in the first instance.

**Note:** No information provided by the department or the salary packaging provider can be taken to constitute financial, taxation or financial product advice or recommendations. The department accepts no liability—financial or otherwise—for the consequences of any decisions taken by its employees to enter into salary packaging arrangements.

#### Entering into a salary packaging agreement

#### Superannuation packaging

Superannuation packaging arrangements are administered internally by the department. Therefore there is no administration fees associated with superannuation packaging.

To apply for superannuation packaging, employees need to complete and [submit an application form](#) through a [Payroll Enquiry](#) request on the department's intranet. To cease superannuation packaging, employees need to [submit a cessation form](#) through the same process.

**Note:** for the purpose of salary packaging the department can only make superannuation contributions by electronic funds transfer (EFT).

## Salary packaging providers

Departmental employees are able to choose a salary packaging provider from the following:

**Smart Salary** - [Smartsalary website](http://Smartsalary website)

**SG Fleet** - [www.sgfleet.com](http://www.sgfleet.com)

**Maxxia** - [www.maxxia.com.au](http://www.maxxia.com.au)

## Menu of benefit items

**Note:** various benefit items are treated differently for taxation purposes.

This list of benefit items is as comprehensive as is reasonably possible. Note that not all of these items will generate a tax saving and (as an administrative fee is applied to package them) might in fact impose an additional cost to employees who select them. Taxation rules can be complex and more information from an independent financial adviser may be needed before an informed decision can be made.

### Fringe benefits tax exempt items

- Airline lounge memberships
- Briefcases, calculators and electronic diaries
- Computer software used for employment purposes
- Employer Provided Parking (Sirius Building)
- Financial counselling fees
- Mobile phone accounts (for business use)
- On-site childcare (on-site includes facilities on Commonwealth premises)
- Professional memberships and subscriptions
- Self-education expenses for full-fee paying, work-related courses

### Concessional tax items

- Novated vehicle lease (including luxury vehicle)
- Superannuation (additional employee contributions) to a fund complying with the relevant Australian Prudential Regulatory Authority and ATO requirements

### Otherwise deductible items

- Disability or income protection insurance
- Home office expenses

Employees should only package those items exempt from FBT, otherwise deductible or given concessional treatment for FBT purposes..

Please note to avoid attracting FBT, some of these benefit items may require a declaration from the employee.

The department will periodically review these benefits and reserves the right to make any changes to reflect taxation changes and ensure efficient and effective administration.

## Fringe Benefits Tax (FBT) shortfall

### Overview

An FBT shortfall occurs when insufficient funds have been deducted from an employee's salary to cover the FBT liability. As provision of salary sacrificing is required to be revenue neutral for the department, an FBT shortfall is treated as a debt owing to the department by the employee.

### Debt recovery

It is strongly recommended that employees seek independent financial advice when salary packaging, particularly where this includes an item which attracts FBT. Financial advice in establishing a salary package, as well as subsequent monitoring and management of activity of that package, can prevent FBT shortfalls occurring. A recovery process will be commenced where an employee's salary packaging arrangement results in an FBT shortfall and there are insufficient funds in their account to repay this.

The employee will be notified by the department and the salary packaging provider of a shortfall. The department will negotiate with the employee to recover the shortfall through the salary system. Shortfalls will be treated as a debt to the Commonwealth under the [Accountable Authority Instructions](#) (AAIs), [Finance Business Rules](#) and the [Public Governance, Performance and Accountability Act 2013](#), where there is an amount outstanding after this period or the employee leaves the department and recovery through the payroll is not possible.

Consistent with the [AAIs](#), there is discretion in these recovery processes for the [delegate](#) to consider hardship.

## Goods and Services Tax (GST), Input Tax Credits and Salary Packaging

Where an employee salary packages a benefit item that is subject to GST and generates Input Tax Credits, the department will claim these credits on the employee's behalf and return the money to their salary packaging account.

### Reconciliation of salary packages

Reconciliation of obligations (e.g. to service a lease) are made with reports from the financier (if leasing a vehicle), salary packaging provider, payslip and bank statements.

The salary packaging provider will reconcile the salary package at appropriate intervals. Any balance in an employee's salary package on termination of the arrangement will be paid as salary and taxed accordingly. Any FBT shortfall (i.e. monies owing to the department) will be recovered by the department.

### Further assistance

For any queries regarding salary packaging employees should [submit an online payroll enquiry](#) or contact the HR Helpline on (02) 6289 8888. The department's Contact Centre will either answer your query directly or refer your question to the appropriate area.

## 4. Responsibilities

### Employees

Responsibilities include:

- seeking independent financial advice (at own expense) to be fully informed of financial implications.
- making sound decisions in managing their own remuneration and financial matters
- taking responsibility for monitoring and managing their own salary packaging arrangements, ensuring that sufficient funds are allocated, deducted and disbursed to meet all commitments, including FBT
- notifying the salary packaging provider immediately of changes to their circumstances that affect their income (e.g. leave at less than full pay, termination, compensation leave) and which might affect their compliance with this policy or their ability to meet obligations
- meeting all costs associated with their salary packaging arrangement.

### Department

Responsibilities include:

- formalising an agreement with the salary packaging provider which specifies service levels, deliverables, administrative costs to employees, and provides the authority for the making of individual agreements between employees and the provider
- reviewing and communicating the salary packaging policy occasionally
- determining salary packaging benefit items (a menu) available for employees to select from, in accordance with ATO rulings, as amended occasionally
- providing information to employees that makes them aware that the department has no liability for any costs associated with employees' salary packaging arrangements, including novated lease arrangements
- not providing any financial advice
- recovering FBT shortfalls as necessary
- offering in-house packaging of superannuation, with no associated administration fee
- reporting of in-house packaging of superannuation on the employee's fortnightly payslip.

### Salary packaging provider

Responsibilities include:

- providing all services consistent with their Deed with the department, including:
  - disbursing funds to designated recipients
  - providing appropriate customer service, information and reports to employees
  - providing appropriate reports to the department
  - conducting information sessions on salary packaging in accordance with departmental requirements.

## 5. Legislation

- [Fringe Benefits Assessment Act 1986](#)
- [Income Tax Assessment Act 1936](#)
- [Income Tax Assessment Act 1997](#)
- [Public Governance, Performance and Accountability Act 2013](#)
- [Public Governance, Performance and Accountability Rule 2014](#)
- [Public Service Act 1999](#)

## 6. Related Topics, References and Forms

- [Accountable Authority Instructions](#) and [Finance Business Rules](#)
- [Department of Health Debt Management Manual](#)
- [Department of Health Enterprise Agreement 2019-2022](#)
- [Department of Health People Strategy 2016-2020](#)

## 7. Version control

Version Number	Date of issue	Author(s)	Brief description of change
Version No: 1.0		Employee Relations	In accordance with EA 2011-2014
Version No: 2.0	28/06/2018	Workforce Strategy and Policy Section	In accordance with EA 2016-2019
Version No: 3.0	26/03/2019	Workforce Strategy and Policy Section	In accordance with EA 2019-2022
Version No: 4.0		Employment Conditions and Policies Section/Payroll Section	Updated to reflect implementation of new provider panel arrangement.