



**Swan Hill  
District Health**

*my hospital*

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**Salary Packaging/Salary Sacrifice  
Information Booklet**

FEB 2017

Employees of Swan Hill District Health (SHDH) have six programs in which they are able to participate:

1. Salary Packaging for general GST free expenditure,
2. Salary Sacrifice for Superannuation,
3. Salary Packaging for meal entertainment,
4. Novated Leasing,
5. Remote Area Housing

**Note: As all individual's circumstances differ you should obtain your own financial advice before taking up Salary Packaging/Salary Sacrifice.**

## **1. Salary Packaging for general GST free expenditure**

Salary Packaging is a process whereby you can, under an arrangement with the Hospital, sacrifice part of your salary. Salary Packaging is done in order to provide a higher net remuneration by virtue of reduced tax for you at no additional cost to the Hospital.

Eligible employees will participate in the Salary Packaging program in accordance with their relevant award/agreement, hospital policy and taxation guidelines. The Fringe Benefits Tax Assessment Act 1986 (FBTA) and the Income Tax Assessment Act 1936 (ITAA) regulate the provision of such benefits in lieu of cash salary, by employers to employees and relevant tax payable on such items.

### How much can be packaged?

Employees are able to Salary Package a predetermined amount every fortnight without exceeding the cap of \$17,667 grossed up taxable value. (**\$9010** cash x 1.9608 = \$17,667 grossed up taxable value).

### What is the process?

Eligible staff members must sign attachment #1 to join. It is an authority to package part of your base salary in terms of the relevant guidelines. It is also an authority to deduct the fee direct from your pay.

Staff will then need to provide the necessary documentation to enable the deduction to occur. Evidence of the expense type will need to be provided to the Pay Office.

The salary packaging amount is then deducted from your fortnightly gross salary prior to tax and then directed to back through your salary. The increase in your nett pay will be a result of the reduction in tax.

### Expense Types

***Expense types must be free of GST.*** Examples of expenses include:

- Home Rental
- School Fees
- Home Mortgage Repayments (interest & principal)
- Personal Loan Repayments
- Water Rates
- Council Rates

- Credit Card payments

NOTE: Any expense that may qualify as a tax deduction should not be paid through the Salary Package program. (This is a recommendation only).

## **2. Superannuation**

Nominate a pre-tax amount of your salary for contribution to a superannuation fund in accordance with Australian Taxation Office guidelines. There are no fees. Refer to Superannuation brochures for detailed information or contact the Pay Office.

A deduction authority will need to be completed. These are available from the Pay Office.

## **3. Meal Entertainment**

A meal entertainment fringe benefit arises when there has been a payment or reimbursement of meal entertainment expenditure. For the FBT year beginning 1<sup>st</sup> April 2016, Public Hospital employees are able to package meals and venue hire up to the value of \$2,330 per annum. This is no longer exempt from FBT and has a grossed up value of \$5,000.

### How much can be packaged?

A limit of \$5,000 per person per FBT year applies.

### What is the process?

*Meal Entertainment:* Pay for a meal at a restaurant, café, or to a caterer. Complete attachment #2 – Meal Entertainment Expenses form and attach the appropriate proof that you have incurred the expense. Appropriate proof shall mean an **original** receipted tax invoice that clearly indicates that you have paid for a meal. Each individual tax invoice must be for a minimum of \$10.00 and the total claim must be for a minimum of \$300.00 before being submitted to the Pay Office. The expense form must reach the Pay Office by **12noon** on the Wednesday prior to the pay period ending date.

### What meals are included?

Tax legislation and interpretations by the tax office and others provide lengthy definitions of meal entertainment fringe benefits. SHDH will pay:

- Restaurant and café meals (but not at a theatre restaurant or one providing entertainment); and
- Catering costs for functions (where the sole or dominant purpose is the consumption of food and drink).
- Light meals (morning or afternoon teas, sandwiches, salads or other hand foods, orange juice, coffee etc.) are not eligible for reimbursement. McDonald's or similar establishments are acceptable.

### What is not included?

- Dinner parties

- Meal entertainment where recreation type activities are provided (e.g. theatre restaurant)
- Supermarket bills
- Liquor accounts
- Light meals as discussed above.

**The final decision on what qualifies under the definition of meal entertainment rests with SHDH.**

**Should staff be uncertain with potential acceptance of claims please consult the Pay Office prior to the commitment being undertaken.**

How much can be packaged?

**A limit of \$2,330.00 per person per FBT year applies.**

The limit introduced in April 2016 is a combined cap across both Meal Entertainment and Venue Hire and is a reportable Fringe Benefit.

Venue Hire is no longer an exempt benefit and is in addition to your current Salary Packaging arrangement. This benefit is offered over and above your normal salary packaging, which operates in a similar fashion to the Meal & Entertainment Allowance.

Invoices submitted must clearly outline the expenditure in relation to the Venue Hire costs, i.e. cost of the motel room, or hire of a caravan site must be easily identifiable. Swan Hill District Health will accept original Tax Invoice dated from the 1<sup>st</sup> of April 2009.

Venue Hire costs are defined as expenses that are incurred by a person in hiring or leasing a venue, premises or facilities for the purpose of the provision of entertainment, i.e. hire of hotel room, caravan hire, leasing caravan site.

#### **4. Novated lease**

(Please note the following is adapted from information obtained from the Private Fleet website [www.privatefleet.com.au](http://www.privatefleet.com.au))

A **novated lease** has become an increasingly popular form of vehicle financing over recent years. A novated lease combines many features of more traditional forms of vehicle finance to deliver some attractive benefits for both employers and employees.

A novated Lease is an agreement between SHDH, you (the employee) and the financier, where the obligations to meet the repayments under the finance lease is with SHDH, whilst the employee is employed by SHDH. Upon termination SHDH is no longer responsible for the lease payments under the novated lease agreement.

With a novated lease agreement, you own the vehicle and have the right to take it with you should you change jobs and, structured correctly, there may be tax advantages with your remuneration package.

As with other leasing structures, repayments with a novated lease are flexible and amounts depend on the term, interest rate, amount borrowed and the residual payment.

Benefits of a novated lease for the employee include:

- Greater flexibility with the choice of a vehicle – vehicles up to **3** years old can be obtained under this arrangement.
- Financing of the vehicle may be paid with pre-tax dollars
- Option to own the vehicle at the end of the novated lease term
- The vehicle may be leased for 100% private use

Initially SHDH, will only provide this benefit to the first **60** employees who have entered into a Novated Lease agreement, this limit will be reviewed on the 31<sup>st</sup> March each year.

### What is the process?

SHDH has entered into an arrangement with Mainland Finance who will assist the employee with application process – please refer to Mainland Finance information booklet for further details. Copies are available from Damian Wilson in Payroll.

The employee will be responsible for any application fees that are payable to financial institutions in relation to the provision of a Novated lease and for all operating costs of the vehicle, including insurance and registration.

Once the Novated lease agreement has been entered into by the employee, SHDH and the financial institution, an amount will be deducted from the employee's salary on a fortnightly basis, sufficient to fully compensate the Hospital for the monthly lease payment, net of any GST that may be applicable.

The employee is required to maintain an accurate register of accounts paid that relate to the vehicle that is subject to a Novated lease agreement and to provide original accounts to the Finance Department by the 4<sup>th</sup> of each month to enable the Fringe Benefits Tax liability to be determined.

As all salary package arrangements are to be cost neutral to the Hospital, the employee is responsible for the payment of any Fringe Benefits Tax liability that may arise as a result of entering a Novated Lease arrangement, by entering into a Novated Lease arrangement the employee is agreeing to this requirement.

An initial review will be undertaken by Finance to determine FBT consequences. This may involve the employee contributing post tax contributions to offset the FBT liability. Further reviews with the employee will be undertaken every 4 months, to ensure adequate record keeping is being maintained by the employee to enable the Hospital to complete the Fringe Benefits Tax Return.

### Fees

As mentioned above the Employee will be responsible for the payment of any application fees to Financial Institutions and for the operating costs of the vehicle and any Fringe Benefits Tax that may be payable, which relates to the provision of the vehicle.

In addition to these costs the employee will be charged a 5% fee. See below under fee structure. This fee will cover the initial setup of the Novated Lease agreement and subsequent processing in the payroll system as well as the initial and four monthly review of documentation and the calculation of any Fringe Benefit Tax liability.

If a Fringe Benefit Tax liability exists the employee is responsible. This may be offset by the post-tax contributions mentioned above or if a liability exists it will need to be repaid in full to the hospital by the 30<sup>th</sup> April following the FBT year. The employee will be notified in writing of the amount that needs to be reimbursed to SHDH. If an overpayment of post-tax contributions is made then these will be reimbursed to the employee immediately.

#### How much can be packaged?

Swan Hill District Health will enable one vehicle per employee to be packaged under this arrangement.

### **5. Remote Area Housing**

The Fringe Benefits Tax Assessment Act 1986 also provides for exempt benefits when your principle place of residence is classified a remote area. Swan Hill meets these criteria under the above act. This means that the hospital is able to provide two benefits under this heading. They are:

- remote area housing mortgage interest allowance
- remote area rent assistance

#### Remote area housing mortgage interest allowance:

If you currently have a mortgage on your principal place of residence either in your name or in joint names and you live in what the Australian Taxation Office determines to be a "Remote Area" you may qualify for "Remote Area Mortgage Interest Allowance." Staff are able to package the interest paid on their mortgage. 50% of the interest is an exempt benefit and the other 50% of the interest will form part of the \$9,010.00 cap amount. Refer examples below based on interest paid of \$5,000.00.

#### **Example:**

##### **No Remote Area Housing Mortgage Interest:**

\$9,010.00 - reimburse credit card payments to employee Bank Account – this amount is grossed up and reported on your Payment Summary Group Certificate) as \$17,000

\$9,010.00 – Total packaged

##### **With Remote Area Housing Mortgage Interest:**

\$ 6,510.00 – reimburse credit card payments to employee Bank Account

\$ 2,500.00 – reimburse interest payments to employee Bank Account\*\*\*

\$ 9,010.00 – this amount is grossed up and reported on your Payment Summary (Group Certificate) as \$17,000

\$ 2,500.00 – reimburse interest payments to employee Bank Account – this amount is an Exempt Benefit and is not reported on your Payment Summary (Group Certificate) Benefit\*\*\*

\$11,510.00 – Total packaged

\*\*\* \$5000.00 interest with 50% reported and 50% exempt.

How much can be packaged?

The maximum amount that can be packaged under this arrangement is \$18,190 (i.e. \$9,010 \* 2 = \$18,020) Where an employee packages the full \$18,020 they will not be able to access the \$9,010 under Salary Packaging for general GST free expenditure as outlined in section 1 of this document.

Note: If you have taken a redraw for a boat or a car this portion of the loan is not eligible. Also as this benefit is only available for your 'principle place of residence', if your loan was to cover an investment property – or where interest on the loan or a portion of interest on the loan is claimed as a tax deduction in your income tax return – you may need to seek advice from your Accountant or Financial Advisor.

### Process

Staff will need to gather the last 6 months of home loan statements, complete the Remote Area Mortgage Interest Allowance form (refer attachment 3) and forward to the Pay Office. It is then assessed by Finance/Pay Office to see that it is compliant with Australian Taxation Office requirements. If so the claim will be processed by Pay Office and included in the next pay period.

The amount is deducted from your fortnightly gross salary prior to tax and then directed to back through your salary. The increase in your net pay will be a result of the reduction in tax.

Staff will repeat the above procedure for the following six months; if you do not complete a new claim form and forward further statements this payment will automatically stop.

The Remote Area Mortgage Interest Allowance cannot be accrued. These funds must be reimbursed immediately.

### **Remote Area Rent Assistance**

If your current principal place of residence is a rental property and you live in what the Australian Taxation Office determines to be a "Remote Area" you may qualify for an FBT Exempt benefit "Remote Area Rent Assistance 50%"

This benefit is an exempt benefit and is in addition to your current Salary Packaging arrangement.

### **Example**

Angela's principle place of residence is a rental property. She is paying the Real Estate Agent \$340 a fortnight rent. Angela has provided Pay Office with a copy of her Lease agreement and a claim form (refer attachment 4) for Remote Area Rent Assistance 50%; upon its review Finance/Pay Office agree that Angela is entitled to an exempt benefit.

An amount of \$170 is deducted a fortnight from her pre-tax salary and an amount of \$170 is deducted a fortnight from her post-tax salary for the rent. A payment is then made to the Real Estate agent in the amount of \$340. Angela sees an immediate tax benefit after implementing the pre-tax deduction.

The Remote Area Rent Assistance 50% cannot be accrued. These funds must be paid immediately to the Real Estate Agent or Landlord.

Remote Area Rent Assistance 50% does not form part of the Capped amount and is not reported in her taxable income or anywhere else on her Payment Summary (Group Certificate).

### **Supply of Invoices to Support Claims in relation to options**

1. Salary Packaging General GST Free Expenditure
2. Meal Entertainment
3. Novated Lease
4. Remote Area Housing
5. Entertainment Facility Lease Expenses (Venue Hire)

All claims made under the above options require the original supporting documentation that clearly contains the following information to be a compliant Tax Invoice:

- Name of the supplier
- The cost of the items purchased
- The date of the supply
- The amount of GST
- ABN of the supplier

Claims for Meal Entertainment and Entertainment Facility Lease Expenses must include original documentation (photocopies or tampered Tax Invoices will not be processed by the Pay Office) along with the signed declaration form for the benefit sought.

### **Fee Structure**

An all-inclusive fee of 5% (includes GST) of the total amount packaged will be deducted per pay. Salary Sacrifice to Superannuation will not attract a fee.

The fee will be deducted direct from your pay from post-tax dollars. The fee is payable on a fortnightly basis.

### **Notes in relation to the presentation**

The contents of this presentation are for information purposes only and for those employees who have been considered for Salary Packaging remuneration.

Salary Packaging/Salary Sacrificing may not necessarily be ongoing. This will depend upon the extent that the Fringe Benefits Tax legislation will allow the Hospital to provide Salary Packaging remuneration in the future. At present, the legislation allows the Hospital to provide salary package remuneration.

**As all individual's circumstances differ you should obtain your own financial advice before taking up Salary Packaging/Salary Sacrifice.**

The service arrangement will be reviewed each year in March, for the forthcoming year.

Attachment 1



## SALARY PACKAGE PROGRAM

Salary Packaging for general GST free expenditure

I, \_\_\_\_\_ (Name)

Of \_\_\_\_\_ (Address)

Elect to package \$\_\_\_\_\_ per fortnight of my salary, (without exceeding the \$17,000 grossed up taxable value) in terms of my relevant award/agreement, hospital policy and taxation regulations.

I hereby authorise Swan Hill District Health to deduct an all-inclusive fee of 5.0% (includes GST) per pay.

**PLEASE ATTACH COPIES OF THE DOCUMENTATION TO SUPPORT YOUR CLAIM, SUCH AS CREDIT CARD STATEMENTS, HOME MORTGAGE REPAYMENTS (PRINCIPLE), PERSONAL LOANS, RATES, ETC.**

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Office use only:

SAP:   
FEE:

KEYED BY: \_\_\_\_\_



## SALARY PACKAGE PROGRAM

### Meal Entertainment / Venue Hire Expense Form

**Employee Name:** \_\_\_\_\_

**Personnel No. :** \_\_\_\_\_

*Please list subtotals for attached invoices:*

Meals:	Venue Hire:
\$	\$

**Total for Reimbursement:**

\$

Office Use Only:

Approved       Amended: \$ \_\_\_\_\_

**Declaration:**

I \_\_\_\_\_ declare that the above expenses have been incurred by myself and that it is legitimate expenditure in line with Hospital Guidelines and Australian Taxation Office legislation. I have not previously claimed these expenses through Salary Packaging and have **attached the original invoice to support my claim** to this form.

**I also declare that I have consumed one of the meals and that I have paid for the whole claim, for each of the original invoices attached to this claim, or where I am claiming for Venue Hire, I declare that I was a recipient of the accommodation provided.**

I authorise the Swan Hill District Health to deduct a fee of 5.0% from my salary. I understand that the 5.0% is deducted fortnightly and is calculated on the fortnightly amount reimbursed.

**Payment Arrangements:** \_\_\_\_\_  
(If applicable)

Signature: \_\_\_\_\_ Date: \_\_\_\_\_



## SALARY PACKAGE PROGRAM

### REMOTE AREA MORTGAGE INTEREST ALLOWANCE

Employee Details:

<b>Name:</b>	
<b>Employer:</b>	Swan Hill District Health
<b>Payroll Number:</b>	

Please complete the following:

### REMOTE AREA MORTGAGE INTEREST ALLOWANCE

**MORTGAGE ALLOWANCE BANK ACCOUNT DETAILS:**

Bank of Mortgage account	
Total Interest paid over last 6 months	
Payroll use only:	4000:
	4085:
Date range:	

**ATTACH COPIES OF LAST 6 MONTHS STATEMENTS SHOWING DETAIL OF INTEREST PAID ON MORTGAGE.**

***This form must be renewed every 6 months to continue payments.***

**Declaration:**

I \_\_\_\_\_ hereby declare that for the purpose of receiving the remote area housing payment being provided under subsection 60(2) of the FBTAA that: -

- The interest is in respect to a remote area housing loan for a dwelling, that is, the house is in a remote area.
- The dwelling is my usual place of residence.
- The benefit is provided for interest which is based on market rates.
- The above information is true and correct. I understand that I am liable for any Fringe Benefits Tax that may be incurred due to incorrect information provided under this Salary Packaging arrangement.

I hereby authorise Swan Hill District Health to deduct an all-inclusive fee of 5.0% (includes GST) per pay.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_



**SALARY PACKAGE PROGRAM**

**REMOTE AREA RENT ASSISTANCE 50%**

Employee Details:

<b>Name:</b>	
<b>Employer:</b>	Swan Hill District Health
<b>Payroll Number:</b>	

To allow us to ensure the correct payment, please complete the following:

**REMOTE AREA ASSISTANCE 50%**

**RENT DETAILS:**

Fortnightly Rental Amount	
50% of Rental Amount - Fortnightly amount to be deducted from pre-tax salary	

**PLEASE ATTACH A COPY OF THE LEASE AGREEMENT**

**Declaration:**

I \_\_\_\_\_ hereby declare that for the purpose of receiving the remote area housing payment being provided under subsection 60(2) of the FBTAA that: -

- The rent is in respect to a remote area rental agreement for a dwelling, that is, the accommodation is in a remote area.
- The dwelling is my usual place of residence.
- The benefit is provided for rent which is based on market rates.
- The above information is true and correct. I understand that I am liable for any Fringe Benefits Tax that may be incurred due to incorrect information provided under this Salary Packaging arrangement.

I hereby authorise Swan Hill District Health to deduct an all-inclusive fee of 5.0% (includes GST) per pay.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_