

## 1. Background

Salary packaging is a process whereby existing salary is renegotiated by an employee, with the approval of the Town of Cottesloe, into a combination of 'cash' and benefits, to provide a higher net salary for the employee.

## 2. Objective

The Town's salary packaging policy is designed to assist staff to effectively structure their remuneration package from a taxation perspective and ensure both the Town and the Employee are aware of their respective obligations under any agreement.

## 3. Policy

Salary packaging is a process whereby existing salary is renegotiated by an employee, with the approval of the Town of Cottesloe, into a combination of 'cash' and benefits, to provide a higher nett salary for the employee.

The Town supports such arrangements where they meet the requirements of this policy.

### 3.1 Costs

The salary packaging program must be at nil cash cost to the Council. The components of salary packaging are:

- The Benefits payable
- The Fringe Benefit Tax and Goods and Services Tax (GST) payable, where applicable
- All other government taxes, levies and/or duties
- Any abnormal costs associated with the implementation or operation of the salary packaging program.

Any earnings that are not subject to superannuation such as leave loading, overtime, casual payments and higher duties allowances may not be packaged.

#### 3.1.1 Superannuation

Superannuation is already available for salary packaging. Please see Superannuation Policy.

### **3.1.2 Technology**

Employees may salary sacrifice the cost of one laptop, personal handheld device and/or portable printer per Fringe Benefits Tax year (1 April to 31 March) and be exempt from Fringe Benefits Tax.

Only hardware and basic software required to make the unit operational can be packaged in line with Australian Taxation Office regulations. Only portable printers designed specifically for use with a notebook computer, a laptop computer or a similar portable computer are exempt and may be salary packaged. They must be marketed as a portable printer.

The total cost of the laptop, personal handheld device and/or portable printer to the employee is the cost of the laptop, personal handheld device and/or portable printer minus GST. Repayments will be over a maximum term of one year.

If the employee's employment is terminated for any reason prior to the end of the repayment schedule, the total outstanding must be recouped to the Town during the last full payroll period.

### **3.1.3 Novated Car Leases**

A Novated Lease is a tripartite agreement between the employee, the employer and a financier. Firstly, an employee enters into a finance lease and then by way of a Novation Agreement, transfers the lease to his/her employer. The employer undertakes to meet the lease rentals whilst the employee remains employed by the employer.

Novated car leases for new or used cars may be packaged by employees. A car classified as 'luxury' by the Australian Taxation Office cannot be salary packaged.

The lease may be finance only, partly maintained or fully maintained. At the end of the period of the lease the employee can elect to purchase the vehicle for the residual price or have the finance company sell the vehicle. If the vehicle is sold for less than the residual price the employee must pay the difference.

Fringe Benefits Tax applies to novated car leases but can be offset if an employee makes a personal contribution towards the car out of after tax salary.

GST is applicable to car leases. An employee will be eligible to have the GST credited back to them provided the Shire receives a tax invoice provided by the Novated Lease provider. The GST on the residual due at the end of the lease period or on employee contributions made after tax will not be able to be claimed back.

It is not intended to provide employees with Council vehicles access to allow a higher standard than Council's Fleet Management Plan, other than the supply of additional private use vehicle/s for themselves or their immediate families.

The Town is prepared to accept an existing novated lease that a new employee has with another employer.

**3.1.4 General Conditions**

- a. Any information provided by the Town of Cottesloe, its officers or employees is intended to provide only a summary of the subject matter covered. No person should act on the basis of any information provided. Each person should obtain his or her own professional advice.
- b. An employee will have to terminate the salary packaging arrangement in order to take leave without pay.
- c. Paid leave taken during the term of the salary packaging agreement will not affect the salary packaging arrangement.
- d. During any period of sick leave without pay the employee would be responsible for paying items packaged if required.
- e. An employee may only package a total maximum of 50% of an employee's substantive, annual, base salary unless the employee can demonstrate that he/she can afford to sacrifice more of their income.
- f. The Town of Cottesloe retains the right to refuse to process an employee's application for salary sacrificing if this could increase the Shire's administration or other costs and liabilities in any way.

Adopted	23 October 2018
Expected date of review	