



NTPS Bulletin

Salary Sacrifice Packaging

Introduction

Salary Packaging has been available to NTPS employees for more than 18 months. It was introduced into the NTPS through EBAs and has been modified overtime. The trail undertaken of the salary packaging administration by the DCIS Salary Packaging Unit has proven to be efficient and kept the cost to participating employees at an acceptable level.

The implementation committee has completed their review of the current administrative arrangements and in consultation with the Unions, decided to further enhance the items (benefits) available for salary packaging. In addition, the success of the administration trial has resulted in the DCIS Salary Packaging Unit retaining the administrative function for the NTPS.

What benefits can be salary sacrificed?

Superannuation

Salary sacrifice for superannuation contributions allows you to pay before-tax salary directly into a regulated superannuation fund. Before-tax contributions are known as employer contributions which are taxed at 15% on the way into the fund.

Changes to the previous arrangements include:

1. Lump Sum Payments

It may now be possible to salary sacrifice a lump sum payments such as annual leave (2 weeks maximum), long service leave (half usage in compliance with By-law 8.7(c)), back pay, annual allowances, annual leave loading, recreation airfares and bonuses into superannuation.

2. 50% maximum limit

The sacrifice limit restricting NTPS employees to 50% of their salary has been relaxed for employees 50 years of age and older.

Contact the DCIS Salary Packaging Unit for further details, if you wish to access these enhancements to the salary packaging arrangements. Phone 8999 1032 or 8999 1191 or Email : salarypackagingunit@nt.gov.au

Non Cash Benefits

Salary packaging may reduce taxation payable by allowing choice and flexibility in how your salary is paid. The arrangement allows an employee to sacrifice some salary and instead be remunerated by a combined package of some salary and one or more non-cash benefits.

Packaging may also provide taxation benefits allowable under relevant Australian Taxation Office (ATO) legislation. With the exception of sacrifice to a complying superannuation fund, a non-cash benefit is a fringe benefit and may attract Fringe Benefits Tax (FBT). As FBT liability is payable by employees, effectiveness of a packaging arrangement can be lessened.

Non Cash Benefits - which do not attract FBT

Non-cash benefits which have been determined by the ATO as Fringe Benefit Tax exempt may be selected for packaging purposes from an approved list e.g:

- Laptop / Portable Computer / Notebook #
- Handheld electronic calculator / organiser and Person Digital Assistant (PDA) #
- Business software
- Briefcase #
- Gym membership (only on employer's premise)
- Child care (only on employer's premises)
- Compulsory Uniforms
- Tools of trade
- Professional fees
- Union fees
- NT Government Rent in remote areas.

Limit of one per FBT year.

Non Cash Benefits – which attract FBT

Except as above almost all other items will attract Fringe Benefits Tax which is payable by the employee and may negate any taxation benefit. e.g:

- Own home mortgage or private rental
- Private home rental
- Personal Loans
- Credit card expenses
- Trauma / Life Insurance
- School fees and HECS
- Private travel
- Private Health Insurance
- Gym membership
- Child care (through a registered provider)

Note: The FBT rate is currently 48.5% of grossed-up taxable value

A Fringe Benefits Tax (FBT) capping of \$17,000 grossed-up taxable value applies in respect of NTPS employees who work in government hospitals. The capping applies each FBT year from 1 April to 31 March the following year.

Note: Capping applies to reduce the tax payable on benefits supplied to Hospital based employees; Capping does not apply to reduce amounts of reportable fringe benefits on employee payment summaries.

Novated Vehicle Lease

The lease must be with an approved provider registered with the Northern Territory Industry Capability Network and be a 'fully maintained vehicle' lease arrangement. A 'fully maintained vehicle' lease must include:

- Comprehensive Insurance,
- Servicing and maintenance
- Replacement tyres
- Purchase stamp duty
- Initial and annual registration renewal
- Fuel provision

A novated vehicle lease will attract Fringe Benefits Tax. Associate leases are not permitted.

Remote Area - Rental & Mortgage concession

The remote area concession applies only to an employee living and working outside of Darwin, Palmerston and Howard Springs.

The concession is that certain payment amounts are considered Fringe Benefits Tax exempt. It applies as follows:

- For Government housing the concession is an exemption of the total taxable rental value.
- For private rental properties the concession is a reduction to the taxable value of 50% of the total rental amount.
- For mortgages the concession is a reduction of 50% of interest paid for owner occupied properties only.

A remote area concession is available where a property is occupied by an employee and spouse with the rental lease or mortgage being solely in the employee's name or being in joint names

Important

As each person's circumstances differ employees should consider seeking independent financial advice as part of the process of deciding whether to enter into a packaging arrangement.

NTPS Employees should note that NTPS staff, including staff of the DCIS Salary Packaging Unit, while able to provide information on how packaging arrangements operate, are not able to provide financial advice.

Taxation legislation, which currently allows sacrifice arrangements, is subject to change independent of the Northern Territory Government. Changes by the ATO may require change or cessation of sacrifice to packaging arrangements.


Information on processing or operational issues

Employees should note that NTPS staff, including staff of the DCIS Salary Packaging Unit, while able to provide information on how packaging arrangements operate, are not able to provide financial advice. You should seek independent financial advice as to how access to salary packaging affects you.

Salary packaging information guidelines and application forms are available on the DCIS intranet site. Go to this link:

http://uluru.nt.gov.au/dcis/dcis_online/salary_packaging/index.shtml

All enquiries regarding making an application or to discuss the operational aspects of salary packaging should be forwarded to the DCIS Salary Packaging Unit via email to salarypackagingunit@nt.gov.au



JOHN KIRWAN
Commissioner for Public Employment

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