

GP Salary Packaging Kit

For your information:

- Salary Sacrifice Arrangements Policy –last revised 15/02/2012
- Information Sheet on Expenses Substantiation
- What should I do about Salary Packaging?
- MEC and LAC Entertainment Card Flyers (contact Payroll Office if interested in Entertainment Cards and forms will be sent to you)

For completion:

- Salary Packaging, Letter of Offer and Agreement
- Schedule for Salary Packaging Agreement
- Tax File Number Declaration
- Super Choice Form (if you do not wish to salary package)



Salary Sacrifice Arrangements

Policy Sponsor:	HR Manager / Finance Manager
Policy Section:	HR 34
Distribution:	All Staff
Policy Approved by:	Director Business Services
Review Frequency:	Annual
Date Approved:	10 September 2007
Last Date Revised:	15 February 2012
Review Date:	15 January 2013
Related Documents:	

Objective

A salary sacrifice arrangement is generally an arrangement under which employees agree to forego part of their total remuneration package that they would otherwise expect to receive as salary or wages, in return for their employer providing benefits of a similar value. The main assumption made by the parties is that the employee is then taxed only on the reduced salary or wages.

The types of benefits provided under salary sacrifice arrangements by employers to employees include superannuation contributions, fringe benefit exempt benefits and expense payments.

Definitions

Administration Fee for the first year of salary packaging is \$588 and currently \$400 each subsequent year, (the subsequent year fee to be reviewed and determined annually). (Refer to "Cost of Salary Sacrifice" section for exceptions).

Salary Sacrificed Superannuation Contributions are contributions classified as employer superannuation contributions (not employee contributions). Employer contributions are a tax deduction for the employer (subject to the age based limits). These contributions are a taxed by the superannuation fund, on entry, at a rate of 15%. Providing these contributions are made to a complying superannuation fund, they are not a fringe benefit and will not be subject to fringe benefits tax. As the salary sacrificed component is not assessable income for the employee, you should not include it on your employee's payment summary and therefore, is not subject to PAYG withholding tax.

Expense Payments are Loans (Mortgage, personal, lease, chattels mortgage and other forms of finance), Credit Cards, Rent, Miscellaneous Expenses (telephone, insurance, health funds).

Fringe Benefits Tax (FBT) is a tax payable by employers on the value of certain fringe benefits that have been provided to their employees or associates of those employees. A fringe benefit is usually non-cash remuneration. The Fringe Benefits Tax rate is currently 46.5% on the grossed up value of the benefit.

Grossed-Up Value: FBT is paid on the "grossed-up" value of fringe benefits. It is also the value reported on an employee's payment summary. Therefore, each employee can salary sacrifice

Employee Benefits Cards

Employees may salary sacrifice to a Meal Entertainment Card (MEC) and/or a Leisure Accommodation & Venue Hire Card (LAC). Salary sacrificed to one or both cards is not assessable income for the employee. Sacrificed amounts are deducted from the employee's gross package and are not subject to PAYG withholding tax.

Amounts sacrificed to Employee Benefits Cards are non-reportable fringe benefits and will not be displayed on your payment summary. The amount an employee can sacrifice to employee benefits cards is uncapped.

The arrangement for Employee Benefits Cards is with Westpac. Westpac charges an \$80 annual fee for each card. Employee Benefits Cards may be used wherever Visa or MasterCard® is accepted.

Employee Benefits Cards are debit cards. Employees may only spend the balance in the card account at the time the card is used. Employees may not transfer the card balance between accounts. On cancellation of the card/s for any reason, the unspent balance is returned to the Company for payment to the employee as a net amount after tax has been deducted.

Due to the additional administrative burden associated with provision of cards to secondary cardholders, the Company has decided to limit access to employees only.

Employees who wish to apply for a benefit card will be required to accept the terms and conditions included in the application form and to the facility terms and conditions set down by Westpac.

Employees who obtain a benefit card are required to keep all receipts/supporting documentation and provide them to the Company if requested for audit purposes. The Company reserves the right to terminate the arrangement at any time by notification to the employee in writing.

Meal Entertainment Cards

A MEC may only be used for expenses that qualify for 'meal entertainment'. Expenses that are likely to qualify include:

- Breakfast, lunch or dinner with friends or family at a restaurant/café
- Drinks and food at a bar or nightclub
- Purchases of food or drink for a party or BBQ
- Drinks and food while on holidays at a resort or hotel
- Taxi travel to a club or restaurant where you are intending to eat or drink

MECs can not be used for general household consumption of food or drink, movie tickets, sporting events or travel/accommodation costs.

Leisure Accommodation & Venue Hire

A LAC may be used for leisure accommodation and venue hire. Expenses that are likely to qualify include:

- Accommodation expenses at motels, hotels, caravan parks etc for overnight or extended holidays within Australia or overseas
- Venue hire for private functions, e.g. wedding venue hire.

LACs may not be used for food or drink while on holiday or at a function, mini-bar, room service, laundry etc. LACs may also not be used for expenses incurred while travelling for work related purposes.

The Company accepts no responsibility either real or implied in relation to any claim for any loss, financial or otherwise incurred as a result of salary packaging. Participation in salary packaging is voluntary and employees may decline this offer and continue paying their expenses post tax. The employee's signature on the Letter of Offer & Agreement acknowledges that they have been independently advised and that they are responsible for the choice of benefits and any liability for taxation or any other liabilities, judgements or penalties of any sort incurred by them for entering into the agreement. Under no circumstances does the Company become liable for any of the employee's expenses or related FBT being part of the salary package.

Cost of Salary Sacrifice

The Company incurs certain administrative expenses to implement and operate salary packaging. The fees will be recovered through the employee's 'Salary Package' to help offset these expenses. The fees will be reviewed before the commencement of each package year and any changes advised before the commencement of the new package year.

Excluding Superannuation and Novated Car Leases, employees can package up to two expenses and/or employee benefits cards for the base annual fee. Packaging items of greater than two expenses; Novated Car Leases and more complicated package arrangements will incur a greater annual fee. (Fees for packaging a novated car lease are payable to an external organisation).

The annual fee for the first year of salary packaging is \$588 and currently \$400 each subsequent year, (the subsequent year fee to be determined annually).

Novated Leases for Motor Vehicles

With novated leases for motor vehicles, the Company has partnered with an external organisation (NSP Salary Packaging Pty Ltd)¹ to provide an end-to-end service for sourcing, purchasing, managing and administering motor vehicles, leasing arrangements and fuel card administration. The fee applicable to this is payable to the organisation, not the Company. The fees include an establishment fee and a weekly processing fee. Fees are available on request from NSP. The Company has entered into an arrangement with the external organisation to refund to the employee the GST portion.

If the employee salary sacrifices only to a novated lease, the Company will only charge an annual fee of \$100 to cover administration costs of the arrangement (this is in addition to the fee payable direct to Newcastle Salary Packaging). However, should an employee sacrifice to one or more other available packages (excluding Superannuation), the full Company administration fee will be applicable (as well as the fee payable to Newcastle Salary Packaging).²

The Company will not charge the employee the yearly administration fee if the employee salary sacrifices **only** to a complying superannuation fund, however, should the employee sacrifice to a complying superannuation fund and one or more other available packages (excluding Novated Leases), the administration fee will be applicable.

¹ For contact details of NSP to discuss requirements for novated leases, please see Payroll.

² Employees may chose to package a novated leases for motor vehicles with a company other than Newcastle Salary Packaging subject to approval by the Director Business Services.

EXPENSES SUBSTANTIATION - INFORMATION SHEET

GENERAL PRINCIPLE

The employer is required to satisfy itself that the expenses being packaged have actually been incurred and have not previously been used to support salary packaging with another employer. It does this by requiring the employee to submit documents authenticating the expenses.

EXPENSE AUTHENTICATION

The authentication required depends on the type of expense:

Loans

Loans can include mortgage, personal, lease, chattels mortgage and other forms of finance. To substantiate loan expenses you must submit a copy of your most recent loan statement showing the balance payable and repayment amounts and frequency. Employees currently salary packaging to mortgage or loan will need to submit an updated statement showing current balance. The salary packaging deductions for mortgage must be paid directly into the mortgage account. Payments cannot be made to a home mortgage offset facility account.

Credit Cards

Credit card expenses may be packaged provided they were incurred on or after the commencement of employment with Hunter Primary Care Ltd. Employees may submit original credit card statements prior to the start of packaging to build up a 'bank' of authenticated expenses against which salary can be packaged. Original credit card statements should be forwarded each month to top up this bank and ensure that there are sufficient documented expenses to permit the required level of salary packaging.

Where the Expense Substantiation Account balance falls below what has been packaged, new statements substantiating payment are required before any reimbursement payment can be made to the employee. These original credit card statements will be retained for at least five years and then securely destroyed. It is important therefore to keep a copy for your own records.

Rent

For property rental packaging please provide a copy of your lease and or rental documents showing the landlord details and basis and term of tenancy.

Miscellaneous Expenses

Miscellaneous expenses can include original receipts for payments to telephone, insurance, health funds etc. that show your name on the receipt. The receipts need to be stapled together and itemised on a summary sheet showing date of each payment, amount of payment and a total. A debit card statement can also be used as substantiation. All of the previously mentioned expenses plus any others can be circled on the statement and submitted as substantiation. Any receipts from supermarkets must have the docket attached to the debit statement to verify the date and amount paid and any 'cash out' must not be included. Upon receiving a new statement, once again circle amounts to be used as substantiation and send in to build up a 'bank' of authenticated expenses.

Please Note: In all cases, salary packaging cannot commence until the appropriate documentation has been supplied. Once salary packaging has commenced, you need to ensure that there are sufficient documented expenses submitted to permit the required level of salary packaging. If insufficient, then salary sacrifice monies will be held, and will not be released until documentation has been provided. If documentation does not appear by the end of the FBT year, which is 31st March, then any salary sacrifice monies being held will be reversed and paid to you as taxable salary.

What should I do about salary packaging?

You have received this package because you expressed interest in becoming an employee in respect of your work with Hunter Primary Care Ltd and you want to package your salary for the payment of expenses.

Step 1: Talk to your accountant, financial planner or other advisers to ensure that you understand how employment and salary packaging affects you (see note below).

Step 2: Decide whether you wish to participate and, if so, how much of your salary you would like to sacrifice this Package Year.

Step 3: Complete and sign the attached documents:

- "Salary Packaging – Letter of Offer and Agreement" and Schedule for SalPack
- Tax File Number Declaration form and

Assuming that the documents have been properly and legibly completed and signed, future earnings from Hunter Primary Care Ltd will be subject to the Salary Packaging Agreement.

Step 4: Before payments can be made to your nominated account you must substantiate the expenses sacrificed. **Note that when you earn any salary the amount sacrificed will be deducted from your pay and held by Hunter Primary Care Ltd until sufficient substantiation is provided.**

- **Credit Card.** Send ORIGINAL Credit Card Statements (make sure you keep a copy).
- Any expense on or after the date of your employment with Hunter Primary Care Ltd will count as substantiation. We recommend that, where possible, you provide more statements than the minimum required in order to build up a 'bank' of substantiated expenses against which future sacrifice payments may be made.
- Please cross out any expenses that you later intend to claim against your Income Tax as work-related expenses. You cannot claim these expenses twice and claiming them in your salary package is probably inefficient.
- Where Credit Statements are normally obtained over the Internet, rather than by printed statements, Internet banking printouts showing bank logos etc and with no signs of tampering will be accepted.
- **Loans** (Mortgage, Personal, Finance Lease etc). An **ORIGINAL** recent loan statement showing balance payable, repayment amounts and frequency. Keep a copy.

Note: Please note that this is advice about the process of employment and salary packaging only. It does not address your particular financial or taxation situation and you are advised to seek your own professional advice if required.

If you have any questions about the process and administration of salary packaging please phone the Payroll Office on 4925 2259.

Leisure, Accommodation and Venue Card

medicare
local
HUNTER



Connecting health to meet local needs

What is it?

The Leisure Accommodation and Venue Hire Card (LAC) is a debit card issued by Westpac bank that allows for the salary packaging of **leisure accommodation expenses and venue hire expenses**. Amounts sacrificed to the LAC are treated as Fringe Benefits Tax exempt and are not included in the \$16,049 cap, or included as a reportable Fringe Benefit on your annual payment summary.

How does it work?

You nominate an amount to be paid in lieu of salary and wages which is transferred to the card each fortnight. You can use the card for leisure accommodation expenses and venue hire expenses as you would a normal debit card.

What can I use it for?

The card can only be used for expenses that qualify as leisure accommodation or venue hire.

Leisure accommodation can be anything from an overnight stay to an overseas holiday and may include:

- Hotel and motel rooms
- Accommodation in cabins and caravan parks or bed and breakfasts

Venue hire may include:

- The hire of a private function room for a family celebration

What can't I use it for?

The card can't be used for items that are not classed as **leisure accommodation or venue hire**, such examples may include:

- Food and drink whilst on a holiday or at a function
- Purchase of additional services such as mini-bar, room service etc.
- Leisure accommodation and venue hire expenses provided during work time or for work related purposes
- Cash withdrawals
- Travel costs including flights, taxi etc

If you need to talk to Sharon, Maria or Kristine for more information, try a Thursday. It's a non-pay day!



Meal Entertainment Card

What is it?

The Meal Entertainment Card (MEC) is a debit card issued by Westpac bank that allows for the salary packaging of **meal entertainment**. Amounts sacrificed to the MEC are treated as Fringe Benefits Tax exempt and are not included in the \$16,049 cap, or included as a reportable Fringe Benefit on your annual payment summary.

How does it work?

You nominate an amount to be paid in lieu of salary and wages which is transferred to the card each fortnight. You can use the card for meal entertainment expenses as you would a normal debit card.

What can I use it for?

The card can only be used for expenses that qualify as meal entertainment. Meal entertainment is defined as *entertainment by way of food or drink* and includes *accommodation or travel in connection with, or for the purpose of facilitating* meal entertainment.

Meal entertainment may include:

- Meals with friends or family at a restaurant or café
- Food and drinks at a bar or nightclub
- Purchases of food and drink for a BBQ or party
- Accommodation (one night only) or travel in connection with meal entertainment e.g. taxi travel to a club or restaurant where you are intending to eat or drink

What can't I use it for?

The card can't be used for items that are not classed as **meal entertainment**, such examples may include:

- Food and drink consumed at home solely for the purpose of sustenance
- Purchase of general household groceries
- Purchase of alcohol to be consumed generally at home
- Food and drink provided during work time or overtime on HUML's premises, or while an employee is travelling as part of their employment duties
- Travel and accommodation costs for holidays for recreational purposes
- Tickets to movies, sporting and cultural events
- Cash withdrawals

If you need to talk to Sharon, Maria or
Kristine for more information, try a
Thursday. It's a non-pay day!