



# Salary Packaging Information Guide

Commercial in Confidence

Seventh Day Adventist Schools  
(North NSW) Ltd



# table of contents

1.	Disclaimer	2
2	Introduction	2
3	What is Salary Packaging?	2
4	What amount can be packaged?	2
5	Who is eligible for Salary Packaging?	2
6	Is Salary Packaging for me?	3
7	What benefits can I package?	4
8	How do I join?	5
9	What does it cost to Salary Package?	5
10	Do I need to provide any evidence for benefits I receive?	6
11	How long does Salary Packaging go for?	6
12	Can I alter my package during the year?	6
13	Where to from here?	7
14	Need more information?	7

# information guide

## 1. Disclaimer

This publication has been prepared without consideration of the particular investment objectives, financial situation and needs of individual employees. In all cases, employees should conduct their own investigation and analysis of the information contained in this publication. No employee should act on the basis of any matter contained in this publication without taking appropriate legal, financial and other professional advice upon their own particular circumstances. Each employee who wishes to take advantage of salary packaging is advised to seek financial advice.

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## 2 Introduction

This information guide is a summary of the salary packaging arrangements only.

Salary packaging at SEVENTH-DAY ADVENTIST SCHOOLS (NORTH NSW) LTD will work as follows:

- Employees will decide on what benefits they want packaged (ie paid for or reimbursed), how much they are and when they need to be paid;
- The value of benefits together with the administration will be deducted from the employee's pre-tax base salary and distributed each pay cycle.

## 3 What is Salary Packaging?

Salary packaging is an arrangement between you and your employer, whereby the employer deducts a specified amount out of an employees' gross salary in order to provide fringe benefits.

The benefit to the employee comes about in the form of savings in tax that the employee would otherwise pay on their gross wage.

## 4 What amount can be packaged?

Eligible employees can receive Fringe Benefits (FB's) from their employer up to a maximum of 30,000 (Enterprise Agreement employees and Division Wage Schedule Finance employees). Division Wage Schedule Chaplains are not subject to the \$30,000 cap but are subject to the salary packaging limits set out in the South Pacific Division Working Policy.

## 5 Who is eligible for Salary Packaging?

Permanent full-time and part-time employees.

## information guide

### 6 Is Salary Packaging for me?

Participation in Salary Packaging is voluntary. If individuals choose not to join the scheme, they continue receiving 100% of their salary as per the current arrangements.

Those choosing to take up salary packaging can select from the available benefits, which are offered by SEVENTH-DAY ADVENTIST SCHOOLS (NORTH NSW) LTD and which best suit their own individual financial situation.

The Australian Taxation Office (ATO) requires reporting of the value of certain benefits employees receive from their employer during a FBT year (being 1 April to 31 March) on an employee's payment summary.

This is known as reportable fringe benefits. This amount is not subject to income tax or Medicare levy, but may impact on the applicability of certain surcharges, entitlements and obligations.

Where you elect to salary package and take advantage of the maximum amount of \$15,899, then an amount of \$30,000 will appear as reportable FBT on your group certificate.

The reportable fringe benefits amount on your payment summary will be taken into account for most government surcharges and income tests including: -

- Child support payments and obligations;
- HELP payment;
- Medicare levy surcharge;
- Personal superannuation contributions rebate;
- Rebate for spouse superannuation contribution;
- Superannuation contribution surcharge.

As each employees' circumstances are different, we recommend independent advice be sought to ensure employees understand if salary packaging affects their individual circumstances.

# information guide

## 7 What benefits can I package?

Typical benefits include:

- Novated Motor Vehicle Lease (Concessional)
- Laptop/Notebook computer, Electronic organiser (PDA) and Mobile phone for predominantly business use (FBT Exempt, 1 per year)
- Additional Superannuation (FBT Exempt)
- Mortgage (Reportable)
- Rent (Reportable)
- Private Health Insurance (Reportable)
- Credit Card Payments (Reportable)
- Insurance Premiums (Reportable)
- Utility Bills (Reportable)
- Strata Fees (Reportable)
- Travel Expenses (Reportable)
- Relocation Expenses (Exempt)

In addition to the salary packaging benefits offered above, SDA Schools (NNSW) Limited offer two types of non-packaged benefits namely, In-house School fee employer subsidies and Avondale College employer subsidies, to employees who qualify. Their benefits are not given in exchange for a sacrifice of cash wages, but are benefits provided in addition to wages for as long as the employee qualifies for the benefit.

As In-house School employer subsidies are not offered as part of salary packaging there is a \$1,000 exemption which generally leads to the fringe benefit being reduced to zero and as such there is no taxable value to be considered when calculation the \$30,000 cap. You need to check with HR that your In-House benefit is exempt and if it is not, this must be disclosed to Prosperity. Failure to do so can lead to you incurring an additional fringe benefit tax liability.

Avondale College employer subsidies do not attract the exemption and as such this amount is reportable and must be considered when calculating the \$30,000 cap.

**WARNING** - You must disclose to Prosperity the fact that you have children at Avondale College so that the employer subsidy benefits can be considered when calculating the amount which the employee can salary sacrifice without exceeding the cap. Failure to do so could see you exceed the cap and you will be responsible for the additional Fringe Benefit Tax liability.

*The above list is indicative only.*

# information guide

## 8 How do I join?

To join the scheme you must complete the **Salary Packaging Application Form** and select from one of the following types of salary packaging payment options described below.

The 3 types of salary packaging payment options are:

### 1. Periodic Payment of Benefits on a Fortnightly or Monthly Basis

The item packaged will be paid on your behalf by Prosperity. For example, payment of your mortgage repayment direct to your financial institution. This method of payment relates to regular periodic payments such as mortgages, personal loans, rent etc. Please note that these items can be packaged by reimbursement (see below).

### 2. Reimbursement of Benefits by Completion of Reimbursement Claim Form

Prosperity is able to reimburse you for any expenses that you have already paid for. You simply need to submit a reimbursement form providing details of the expense that you have paid together with the required substantiation.

If you wish to be reimbursed for items that you incur regularly (eg mortgage repayments, personal loan repayments, rent etc) you can complete a recurring reimbursement form, which is required to be submitted once only.

### 3. Combination of 1 & 2

## 9 What does it cost to Salary Package?

The administration cost is included in the salary package and deducted from gross salary in fortnightly instalments. Employees who start a new posting in the Conference 1<sup>st</sup> January and begin Salary Packaging between then and 31<sup>st</sup> March are the only exception to the fees below and attract a pro-rata of the annual fees. In all other cases the full administration fee is payable regardless of the amount of time packaged during the Fringe Benefits Tax year. Administration costs are as follows (inclusive of GST):

- |  |       |
|--|-------|
| • Administration Fee (single exempt benefit - superannuation, laptop or PDA) | \$ 91 |
| • Administration Fee (1-3 benefits, non-lease)                               | \$197 |
| • Motor Vehicle Benefits - Prosperity Fully Maintained Smart Drive Lease     | \$391 |

*The above fees are for payments or reimbursements made by Electronic Funds Transfer (EFT) only. Additional charges will apply for payments required to be made by other methods including cheque payments. Fee increases will be limited to increases in the Consumer Price Index on an annual basis at commencement of the FBT year.*

## information guide

### 10 Do I need to provide any evidence for benefits I receive?

Substantiation is the document required for Tax Office compliance purposes that verifies the payment of a benefit to a third party. It will generally include the original invoice, a copy, or a similar document. The substantiation required varies depending on the payment method and the benefit being packaged.

#### **Novated Motor Vehicle Lease - Smart Drive**

Prosperity Smart Drive is a vehicle management service whereby lease repayments and vehicle running costs are paid for with funds deducted from your pre-tax pay.

The FBT taxable value estimate is based on the value of the vehicle, and the estimated number of KM's to be travelled within an FBT year. It is the employee's responsibility to ensure that the estimated KM's are accurate, and that the odometer readings are reported accurately when purchasing fuel with a fuel card. The employee will be liable for any fringe benefits tax that arises from incorrectly estimated KM's and/or incorrect odometer readings provided.

### 11 How long does Salary Packaging go for?

Salary packages will operate on a per annum basis. Irrespective of when an employee commences packaging, the "package year" ends in order to comply with 31 March FBT year reporting requirements.

If the full amount of a benefit is not claimed during the package year, any balance accumulated by you will be returned to your employer, PAYG tax will be deducted from this amount as is the case on your normal gross salary and the balance paid to you.

### 12 Can I alter my package during the year?

Towards the end of each package year, an employee may review the components of their salary packaging agreement and vary their package items for the next package year.

## information guide

### 13 Where to from here?

It is strongly recommended that **independent financial advice** is sought prior to participating in salary packaging.

If you wish to participate in salary packaging please complete a **Salary Packaging Application Form**. The completed forms and declarations should be forwarded to **Prosperity Salary Packaging**, PO Box 234, Newcastle NSW 2300.

Upon receipt of the completed Salary Packaging Application Form and other required documentation, Prosperity will process the information and forward a confirmation of the arrangements which will be put in place within 4 weeks, provided the application form is correctly completed and required substantiation is provided.

### 14 Need more information?

**Please contact:**

Prosperity Salary Packaging

Phone: (02) 4907 7200

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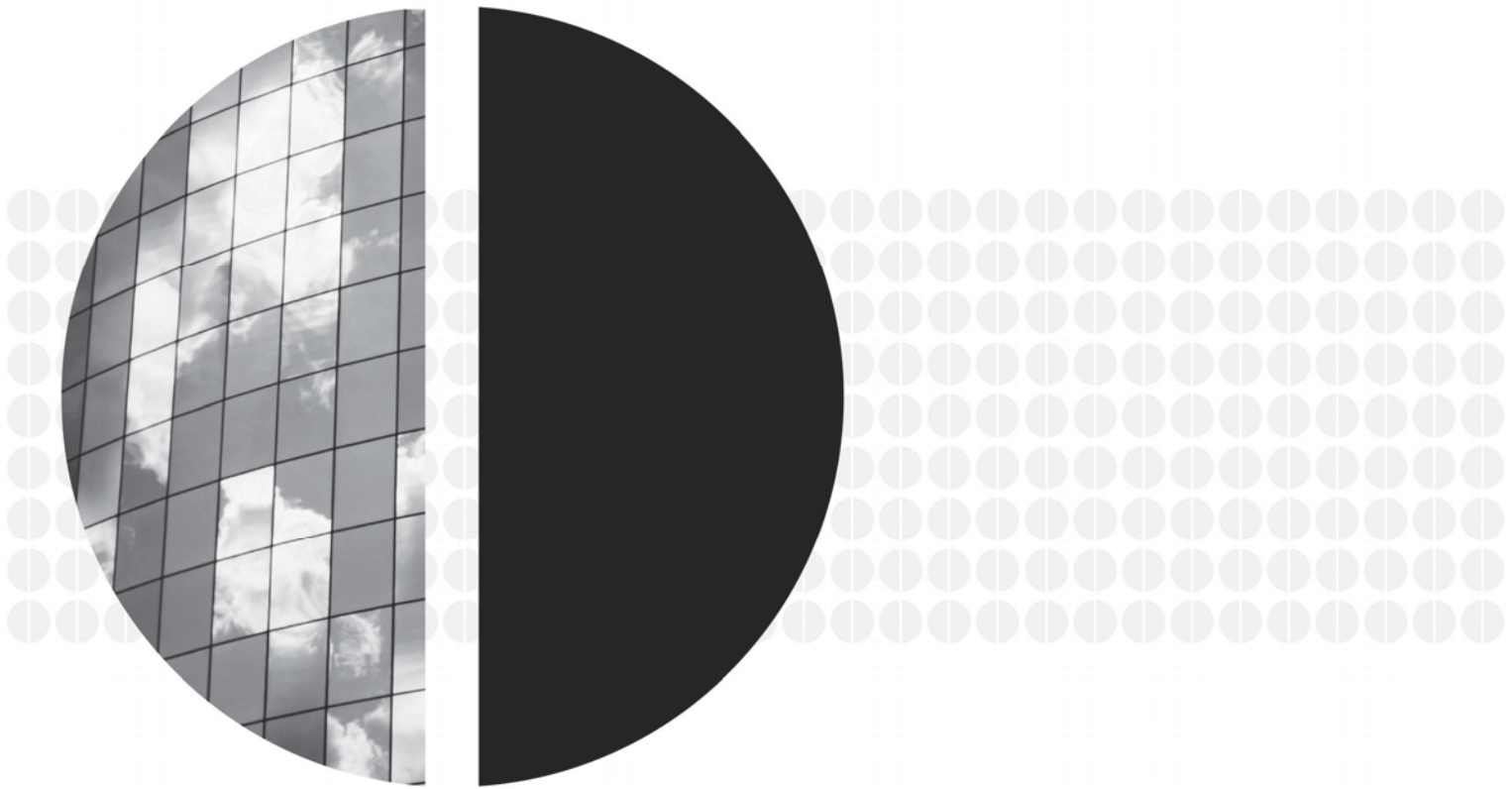




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