



## SELECTUS SALARY PACKAGING

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# Salary Packaging Guidelines Catholic Education WA



## **How Salary Packaging Works**

As an employee of the Catholic Education system in WA you are able to take advantage of opportunities to maximise your salary by saving tax through salary packaging.

Instead of receiving your whole remuneration package as Gross Taxable Income on which income tax is payable you take part of your remuneration in some other form, for example, the payment of regular expenses such as health benefits, school fees or motor vehicle expenses. There is no PAYG (income tax) tax payable on these items however Fringe Benefits Tax (FBT) is payable on some benefits.

As Catholic schools in WA are classified as “Rebateable employers” you are eligible for a rebate of 48% of the amount of FBT that would otherwise be payable up to a limit of \$30,000. This limit is known as the “grossed up” amount. Your Remuneration Consultant can help you to further understand this concept.

## **Checklist For Employees**

- 1 Read this manual carefully.
- 2 Contact an approved independent remuneration consultant from the list in this manual.
- 3 Establish the package with the remuneration consultant.
- 4 Check and sign package authorisation form and return to consultant.
- 5 On receipt of package confirmation form from SELECTUS notify the school payroll officer in order to make the necessary adjustments to your pay.
- 6 Ensure that you understand and monitor your own package. If you have any queries, please contact your remuneration consultant, payroll officer or SELECTUS.
7. If you leave or transfer to another school, you must advise SELECTUS at the earliest opportunity because your deductions will be terminated when your current employer stops paying your salary. There may also be an opportunity to reduce the FBT if you are leasing a vehicle when you leave.

## **SELECTUS**

Selectus Salary Packaging (SELECTUS) administers salary packaging for the Catholic Education system in WA.

SELECTUS has a range of accredited Remuneration Consultants to help you assess how you can maximise your salary through packaging. Employees must see one of the SELECTUS accredited consultants listed in this manual to set up their salary packaging. It costs you nothing if you do not proceed – even if the consultant identifies that you could benefit. The list of consultants is shown below.

If you proceed with packaging, SELECTUS calculates the amount your employer needs to deduct from your pre-tax salary and then make payments as appropriate. For example, if you package a motor vehicle SELECTUS makes the payments to the leasing company on your behalf.

SELECTUS establish and collect all the supporting paperwork and liaise with your employer to initiate your salary package.

SELECTUS also maintains the compliance records (known as substantiation documents) and provides the FBT and reportable fringe benefits details to your employer in addition to the payment of the package items.

SELECTUS employees are not qualified or able to provide taxation or financial advice and no information, verbal or printed, received from SELECTUS employees constitutes taxation or financial advice.

### **Disclosures and Disclaimers**

SELECTUS may receive referral fees from some of our partners.

### **Accredited Consultants**

Troy Jeffs	Selectus Salary Packaging	9474 2544	Como
Steve Perica	Garvan Financial Planning	9368 5688	Como
Richard Moore	Garvan Financial Planning	9368 5688	Como
Steve Blizard	Roxburgh Securties	9477 2800	Belmont
Nick Boorman	Roxburgh Securties	9477 2800	Belmont
Ron Coen	Financial Lifestyle Solutions	9312 2500	Murdoch
Sondra Anderson	Perth Financial Services	9228 2833	Mt Lawley
Richard Zielinski	Perth Financial Services	9228 2833	Mt Lawley

## **Guides To Items You Can Package**

In this section you can gain an understanding of the aspects you could consider when salary packaging in order to achieve the best benefits.

Your remuneration consultant will evaluate the benefits for you so you don't have to work it out for yourself. These guides are simply included to help you understand how you can benefit and some of the considerations your consultant will take into account before showing you how you can maximise your salary.

This Guide is based on taxation and other laws. It contains general information only which is based on the continuance of present laws and rulings and their interpretation.

The information in this Guide is not intended as professional advice.

The provisions of this Guide, and the benefits of packaging your salary using SELECTUS are subject to the provisions of your employment contract and your employer's policy regarding remuneration packaging.

## **Motor Vehicles**

### **How do you package a vehicle?**

You select the vehicle you wish to package. You have a choice of vehicle however **packaging luxury cars is not permitted.**

You should contact SELECTUS to discuss your choice of vehicles and fleet discounts available.

To package your vehicle you will need to lease your car using a novated lease arrangement. A novated lease is described below.

Through SELECTUS you arrange to lease the car with the payments being deducted from your pre tax salary.

### **What choices do you have?**

You can package just your lease payments or your running costs as well (restrictions apply). Your SELECTUS consultant will help you decide.

You have a choice of vehicle but packaging luxury cars is not permitted.

### **Who benefits?**

Almost every employee could benefit from packaging his/her car.

### **What are the tax consequences?**

#### **Fringe benefits tax (FBT)**

A packaged car would generally be subject to FBT. FBT applies at a concessional rate due to the methods used to value the car benefit.

One valuation method is based on the number of kilometres traveled per FBT year. The more kilometres you travel in the year, the lower your liability for FBT purposes. This is the standard method used.

#### **Reportable fringe benefits**

Generally a car benefit incurs FBT and is therefore reportable ie. it appears on your annual payment summary. Please discuss with your Remuneration Consultant the best method to minimise this requirement.

#### **GST**

GST will be payable on lease payments and operating costs. Your employer is able to claim a credit for this GST and normally would reimburse/refund this amount to you through your package.

## **What is a novated lease?**

A novated lease is akin to making a purchase by installment payments.

The novation agreement is prepared by the finance company and is signed by you, the finance company and your employer. Novation agreements enable you to retain control over the car; novated leases are very common in Australia.

Selectus Salary Packaging assists you to arrange a lease with the finance company for the car of your choice (except a luxury vehicle) and then to enter into a novation agreement with your employer. Lease payments and other running costs (if desired) are then deducted from your remuneration package.

Your employer becomes the lessee of the car and provides it to you, the employee, for your unrestricted use. In other words, as part of your remuneration package the vehicle may be used exclusively by you, your partner or family members, for 100% private use,

### **What happens if I leave during the lease period?**

If you leave your employer during the course of the lease the novation will be automatically terminated and the lease obligations will return to you. You may choose to re-novate this with your new employer.

### **What happens at the end of the lease?**

At the end of the lease term the residual, plus GST, must be paid to the lessor (Financier). This is often achieved by selling the car and entering a new lease arrangement. You may make an offer to purchase the car for the residual value. The residual payment is your responsibility as the novation ceases on lease termination.

## **School Fees**

An employee may package in-house school fees or other school fees. There are concessional tax treatments for in-house school fees.

School fees are considered to be in house school fees if a employee has children who attend either of the following:

- The same school as the packaging employee
- A school conducted by the same employer.

In-house school fees should be agreed to by the CEO WA as being allowable for in-house fringe benefits before this is processed by SELECTUS. This will provide you with sufficient controls to ensure FBT compliance, due to the complex structure of the sector.

### **Who benefits?**

Not every employee would benefit from packaging their school fees. Discuss your options with your SELECTUS Remuneration Consultant.

### **What are the tax consequences?**

#### **Fringe benefits tax (FBT)**

FBT concessions apply if the school fees are "in-house". Full FBT is payable on other school fees.

#### **Reportable fringe benefits**

Packaged school fees will give rise to a reportable fringe benefit.

#### **GST**

Your school fees expense does not include GST.

## **Notebook Computers**

Packaging a portable computer, notebook/personal digital assistant (PDA) can be a very tax effective method of acquiring your asset. To be eligible for the concessional tax treatment, the computer must be easily portable, small in size and have the ability to operate without an external power source

### **Who benefits?**

Every employee could benefit from packaging their purchase or lease of a portable computer, notebook/personal digital assistant (PDA).

### **What are the tax consequences?**

#### **Fringe benefits tax (FBT)**

No FBT is payable on a portable computer, notebook/personal digital assistant (PDA).

#### **Reportable fringe benefits**

A packaged portable computer, notebook/personal digital assistant (PDA) will not give rise to a reportable fringe benefit.

#### **GST**

GST will be payable on your computer. Your employer is able to claim a credit for this GST. The benefit of this credit will be passed on to you, the employee.

#### **Income tax deduction**

Not only can you purchase or lease your computer using "pre tax" earnings, if structured correctly, you can also obtain an income tax deduction for depreciation and any interest charged on its purchase / lease to the extent that the computer is used for work related purposes.

You should obtain advice from your accountant on eligible deductions as well as the substantiation required for business use.

### **What choices are available to me?**

Through the Catholic Education Office Notebook Computer Scheme you have a choice of two models that may be leased:

All other models can be salary packaged through Selectus.

## **Fully Taxed Items**

The package items you can select from are:

- Private Mortgage Repayments
- Rent Repayments
- Health Insurance

### **Who benefits?**

Not every employee would benefit from packaging their fully taxed items. Discuss your options with your SELECTUS Remuneration Consultant.

The exact outcome when you package fully taxed benefits will depend on the tax rate(s) that applies to your remaining taxable income and whether you have exceeded the \$30,000 cap.

### **Fringe benefits tax (FBT)**

You are eligible for a rebate of 48 per cent of the amount of FBT that would otherwise be payable.

Employees of rebatable employers are subject to an annual \$30,000 cap on the grossed-up taxable value of benefits provided. Benefits provided to an employee in excess of the cap will be ineligible for the rebate and the full FBT rate will apply.

### **Reportable fringe benefits**

The reportable fringe benefits tax obligations apply. In other words, a benefit will be included in your reportable fringe benefits and shown on your payment summary.

### **GST**

If GST is payable on the items packaged, your employer is able to claim a credit for this GST. The benefit of this credit will be passed on to you.

## Changing or terminating your package

Employees can revise their packages within the benefits available, once a year on the anniversary date of the package. If the package is varied during the year it will attract an administration fee of \$55 (including GST) in addition to the usual fortnightly administration fee.

With the agreement of the employer, employees can decide to wind up their packaging arrangements during the year and transfer back to receiving their remuneration solely as gross salary.

Should an employee leave their current employer:

- If an employee leaves during a package year then the employee's actual expenditure will be compared against the budgeted expenditure and a report will be provided to the employer and the employee by SELECTUS.
- If an employee has overspent then the employee will be required to pay back the difference to the employer. Alternatively if an employee has spent less than the budgeted amount then the difference will be included in calculating any entitlements to the employee is owed and the appropriate tax will be deducted.

## Changing Schools

If you transfer to another school, you are effectively terminating your employment with your current employer and commencing employment with another employer. Accordingly, it is **most important that you advise SELECTUS at the earliest opportunity** because your deductions will be terminated when your current employer stops paying your salary.

If you do not advise SELECTUS of your transfer of employment, payments for your lease and/or mortgage and the like will be terminated as soon as there are insufficient funds in your salary packaging account at SELECTUS.

If you are leasing a vehicle, there may also be an opportunity to reduce the FBT payable because the FBT is re-calculated on the basis of the value of the vehicle at the time you transfer. Your SELECTUS remuneration consultant will help you with the process of determining the revised value of your vehicle.