

Employee Information Guide

Salary Packaging

April 2014



Maxxia

Maximising
your workplace
benefits

A McMillan Shakespeare Company

SALARY PACKAGING

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Disclaimer

This Employee Information Guide (the 'Guide') 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 Guide. No employee should act on the basis of any matter contained in this Guide without taking appropriate legal, financial and other professional advice regarding their own particular circumstances. Each employee who wishes to take advantage of salary packaging is advised to seek independent financial advice particularly in relation to complex motor vehicle fringe benefits tax and income tax issues.

The Department of Health and Human Services Tasmania and its subsidiaries, Maxxia Pty Ltd ('Maxxia'), each of their related bodies corporate, each of their employees, and every person involved in the preparation of this Guide, expressly disclaim all liability for any loss or damage of whatsoever kind (whether foreseeable or not) which may arise from any person acting or relying on any statements contained in this Guide, or for any advice given by any salary consultant, and notwithstanding any negligence, default or lack of due diligence and care.

The actions of your employer and Maxxia in relation to paying employment benefits from salary packages to a third party does not in any way imply a transfer of responsibility or liability to the employer or Maxxia in relation to any agreement, or understanding between the employee and that third party.

Maxxia provides administration and referral services on behalf of employers as an Authorised Representative (No. 278683) of McMillan Shakespeare Ltd (AFSL No. 299054). It does not provide any form of financial, taxation or financial product advice to employees on the relative merits of packaging programs or on any other basis. Some information on taxation matters may be provided to illustrate possible advantages, but such information is of a general nature only. You should seek your own independent professional advice on how packaging programs may impact your particular financial, taxation and welfare benefit circumstances. Maxxia may receive commissions or rebates in connection with some services it provides or arranges to be provided by third parties. By appointing and utilising Maxxia's services, you consent to its receipt of such commissions and rebates. Tax laws regarding the treatment of salary benefits may change, which could adversely impact your financial, taxation or welfare benefit decisions.

This disclaimer does not limit or alter those statutory rights that cannot be excluded.

1. Introduction

The Department of Health and Human Services Tasmania (DHHS) is committed to offering eligible employees flexible remuneration programs, including salary packaging that allows them to best maximise their net salary. This is made possible through Federal Government enacted legislation which enables favourable tax treatment for employees of public hospitals and public ambulance services. Maxxia has been appointed to provide easily accessible, flexible and innovative salary packaging services to all eligible employees of DHHS.

1.1 About this guide

The purpose of this Guide is to provide information about the DHHS salary packaging policy and administration procedures for employees who are eligible to participate in the Department's program.

The Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997 and the Fringe Benefits Tax Assessment Act 1986 together with DHHS's policy and employment provisions regulate and define the type of benefits that can be included in an employee's salary package, how the benefits are treated for taxation purposes and the administrative arrangements that apply. This legislation or policy may change from time to time. If changes do occur employees will be given the opportunity to review the structure of their salary package to take account of any new requirements.

1.2 Financial Advice

In deciding whether to participate in salary packaging the benefits need to be carefully considered in relation to individual financial and personal circumstances. It is strongly recommended that employees obtain independent financial counselling to ensure that their salary package suits their personal and financial requirements.

1.3 What is Salary Packaging?

The objective of salary packaging is to maximise flexibility for employees to meet their personal and financial needs while at the same time ensuring that the benefit arrangements comply with relevant taxation legislation and rulings.

Salary Packaging offers a range of advantages to employees including:

- Making financial decisions based on before tax dollars, not after tax dollars;
- Allocating salary and optional benefits to suit individual financial and personal situations; and
- An increase in net salary.

Salary packaging allows employees to receive their salary as a combination of cash and benefits. A portion of pre-tax salary is directed towards payment of approved benefit items, providing eligible DHHS employees the potential to increase their disposable income.

In keeping with current remuneration practices eligible employees of DHHS will have the discretion to determine the mix of salary and benefits (within DHHS's approved list) that will constitute their salary package.

1.4 Who is eligible to salary package?

Salary packaging is available to all DHHS employees covered by employment agreements which permits them to undertake salary packaging and who are employed to work in a public hospital or public ambulance service which is an employer exempt from the payment of Fringe Benefits Tax under the provisions of the Fringe Benefits Tax Assessment Act 1986 as amended.

An employee's participation in salary packaging is voluntary.

IMPORTANT

By completing an application for salary packaging an eligible employee declares her/his intention to become a Participating Employee in the Salary Packaging Arrangement available to eligible employees of the Department of Health and Human Services under the following industrial agreements:

- Tasmanian Ambulance Service Enterprise Bargaining Agreement 2004;
- Salaried Medical Practitioners Industrial Agreement 2006;
- Nurses (Tasmanian Public Sector) Enterprise Agreement 2005;
- Rural Medical Practitioners (Public Sector) Agreement 2003;
- Tasmanian Visiting Medical Practitioners (Public Sector) Agreement 2002.

Applicable public sector industrial agreements/awards however named, providing for salary packaging arrangements and any succeeding agreements that provide for salary packaging arrangements.

In electing to become a Participating Employee an eligible employee accepts the terms and conditions of the Salary Packaging Arrangement as contained within the applicable industrial agreement/award, and the provisions for the establishment and administration of the employee's salary packaging arrangement as detailed in this Guide.

1.5 How much can you salary package?

A wide range of benefits is available to be salary packaged without incurring Fringe Benefits Tax (FBT). Public hospitals and ambulance services are exempt from paying FBT on salary packaged expense benefits provided to employees up to a limit of \$17,000 of the grossed-up taxable value of the benefits provided to each employee in a Fringe Benefits Tax year – i.e., the period 1 April to 31 March of the following year.

The \$17,000 grossed up taxable value equates to actual payments of \$9,010 for expenses that do not attract GST, or \$8,172 for expenses that do attract GST.

For a public hospital employee, FBT free items, Novated Motor Vehicle Leases, Meal Entertainment, Venue Hire, and car parking can be salary packaged over and above the \$17,000 grossed up taxable value capped benefits. There is no limit to the amount per pay that you can salary package towards those items that can be packaged over and above the \$17,000 grossed up taxable value limit expense benefit items.

Under the DHHS policy you are able to Salary Package up to 90% of your Base Salary (excluding any overtime). When you establish your arrangements you will need to take into consideration any internal deductions with DHHS which may contribute towards the 90% limitation, this may include things such as Superannuation, Health Insurance or other such payments.

Employee salary packaging account balances should not exceed \$10,000 in either the Salary Packaging, Meal Entertainment or Holiday Accommodation (Venue Hire) benefits for a period longer than **30 days**. **When balances approach \$10,000 in any one or more benefit, Maxxia will contact you via letter outlining some steps you can take to reduce your balance.** If Maxxia does not receive a response, and your balance isn't reduced within 30 days, Maxxia will need to send funds to your Payroll Department where PAYG tax will be deducted before being paid back to you.

2. Salary Packaging Options

In keeping with modern salary practices, employees will have the discretion to determine the mix of salary and benefits (within the approved list) that will constitute their salary package.

2.1 What can you salary package?

The elements of the salary package are:

- Salary;
- Taxation;
- Optional benefits; and
- Administration fee(s).

The following is a list of all benefit items.

CAPPED, OR FULL FBT BENEFITS

- Aged care expenses;
- Child care expenses;
- Club membership;
- Credit card reimbursement;
- Disability care expenses;
- General insurance premiums;
- Health insurance premiums;
- Higher Education Loan Program (HELP/HECS);
- Life insurance premiums;
- Living expenses (not subject to GST);
- Living expenses (subject to GST);
- Personal loan repayments;
- Private home mortgage repayments;
- Private home rental payments;
- Salary Packaging Payment Card; and
- School fees.

CONCESSIONALLY TAXED BENEFIT ITEMS

- Associate motor vehicle lease; and
- Novated motor vehicle lease.

FBT FREE BENEFITS

- Airport lounge membership;
- Disability / income protection insurance;
- Financial counselling fees;
- Meal entertainment expenses;
- Portable electronic devices – Mobile phones and accounts;
- Professional memberships and subscriptions;
- Self education expenses; and
- Venue Hire.

Please refer to the attached Appendices for further important information relevant to each benefit.

You may nominate an annual amount for each of the benefit types provided that the total amount does not exceed the requirements of your employer's policy.

3. Taxation

The salary component of the salary package will continue to be subject to Pay As You Go ('PAYG') taxation deductions in accordance with the **Income Tax Assessment Act 1936** and the **Income Tax Assessment Act 1997**.

Each benefit item falls into one of the following three taxation categories:

- Capped benefits;
- Fringe benefits tax exempt items; or
- Concessionally taxed items.

3.1 Capped Benefits

A \$17,000 limit applies to the grossed up taxable value of fringe benefits an employee can salary package without FBT applying. Benefits salary packaged above this limit will attract the full rate of FBT, if the payments are subject to FBT.

You may salary package up to \$9,010 of GST free payments (i.e. about \$17,000 of grossed up value per annum) on this benefit type before you incur FBT. If you salary package benefits that are subject to GST the actual amount you can spend will be less than \$9,010.

The \$17,000 threshold does not place a limit on the salary packaging of other benefits exempt from FBT such as superannuation, laptop computers and "otherwise deductible" benefits.

3.2 Fringe Benefits Tax Exempt Items

Benefit items that are either specifically exempt or not subject to FBT because an employee could usually claim a tax deduction for the expense as an "otherwise deductible item" does not incur FBT.

If "otherwise deductible" benefits are included in a salary package they cannot be claimed as a tax deductible item in an income tax return.

These items can be packaged over the \$17,000 threshold.

3.3 Concessionally Taxed Items – Additional Superannuation Contributions

Superannuation payments are concessionally taxed under the relevant tax legislation.

For additional superannuation payments/contributions there is no FBT payable, however these payments are subject to a Contribution Tax of 15% that is deducted by the superannuation fund and remitted to the Australian Taxation Office. From 1 July 2009, additional superannuation contributions are also reported on an employee's payment summary.

You can include additional superannuation payments/contributions in your salary package. These payments are not subject FBT and therefore not included in the \$17,000 cap.

3.4 Motor Vehicle Leasing – Novated Lease

For some employees the inclusion of a novated motor vehicle lease in their salary package may be an attractive option. This may be arranged through a novated vehicle lease.

Please note that you may package this item in addition to your allocated cap of \$9,010 (i.e. \$17,000 grossed up taxable value). Any FBT liability incurred as a result of salary packaging a vehicle is payable by you. The FBT Taxable Value, and the associated FBT Liability can be reduced by a 'recipient's payment', often referred to as an Employee Contribution Method ('ECM'). It is a common method for salary packaging a motor vehicle whereby the employee agrees to meet the running costs

of the vehicle from a combination of pre and post-tax salary, and/or an after-tax contribution to the employer in return for salary packaging the vehicle. The combination of pre and post-tax salary is sent to Maxxia by the employer's payroll system.

The employee meets the after-tax running costs of the vehicle (fuel, insurance, repairs and maintenance) and in some cases an after-tax contribution to the employer. The result is a reduction in the taxable value of the vehicle when calculating FBT.

The benefits of entering such an arrangement include:

- Choice of vehicle, within employer guidelines;
- Tax effective running costs; and
- Competitive finance rates.

Under a novated lease arrangement an employee leases a motor vehicle from a financier using the standard finance lease. A Deed of Novation is then entered into between the employee, the employer and the financier under which the employee's obligation to pay the lease payments under the finance lease is transferred to the employer for the term of the Deed of Novation.

If your employment ceases with the employer then you are directly responsible for all payments for the vehicle.

The novated lease arrangement is governed by both the fringe benefits tax and income tax legislation and is also approved by the Australian Taxation Office.

In addition to the lease payments, all running costs (i.e. annual registration and comprehensive insurance, fuel, servicing and repairs) in relation to the leased vehicle are also paid through the employee's salary package. A motor vehicle fuel charge card will also be provided.

STATUTORY FORMULA METHOD FOR CALCULATING FBT

Motor vehicles under a lease arrangement are concessionally taxed as a result of the calculation of their taxable value for the purpose of applying FBT. This is known as the "statutory formula method" of calculating "car fringe benefits tax".

The government enacted legislation which changes the statutory formula method to calculate car fringe benefits. The legislation applies to all car fringe benefits after 7.30pm Australian Eastern Standard Time ("AEST") on 10 May 2011; unless it can be proven that there was a pre-existing 'commitment' in place to provide a car fringe benefit. As a result, all pre-existing 10 May 2011 commitments remain under the old statutory rates unless there is a change made that would amount to a new commitment.

Under the statutory formula method prior to the 10 May 2011 Federal Budget announcement, the taxable value of car fringe benefits is based on the cost of the car multiplied by the relevant statutory percentage. The percentage depends on the number of kilometres the car has travelled, taking into consideration the number of days in the FBT year car fringe benefit has been provided. The greater the distance travelled, the lower the percentage and thus the taxable value.

The old statutory rates will apply until the lease ends, or the employee changes employers, or lease is refinanced.

From 1 April 2014 all leases commenced after 10 May 2011 will be on the standard 20% rate.

Calculating the Taxable Value

The **taxable value** of a motor vehicle provided to the employee by the employer is calculated by the following formula:

Taxable value = [(A x B x C) / D – E] where:

A =	the cost value of the car
B =	the statutory percentage
C =	the number of days in the FBT year when the car was used or available for private use of the employee
D =	the number of days in the FBT year
E =	the employee contribution (if any)

For example the FBT liability on a vehicle with a cost value of \$25,000 would be \$4,888 calculated as follows:

$$\text{Taxable Value} = [(\$25,000 \times 20\% \times 365) / 365] - 0 = \$5,000$$

If the capping limit is exceeded then FBT will be payable. The FBT will be calculated as follows:

$$\text{FBT} = \text{Taxable Value} \times 47.0\% \times 2.0802$$

$$\text{FBT} = \$5,000 \times 47.0\% \times 2.0802 = \$4,888$$

3.5 Motor Vehicle (Associate Lease)

In some circumstances, an associate lease may provide additional taxation benefits through the ability to split income. An associate lease involves the leasing of a vehicle owned or being purchased by an associate of the employee (spouse, family member or family company). The associate leases the vehicle to the employer who in turn provides it to the employee as part of his or her salary package.

Please note that you may package this item in addition to your allocated cap of \$9,010 (i.e. \$17,000 grossed up taxable value). Any FBT liability incurred as a result of packaging a vehicle is payable by you.

The features and conditions of an associate lease include:

- an “associate” includes a spouse, relative or family member;
- the vehicle must be owned by the associate and registered in the associate’s name;
- the vehicle may be either new or second hand;
- the vehicle may be already owned by the associate or acquired for this particular purpose;
- there is no restriction on make, model or age of the vehicle;
- any finance for the vehicle must be arranged by the associate directly;
- lease rentals are paid directly to your associate;
- lease rentals are established at 30% of the market value of the vehicle; and
- the associate lease has no fixed term.

An associate lease clearly has taxation and GST implications for you and your associate, and you both should obtain independent taxation advice in the following areas:

- Lease rentals are included in the associate’s assessable income;

- Deductions can be claimed by the associate for interest and depreciation or lease rentals; and
- ABN and GST requirements and considerations.

Maxxia will prepare the associate lease documentation.

3.6 Future Taxation

The employee must also meet the cost of any current or future taxes payable by Maxxia or the employer or the employee under the **Fringe Benefits Tax Assessment Act 1986**, the **Income Assessment Act 1936**, **Income Tax Assessment 1997**, and **A New Tax System (Goods and Services Tax) Act 1999** and related legislation or similar Federal or State and Territory legislation.

3.7 Payment Summary Reporting

Employers are required to report the “grossed up” value of fringe benefits on the employee’s payment summary, where the total taxable value of the benefits received in an FBT year (i.e. from 1 April to 31 March the following year) exceeds \$2,000.

The grossed up value is the sum of the value of the fringe benefit and FBT that would be payable on the fringe benefit.

EXAMPLE: If the value of the benefit is \$2,000 then the grossed-up value is calculated as follows:

Value of Fringe Benefit = \$2,000

Notional FBT ($\$2,000 \times 0.8868$) = **\$1,773**

“Grossed-up” value ($\$2,000 + \$1,773$) = **\$3,773**

Fringe benefits that attract an FBT liability are reported on the payment summary. From 1 July 2009, additional superannuation contributions made under a salary sacrifice arrangement will be included on an employee’s payment summary (Refer to 3.8 below).

The fringe benefits salary packaged for the FBT year (i.e. from 1 April to 31 March the following year) are reported on the payment summary for the financial year ending 30 June.

The following benefit items will be reported on the payment summary:

- Capped benefits;
- Superannuation Contributions; and
- Other benefits provided by the employer, for example novated motor vehicle lease.

FBT free benefit items will not be reported on the payment summary.

The grossed-up value of fringe benefits will be included for most government surcharges and income tests including:

- Child support obligations;
- Higher Education Loan Program (HELP/HECS) repayment;
- Medicare levy surcharge;
- Personal superannuation contributions rebate; and
- Rebate for spouse superannuation contributions.

3.8 Reportable Employer Superannuation Contributions

From 1 July 2009, additional superannuation contributions made under a salary sacrifice arrangement will be reported on an employee’s annual payment summary. These contributions are referred to as ‘reportable employer superannuation contributions’. The reportable employer superannuation



contributions are not included in an employee's assessable income, but are included for most government surcharges and income tests.

Unlike other reportable fringe benefits, the reportable employer superannuation contributions are not 'grossed-up'. Only the actual amount of contributions made are reported.

The reporting period for reportable employer superannuation contributions is 1 July to the following 30 June.

Contributions made by an employer as part of their compulsory superannuation guarantee contributions are not treated as reportable employer superannuation contributions, and will not be included on an employee's payment summary.

4. Administration

The administration of salary packaging has been outsourced to Maxxia, a well-established provider of salary packaging services throughout Australia.

The major functions to be performed by Maxxia in the administration of salary packaging are:

- payment of the selected benefit item(s) in accordance with instructions provided by the employee in the Salary Application Form;
- provision of reports to employees;
- undertaking full reconciliation of salary packages;
- obtaining and storing benefit payment substantiation for Australian Taxation Office compliance and audit purposes;
- communicating directly with employees in relation to salary packaging; and
- answering queries in relation to salary packaging.

The details concerning the administration of salary packaging are set out below and should be carefully read prior to deciding to participate in salary packaging.

4.1 Administration of Benefit Funds

Upon commencement of salary packaging the following will be deducted on a pro-rata basis from the employee's salary:

- the cost of the selected optional benefit(s);
- any FBT applicable to these benefits; and
- the administration cost.

Salary packaged funds are deposited by DHHS into a dedicated bank account to be held in trust until disbursement by Maxxia in accordance with the employee's packaging arrangements. It should be noted that Maxxia will not commence regular monthly payments (e.g. mortgage repayments) until three fortnightly contributions have been received from DHHS on behalf of the employee.

Payments for benefit items will only be made where sufficient funds exist at the time the payment is due or the employee submits a request for payment. Accordingly, when deciding to allocate money to a particular benefit, employees may wish to provide an additional amount to meet any anticipated increases in the cost of the payments.

4.2 Terms and Conditions

The following terms and conditions will apply:

- benefit payments will only be made where Maxxia has received a salary package deduction;
- where insufficient package funds are available to cover a payment, no benefit payment will be made;
- all benefit payments will cease immediately for those employees that terminate or are on leave without pay where alternative arrangements have not been made;
- employees are only permitted to package benefits which form part of the employer's approved package menu; and
- an employee may request for any unspent funds to be returned to the employee through the payroll system when a change is made to the salary package.

- Employee salary packaging account balances should not exceed \$10,000 in either the Salary Packaging, Meal Entertainment or Holiday Accommodation (Venue Hire) benefits for a period longer than **30 days**. **When balances approach \$10,000 in any one or more benefit, Maxxia will contact you via letter outlining some steps you can take to reduce your balance.** If Maxxia does not receive a response, and your balance isn't reduced within 30 days, Maxxia will need to send funds to your Payroll Department where PAYG tax will be deducted before being paid back to you.

These terms and conditions may be updated from time to time.

4.3 Salary Package Acceleration

Employees are entitled to salary package to the \$17,000 grossed up taxable value limit each FBT year. Salary package acceleration allows employees who commence salary packaging during the FBT year to maximise the available limit over the remainder of the FBT year. When an employee accelerates their salary package, the administration fee will also be accelerated.

4.4 Methods of Payment

REGULAR PAYMENTS

Benefit(s) that have a fixed instalment amount and occur on a regular basis (e.g. motor vehicle lease payments) will be paid as a regular payment. The following details should be provided for these payments.

- Name and address of where payments should be made;
- frequency of the payments;
- payment amount;
- commencement date for regular payments; and
- BSB and account number for regular direct EFT and payments.

NON REGULAR PAYMENTS

These payments are for benefit(s) that do not have a fixed installment amount, or do not occur on a regular basis (e.g. motor vehicle registration). Payments will be made on receipt of a completed Reimbursement Claim Form.

An employee who pays directly the cost of a benefit(s) will be reimbursed on receipt of a completed Reimbursement Claim Form. Reimbursement will be by electronic funds transfer ('EFT') to the employee's nominated bank or credit union account.

Non-regular payments and reimbursements will be made by Maxxia, subject to the employee having sufficient package funds, within two business days of receiving an employee's request. Please note that the bank may take another few days to clear funds.

4.5 Reconciliation

A reconciliation of the salary package will occur when an employee alters their salary package.

Any balance remaining in an employee's salary package on termination of employment will be paid as salary and taxed accordingly.

Where Maxxia pays any expense that relates to the employee's salary package, which is in excess of the amount nominated, the employee will be required to repay such an expense.

4.6 Leave

ANNUAL LEAVE

Providing Maxxia continues to receive salary packaging funds for employees on annual leave, then salary packaging arrangements will continue as planned. Should payroll pay annual leave in advance, and forward the salary packaging funds to Maxxia in advance, payments will continue as planned unless Maxxia is advised otherwise.

LEAVE WITHOUT PAY

An employee may be required to cease or suspend any salary packaging arrangements during any period of unpaid leave. In most instances approval of any period of leave without pay will require the employee to cease or suspend salary packaging.

The employee should notify Maxxia where an employee's salary packaging arrangements will be affected as a result of the approval of paid or unpaid leave. Where possible this notification should be provided prior to the commencement of the leave period to enable the necessary administrative arrangements to be made.

4.7 Ceasing Packaging

An employee may elect at any time to cease salary packaging by giving at least twenty-eight (28) days notice in writing to Maxxia.

In all circumstances where an employee's salary packaging arrangements cease, it is necessary that the employee notify Maxxia of their cessation date. This enables Maxxia to send final payments and determine any action to be taken with account balances.

Any unspent funds will be returned to the employer who will arrange for these funds to be returned to the employee via the payroll system. Note that these funds will be subject to PAYG taxation.

Any outstanding fees owing at the time of termination of an employee's salary package arrangements must be paid and will be deducted from the employee's final termination payment (or as otherwise agreed as per the Salary Packaging Agreement).

Any salary packaging arrangements will cease in the event that an employee is suspended without pay or when employment is terminated, or when transferred to a position that is deemed not eligible.

4.8 Reports

Employees participating in salary packaging will receive quarterly reports in hard copy that provide details on payments made for selected benefit items.

In addition the following online transaction reports are available:

- **Account Balance Report** – shows the packaging account balance at the time of accessing the report; and
- **Transactions in Last 90 days** – lists the salary packaging contributions received and details of payments made during the last 90 days.

The instructions for accessing online reports by the internet will be provided to the employee at the commencement of salary packaging.

Employees can obtain an account balance by phone between the hours of 8.00am – 7.00pm (EST/EDST) by calling Maxxia on 1300 123 123.

5. Administration Cost

Employees who choose to participate in salary packaging will be required to include within their salary package the administration cost.

Administration Fee Description	Annual Fee (Including GST)
Venue Hire	\$77.00 (Payable up front with the first deduction, includes 4 claims)
Salary packaging a single FBT exempt item.	\$110.00
Salary packaging all benefits (Excluding Venue Hire)	\$242.00
Meal Entertainment	\$44.00
Motor Vehicle Management Fee	\$330.00

5.1 Package Changes

An employee may change their salary packaging arrangements twice during the FBT year at no cost (i.e. 1 April to 31 March of the next year). Additional changes may be made but will be subject to a fee of \$55.00 (including GST) per change.

5.2 Manual Claim Payments

An employee may submit up to one claim per calendar month for reimbursement each FBT year for capped benefits. Additional claims will incur a fee of \$15.00 (including GST). All eligible employees are able to claim eligible payments/ receipts back to the beginning of the current Fringe Benefit Tax year (1st April).

6. Where To From Here?

If you wish to enquire about salary packaging a novated motor vehicle lease, call Maxxia My Car on 1300 123 123.

If you wish to salary package a benefit item other than a novated lease complete the Salary Packaging Application Form and forward directly to Maxxia at the following address:

Maxxia Pty Ltd
Locked Bag 18
Collins Street East
MELBOURNE VIC 8003

Upon receipt of the completed Salary Packaging Application Form, Maxxia will process the information and forward to you confirmation of the arrangements that will be put in place.

Alternatively telephone Maxxia's Customer Care Centre on 1300 123 123 for assistance in the establishment of your package.

7. Further Information

A toll-free enquiry service has been established to provide information to employees in relation to salary packaging. This service does not provide financial advice. However, the operators can assist with general information regarding the salary packaging options that are available.

The enquiry service operates from 8.00 a.m. to 7.00 p.m. (EST/EDST) Monday to Friday.

Vehicle Lease Enquiries: 1300 123 123

General Enquiries: 1300 123 123

Website Address: maxxia.com.au

7.1 Access to Website

General information about salary packaging is available at maxxia.com.au

Specific employer policy information, Application Forms and Declarations are available by logging on using your employer User ID and password.

USER ID: DHHS
PASSWORD: TASMANIA

All participating employees can also access their salary packaging reports online using the Internet. The instructions for accessing online reports will be provided when the employee commences salary packaging.

7.2 Privacy Policy

Maxxia is bound by the **National Privacy Principles** contained in the **Privacy Act 1988**. Maxxia has procedures in place to ensure the strict confidentiality of personal client information.

Maxxia's Privacy Policy regulates the type of personal information we collect as well as the use of the personal information. Your personal information is used by Maxxia to provide you with salary packaging administration services, and in some cases to assist you in the acquisition of a motor vehicle under a novated lease. Maxxia may also use this information to keep you informed of new Maxxia products and services.

You can obtain a copy of the Maxxia's Privacy Policy by contacting us. Alternatively you can obtain a copy of the Privacy Policy from our website at maxxia.com.au

7.3 Access to Your Personal Information

Under the National Privacy Principles you are generally entitled to access the personal information Maxxia holds about you. You can request access to your personal information by writing directly to Maxxia at:

The Privacy Officer

Maxxia Pty Ltd
Locked Bag 18
Collins Street East
MELBOURNE VIC 8003

Or email Maxxia at privacy@maxxia.com.au



Where you are entitled to obtain access to your personal information, the time we require to give you access will depend on the type of information requested. In some circumstances we may charge you a fee for providing access to your personal information. The fee will be based on our costs in locating the information and the form of access you require. In all cases we will provide you with an estimate of the fee so that you can confirm that you still require access to your personal information.

Appendix 1:

AGED CARE EXPENSES

DESCRIPTION An employee may salary package the cost of the provision of aged care from a registered aged care provider.

What is Allowed? The fee charged by the provider to the employee in relation to the aged care.

Taxation Issues

- The cost of the aged care is grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to aged care expenses.
- The Type 2 gross-up factor of 1.8868 applies to 'Aged Care Expenses'.
- Fringe Benefits Tax applies to aged care expenses.

Substantiation Submit the original receipt/invoice for either reimbursement or direct payment of the expense incurred by the employee.

Employee Declaration Not required.

Form of Payment

- Reimbursement to employee where the original receipt and a completed claim form has been forwarded to Maxxia.
- Direct payment to a third party where the employee submits the original account.

Package Cost Cost of the aged care.

Additional Information Not applicable.

Appendix 2: CHILD CARE EXPENSES

DESCRIPTION	An employee may salary package the cost of the provision of child care from a registered child care provider.
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What is Allowed?	The fees charged by the provider to the employee in relation to the child care.
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Taxation Issues	<ul style="list-style-type: none">• The cost of the child care is grossed-up and is reported on the employee's payment summary as a fringe benefit.• Goods and Services Tax does not apply to child care expenses.• The Type 2 gross-up factor of 1.8868 applies to 'Child Care Expenses'• Fringe Benefits Tax applies to child care expenses.
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Substantiation	Submit the original receipt/invoice for either reimbursement or direct payment of the expense incurred by the employee.
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Employee Declaration	Not required.
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Form of Payment	Reimbursement to employee where the original receipt and a completed claim form has been forwarded to Maxxia.
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Package Cost	Cost of the child care plus any applicable FBT.
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Additional Information	Not applicable.
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Appendix 3: CLUB MEMBERSHIP

DESCRIPTION	The employee may salary package the costs of club membership.
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What is Allowed?	The cost of membership to a club such as a golf club, sporting club, social club, or any other similar organisation.
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Taxation Issues	<ul style="list-style-type: none">• The cost of club membership is grossed-up and may be reported on the employee's payment summary as a fringe benefit.• Goods and Services Tax applies to club membership expenses.• The Type 1 gross-up factor of 2.0802 applies to 'Club Membership'• Fringe Benefits Tax applies to club membership expenses.
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Substantiation	Submit the original receipt/invoice for either reimbursement or direct payment of the expense incurred by the employee.
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Employee Declaration	Not required.
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Form of Payment	<ul style="list-style-type: none">• Reimbursement to employee where the original receipt and a completed claim form has been forwarded to Maxxia.• Direct payment to a third party where the employee submits the original account.
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Package Cost	Cost of the club membership plus any applicable FBT.
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Additional Information	Not applicable
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Appendix 4: CREDIT CARD REIMBURSEMENT

DESCRIPTION An employee may salary package the debt incurred on a credit card issued in their name.

What is Allowed?

- The payment made on the credit card and not the specific expenses listed on the credit card statement.
- Specific expenses incurred on the credit card will not be reimbursed under this benefit item.
- Cash advances that form part of the credit card balance cannot be salary packaged.

Taxation Issues

- The cost of the credit card payment or reimbursement is grossed-up and is reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to credit card payment or reimbursements.
- The Type 2 gross-up factor of 1.8868 applies to 'Credit Card Payments or Reimbursement'.
- Fringe Benefits Tax applies to credit card payments or reimbursements.

Substantiation Submit the original credit card statement substantiating the debt incurred on the credit card.

Employee Declaration Not required.

Form of Payment Reimbursement to employee where the original credit card statement and a completed claim form has been forwarded to Maxxia.

Package Cost Cost of the credit card payment or reimbursement, plus any applicable FBT.

Additional Information Not applicable.

Appendix 5: DISABILITY CARE EXPENSES

DESCRIPTION An employee may salary package the cost of the provision of disabled care expenses from a registered provider.

What is Allowed? The fees charged by the provider to the employee in relation to the disabled care.

Taxation Issues

- The cost of the disability care expenses is grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to disability care expenses.
- The Type 2 gross-up factor of 1.8868 applies to 'Disability Care Expenses'.
- Fringe Benefits Tax applies to disability care expenses.

Substantiation Submit the original receipt/invoice for either reimbursement or direct payment of the expense incurred by the employee.

Employee Declaration Not required.

Form of Payment

- Reimbursement to employee where the original receipt and a completed claim form has been forwarded to Maxxia.
- Direct payment to a third party where the employee submits the original account.

Package Cost Cost of the disabled care plus any applicable FBT.

Additional Information Not applicable.

Appendix 6: GENERAL INSURANCE PREMIUMS

DESCRIPTION An employee may salary package the cost of general insurance premiums.

What is Allowed?

- The expenses incurred in respect of general insurance such as house and contents insurance and motor vehicle insurance.
- To be able to use this benefit, the insurance paid must be subject to the Goods and Services Tax.
- Life insurance and health insurance cannot be salary packaged under this benefit item as they are not subject to the Goods and Services Tax. These benefits must be salary packaged under the specific benefits available.

Taxation Issues

- The cost of the general insurance premiums is grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax applies to general insurance premiums.
- The Type 1 gross-up factor of 2.0802 applies to 'General Insurance Premiums'.
- Input tax credits are available.
- Fringe Benefits Tax applies to general insurance premiums.

Substantiation Submit the original receipt/invoice for either reimbursement or direct payment of the expense incurred by the employee.

Employee Declaration Not required.

Form of Payment

- Reimbursement to employee where the original receipt and a completed claim form has been forwarded to Maxxia.
- Direct payment to a third party where the employee submits the original account.

Package Cost Cost of the general insurance premiums plus any applicable FBT.

Additional Information Not applicable

Appendix 7:

HEALTH INSURANCE PREMIUMS

DESCRIPTION An employee may salary package the cost of health insurance premiums paid to a recognised health insurance company in order to provide health insurance cover for the employee, spouse and/or dependents.

What is Allowed?

- The cost of health insurance premiums.
- Insurance claims relating to medical bills cannot be included in this benefit.

Taxation Issues

- The cost of health insurance premiums is grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- A tax rebate of 30% may be claimed in the employee's income tax return provided the employee has not claimed premium reduction or incentive payment.
- Goods and Services Tax does not apply to health insurance premiums.
- The Type 2 gross-up factor of 1.8868 applies 'Health Insurance Premiums'.
- Fringe Benefits Tax applies to health insurance premiums.

Substantiation The employee must provide evidence of membership of the health fund, and the premium amounts. A Policy Notification from the health fund is sufficient.

Employee Declaration Not required.

Form of Payment

- Reimbursement to employee where the original receipt and a completed claim form has been forwarded to Maxxia.
- Direct payment to a third party where the staff member submits the original account.

Package Cost Cost of the health insurance premium plus any applicable FBT.

Additional Information Not applicable.

Appendix 8: HIGHER EDUCATION LOAN PROGRAM (HELP)

DESCRIPTION An employee may salary package the cost of Higher Education Loan Program (HELP) payments.

What is Allowed? The payment of the HELP debt as per the invoice.

Taxation Issues

- The cost of the HELP payments is grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to the HELP payments.
- The Type 2 gross-up factor of 1.8868 applies to 'HELP'.
- Fringe Benefits Tax applies to HELP payments.

Substantiation Submit the original receipt/invoice for either reimbursement or direct payment of the expense incurred by the employee.

Employee Declaration Not required.

Form of Payment

- Reimbursement of voluntary payments made to HELP by an employee where an original receipt/tax invoice and a completed claim form has been submitted to Maxxia.
- Direct payment to the Australian Taxation Office upon receipt of a HELP assessment debt notice.

Package Cost Cost of the HELP payment plus any applicable FBT.

Additional Information Not applicable.

Appendix 9: HOUSE AND CONTENTS INSURANCE

DESCRIPTION An employee may salary package the cost of house and contents insurance in respect of their principal place of residence.

What is Allowed? The cost of house and contents insurance on the employee's principal place of residence.

Taxation Issues

- The cost of the house and contents is grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax applies to house and contents insurance expenses.
- The Type 1 gross-up factor of 2.0802 applies to 'House and Contents Insurance'.
- Fringe Benefits Tax applies to house and contents insurance expenses.

Substantiation Submit the original receipt/invoice for either reimbursement or direct payment of the expense incurred by the employee.

Employee Declaration Not required.

Form of Payment

- Reimbursement to employee where the original receipt and a completed claim form has been forwarded to Maxxia.
- Direct payment to a third party where the employee submits the original account.

Package Cost Cost of the house and contents insurance plus any applicable FBT.

Additional Information Not applicable

Appendix 10: LIFE INSURANCE PREMIUMS

DESCRIPTION A staff member may salary package the payment of a life insurance premium to a recognised insurance company to provide life insurance cover for the employee, spouse and/or dependents.

What is Allowed? The cost of the life insurance premium.

Taxation Issues

- The life insurance premium is grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to life insurance premiums.
- The Type 2 gross-up factor 1.8868 applies to 'Life Insurance Premiums'.
- Fringe Benefits Tax applies to life insurance premiums.

Substantiation Employees must provide evidence of membership of the fund and the premium amounts. A Policy Notification from the life insurance company is sufficient.

Employee Declaration Not required.

Form of Payment

- Direct payment to the third party where the employee submits the original account.
- Reimbursement to the employee where an original receipt and completed claim form has been submitted to Maxxia.

Package Cost Cost of the life insurance premiums plus any applicable FBT.

Additional Information

- For those life insurance premiums that contained an investment component, the policy must contain a life insurance component and the investment component of the premium must be bona fide directed towards a long term investment strategy.
- The premium cannot be convertible into cash or be available on an at call basis.

Appendix 11: LIVING EXPENSES (NOT SUBJECT TO GST)

DESCRIPTION An employee may salary package the cost of living expenses, including expenses charged to a credit card (e.g. American Express, Bankcard, Diners Club, MasterCard, and Visa).

What is Allowed?

- The cost of living expenses including those charged to a credit card.
- Cash advances that form part of the credit card balance cannot be salary packaged.
- Only items that do not attract the Goods and Services Tax can be salary packaged under this benefit.
- Eligible expenses include water rates, council rates, school fees, health insurance premiums, and life insurance premiums.

Taxation Issues

- The cost of living expenses are grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to this category of living expenses.
- The Type 2 gross-up factor of 1.8868 applies to 'Living Expenses (No GST)'.
• Fringe Benefits Tax applies to living expenses.

Substantiation

- Submit the original receipt/invoice for reimbursement of the living expense(s) incurred by the employee.
- Submit a copy of the credit card statement as evidence of the payment having been made.

Employee Declaration Not required.

Form of Payment Reimbursement to employee where the original receipt/credit card statement and a completed claim form are submitted to Maxxia.

Package Cost Cost of the living expenses plus any applicable FBT.

Additional Information Not applicable.

Appendix 12: LIVING EXPENSES (SUBJECT TO GST)

DESCRIPTION An employee may salary package the cost of living expenses, including expenses charged to a credit card (e.g. American Express, Bankcard, Diners Club, MasterCard, and Visa).

What is Allowed?

- The cost of living expenses including those charged to a credit card.
- Cash advances that form part of the credit card balance cannot be salary packaged.
- Only items that attract the Goods and Services Tax can be salary packaged under this benefit.
- Eligible expenses include utilities (phone, electricity and gas), groceries, home and contents insurance, car registration and insurance, and general domestic travel costs.

Taxation Issues

- The cost of living expenses are grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax applies to this category of living expenses.
- The Type 1 gross-up factor of 2.0802 applies to 'Living Expenses (GST)'.
• Fringe Benefits Tax applies to living expenses.

Substantiation

- Submit the original receipt/invoice for reimbursement of the living expense(s) incurred by the employee.
- Submit a copy of the credit card statement as evidence of the payment having been made.

Employee Declaration Not required.

Form of Payment Reimbursement to employee where the original receipt/credit card statement and a completed claim form are submitted to Maxxia.

Package Cost Cost of the living expenses plus any applicable FBT.

Additional Information Not applicable

Appendix 13: PERSONAL LOAN REPAYMENTS

DESCRIPTION An employee may salary package the cost of personal loan repayments towards a personal loan that is in the name of the employee.

What is Allowed? The repayment of both principal and interest on the loan.

Taxation Issues

- The personal loan repayments are grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to personal loan repayments.
- The Type 2 gross-up factor of 1.8868 applies to 'Personal Loan Repayments'.
- Fringe Benefits Tax applies to personal loan repayments.

Substantiation Submit a copy of the personal loan contract and the personal loan bank statement confirming the existence of the loan and the repayment amount.

Employee Declaration Not applicable.

Form of Payment Regular payments made directly to the personal loan account.

Package Cost Cost of the personal loan repayments plus any applicable FBT.

Additional Information Not applicable.

Appendix 14: PRIVATE HOME MORTGAGE REPAYMENTS

DESCRIPTION An employee may salary package payments of principal and interest made to a recognised financial institution in relation to a mortgage over the employee's principal place of residence.

What is Allowed?

- The repayment of both the principle and interest on the mortgage. The mortgage may be in joint names of the employee and spouse, solely in the name of the employee, or solely in the name of the spouse.
- An employee cannot salary package mortgage repayments into an account that is linked to a mortgage interest offset facility.

Taxation Issues

- The mortgage repayments are grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to mortgage repayments.
- The Type 2 gross-up factor of 1.8868 applied to 'Private Home Mortgage Repayments'.
- Fringe Benefits Tax applies to mortgage repayments.

Substantiation Submit a copy of the loan contract and bank statement confirming the existence of the mortgage loan and the amount of the mortgage repayments.

Employee Declaration

- All employees who include mortgage repayments in their salary package must complete a Mortgage Loan Declaration.
- The declaration must be submitted to Maxxia prior to the commencement of the repayments.

Form of Payment Regular payments made directly into the mortgage loan account.

Package Cost Cost of the mortgage repayments plus any applicable FBT.

Additional Information An employee cannot have regular payments made to a mortgage account that is linked to an interest offset facility.

Appendix 15: PRIVATE HOME RENTAL PAYMENTS

DESCRIPTION	An employee may salary package rental payments made under a lease agreement in respect of the employee's principal place of residence.
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What is Allowed?	<ul style="list-style-type: none">• The payment of rent made under a formal rental agreement.• Rental bonds cannot be included in the salary package.
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Taxation Issues	<ul style="list-style-type: none">• The rental payments made are grossed-up and may be reported on the employee's payment summary as a fringe benefit.• Goods and Services Tax does not apply to rental payments.• The Type 2 gross-up factor of 1.8868 applies to 'Private Home Rental Payments'.• Fringe Benefits Tax applies to rental payments.
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Substantiation	Submit a copy of the lease agreement or residential tenancy agreement confirming the lease and the monthly lease rental.
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Employee Declaration	Not required.
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Form of Payment	<ul style="list-style-type: none">• Reimbursement to the employee where the original receipt and a completed claim form is submitted to Maxxia.• Regular payments made directly to the Landlord or Real Estate Agent.
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Package Cost	Cost of the rental payments plus any applicable FBT.
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Additional Information	Not applicable.
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Appendix 16: SALARY PACKAGING PAYMENT CARD

DESCRIPTION An employee may salary package the cost of ad hoc expenses such as utilities, groceries, travel and motor vehicle operating expenses. Employees use an ANZ VISA Card.

The salary packaging payment card is restricted to employees of employers subject to the \$17,000 FBT capping limit.

What are the Restrictions?

- Cash advances are not permitted.
 - The Card can only be used within Australia.
 - The Card cannot be used at Automatic Teller Machines.
 - The Card can be used to make internet payments.
 - The credit limit on the Card must not be exceeded.
 - Additional funds cannot be credited to the Card.
 - Regular payments cannot be established.
 - The Card cannot be used after it has been cancelled.
-

Taxation Issues

- The salary packaging payment card expenses are grossed-up and may be reported on the employee's payment summary as a fringe benefit.
 - Goods and Services Tax may apply to expenses incurred on the ANZ VISA Card.
 - The Type 2 gross-up factor of 1.8868 applies to 'Salary Packaging Payment Card' expenses.
 - Fringe Benefits Tax does not apply to salary packaging payment card expenses when salary packaged within the \$17,000 FBT capping limit.
-

Substantiation

- If an employee unable to use the Card, payment should be made by the employee and a claim for reimbursement submitted to Maxxia.
 - If there are insufficient funds available to make a full reimbursement (less any applicable fee), Maxxia will return the claim to the employee. Maxxia will not make partial reimbursement of claims.
 - A fee of \$15 (including GST) will apply to any claims exceeding four (4) in an FBT year. If applicable, this fee will be deducted by Maxxia from the employee's account.
-

Employee Declaration

Not required.

Form of Payment

Where the Card cannot be used for payment, an employee may submit a claim for reimbursement.

Overseas Payments

- The Card can only be used within Australia.
- If expenses are incurred outside Australia, payment should be made with a personal credit card and submit the appropriate claim form for reimbursement.
- A copy of the credit card statement must be provided which lists the transaction.
- Reimbursement will be made up to the amount shown on the credit card statement in Australian currency.

Package Cost

Cost of the salary packaging payment card expenses.

Additional Information

Not applicable.

Appendix 17: SCHOOL FEES

DESCRIPTION An employee may salary package payments made in respect of school fees to a school or institution for the education of an immediate family member of the employee.

What is Allowed?

- Items such as term fees, music, sport and fixed charges provided they appear on the school fee invoice.
- Payments will not be made if the expenses do not appear on a school invoice.
- Payments to a school building fund or any voluntary donations cannot be included as part of the salary package.

Taxation Issues

- The costs of the school fees are grossed-up and may be reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to school fees.
- The Type 2 gross-up factor of 1.8868 applies to 'School Fees'.
- Fringe Benefits Tax applies to school fees.

Substantiation Submit the original receipt/invoice for either reimbursement or direct payment of the expense incurred by the employee.

Employee Declaration Not required.

Form of Payment

- Reimbursement to the employee where original receipts and a completed claim form have been submitted to Maxxia.
- Direct payment to the third party where the employee submits the original account.

Package Cos Cost of the school fees plus any applicable FBT.

Additional Information Not applicable.

Appendix 18:

ASSOCIATE MOTOR VEHICLE LEASE

DESCRIPTION

An associate lease involves the leasing of a vehicle owned or being purchased by an associate of the employee (spouse, child over 18 year of age, family member or family company). The associate leases the vehicle to the employer who in turn provides it to the employee as part of their salary package.

What is Allowable?

- Direct lease payments.
 - Running costs (e.g. fuel, insurance, registration, servicing, maintenance and tyres)
 - Where capital improvements are made to the motor vehicle (e.g. sunroof, CD player) after the commencement of the lease, these items cannot be included in the salary package.
 - The cost of stamp duty and other costs related to the purchase of the motor vehicle can only be salary packaged as part of the lease cost, i.e.: not as running costs.
-

Substantiation

- Copy of Associate Lease documentation.
 - Dealers invoice evidencing the purchase price of the motor vehicle if the vehicle is purchased at the commencement of the Associate Lease.
 - Independent valuation of the motor vehicle if the vehicle is already owned or being purchased by the “associate” prior to the commencement of the associate lease.
 - Original receipts must be submitted for reimbursement of running costs incurred by the employee where a fuel card is not used.
 - Original invoices must be submitted where an employee is seeking a direct payment for registration or insurance.
-

Taxation Issue

- Concessional FBT applies and is calculated by using the statutory formula method.
 - Goods and Services Tax does not apply to Motor Vehicle Registration, but does apply to the component relating to compulsory third party insurance.
 - Input Tax Credits are available.
 - The cost of a novated motor vehicle salary packaged are “grossed up” and may be included on the employee’s payment summary.
 - Where the employee adopts the ECM and reduces the FBT on the motor vehicle to Nil, the benefit will not be included on the employee’s payment summary.
 - Maxxia will contact each employee with a motor vehicle lease in September and December of each year to obtain an interim motor vehicle odometer declaration.
 - If the employee is not on track to meet their annual kilometres, or they have not lodged their interim odometer reading, Maxxia will contact the employee in writing to advise them of the importance of lodging their FBT year end odometer reading as well as achieving their nominated annual kilometres by 31 March.
-

**Taxation Issue
(continued)**

- Each employee will be required to lodge an end of FBT year odometer reading with Maxxia by 7 April of each year. Where the employee does not provide Maxxia with the odometer reading, Maxxia will calculate their FBT liability based on the highest statutory percentage.
- The lodgment of the end of FBT year odometer reading is done via the Maxxia automated telephone odometer reading service and the Maxxia website.

Employee Declaration

- Where the odometer reading declaration in respect of pre 10 May 2011 leases is not provided by the employee at the end of the FBT year, the FBT on the motor vehicle will be calculated using the highest statutory percentage resulting in a higher than budgeted FBT liability.
- A 'Motor Vehicle-Fuel and Oil Expenses Declaration' will be required where payments towards the running costs are being claimed to reduce the taxable value of the motor vehicle.
- Repayment of any FBT incurred is the responsibility of the employee

Form of Payment

- Lease payments – made directly to the associate.
- Motor vehicle charge card – fuel and maintenance.

Package Cost

Lease payments, running costs plus any applicable FBT.

Additional Information

- The associate party in an associate lease arrangement is strongly encouraged to take their own professional advice in relation to the financial, taxation and legal considerations for them in participating in the associate lease transaction.
 - Where input tax credits are available, a tax invoice must be submitted with the claim form.
 - If a complying tax invoice is not provided, input tax credits will not be processed by Maxxia.
-

Appendix 19: NOVATED MOTOR VEHICLE LEASE

DESCRIPTION

This is an arrangement whereby a motor vehicle is provided to an employee by the employer through a novated lease, within the employer's guidelines.

You must use your employer's Deed of Novation, which is available from Maxxia.

What is Allowed?

- Direct Lease payments.
 - Running costs (e.g. fuel, insurance, registration, servicing and maintenance and tyres).
 - Where capital improvements are made to the motor vehicle (e.g. sunroof, CD player) after the commencement of the lease, these items cannot be included in the salary package.
 - The cost of stamp duty and other costs related to the purchase of the motor vehicle can only be salary packaged as part of the lease cost, i.e. not as running costs.
-

Employee Contribution Method

- The Employee Contribution Method (ECM) enables an employee to reduce the FBT of a novated motor vehicle to nil by making a post tax contribution to the operating costs of the vehicle.
 - The amount of employee's contribution required must be equal to the taxable value of the motor vehicle.
 - Contributions made by an employee are subject to GST.
 - The GST on the employee contributions is calculated as 1/11th of the amount contributed by the employee.
-

Taxation Issues

- Goods and Services Tax does not apply to Motor Vehicle Registration, but does apply to the component relating to compulsory third party insurance.
 - The Type 1 gross-up factor of 2.0802 applies to a 'Novated Motor Vehicle Lease'.
 - Input Tax Credits are available.
 - The cost of a novated motor vehicle salary packaged are grossed up and may be reported on the employee's payment summary as a fringe benefit.
 - Where the employee adopts the ECM and reduces the FBT on the motor vehicle to Nil, the benefit will not be reported on the employee's payment summary.
 - Maxxia will contact each employee with a motor vehicle lease in September and December of each year to obtain an interim motor vehicle odometer declaration.
 - If the employee is not on track to meet their annual kilometres, or they have not lodged their interim odometer reading, Maxxia will contact the employee in writing to advise them of the importance of lodging their FBT year end odometer reading as well as achieving their nominated annual kilometres by 31 March.
-

**Taxation Issues
(continued)**

- Each Employee will be required to lodge an end of FBT year odometer reading with Maxxia by 7 April of each year. Where the employee does not provide Maxxia with a completed declaration then Maxxia will calculate the FBT liability based on the highest statutory fraction.
- The lodgment of the quarterly and end of FBT year odometer readings is done via the Maxxia automated telephone odometer reading service and the Maxxia website.

Substantiation

- Deed of Novation (signatory page and front page of lease, including the execution date, only required).
- Copy of the finance schedule from the finance lease.
- Dealer invoice for the purchase price of the motor vehicle.
- Original invoices must be submitted where an employee is seeking a direct payment for registration or insurance.
- At the end of each FBT year the employee is required to provide a declaration in relation to the opening and closing odometer readings for the number of kilometres travelled during the FBT year.

**Employee
Declaration**

- Where the odometer reading declaration in respect of a pre 10 May 2011 lease is not provided by the employee at the end of the FBT year, the FBT on the motor vehicle will be calculated using the highest statutory percentage resulting in a higher than budgeted FBT liability.
- A 'Motor Vehicle-Fuel and Oil Expenses Declaration' will be required where payments towards the running costs are being claimed to reduce the taxable value of the motor vehicle.

Form of Payment

- Lease payments – made directly to financier.
- Motor vehicle charge card – fuel and maintenance.

**Additional
Information**

- Where input tax credits are available, a tax invoice must be submitted with the claim form.
 - If a complying tax invoice is not provided, input tax credits will not be processed by Maxxia.
-

Appendix 20: AIRPORT LOUNGE MEMBERSHIP

DESCRIPTION An employee may salary package the cost of airport lounge membership.

What is Allowed? The cost of the membership.

Taxation Issues

- Airport lounge membership is exempt from FBT and is not reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax applies to airport lounge membership.
- Fringe Benefits Tax does not apply.

Substantiation

- Original receipt/tax invoice must be submitted when seeking reimbursement of the membership fees.
- Original invoice must be submitted where an employee is seeking a direct payment for the membership fees.

Employee Declaration Not required.

Form of Payment

- Reimbursement to employee where the original receipt/tax invoice and a completed claim form has been forwarded to Maxxia.
- Direct payment to the third party where the employee submits the original account.

Package Cost Cost of the airport lounge membership.

Additional Information Not applicable

Appendix 21: DISABILITY/INCOME PROTECTION INSURANCE

DESCRIPTION An employee may salary package the cost of an insurance policy for cover relating to the loss of earnings by the employee as a result of illness or disability.

What is Allowed? The cost of the insurance premium.

Taxation Issues

- The cost of the disability/income protection insurance premium is exempt from FBT and is not reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to the cost of the disability/income protection insurance premium.
- Fringe Benefits Tax does not apply.

Substantiation The employee must provide evidence of the disability/income protection insurance policy and the premium amounts.

Employee Declaration

- A completed 'Expense Payment Fringe Benefit Declaration' must be submitted to Maxxia on each occasion that a reimbursement claim is made.
OR
- A 'Recurring Expense Payment Fringe Benefit Declaration' is to be submitted when a regular payment has been established.

Form of Payment

- Direct regular payment of the disability/income protection insurance premium.
- Direct payment to a third party where the employee submits the original account.
- Reimbursement to the employee where an original receipt/tax invoice has been provided to Maxxia.

Package Cost Cost of the disability/income protection insurance premium.

Additional Information N/A

Appendix 22: FINANCIAL COUNSELLING FEES

DESCRIPTION A staff member may salary package the cost of the provision of salary packaging advice from a financial adviser, or accountant.

What is Allowed? The professional fees charged by the adviser or accountant to the employee in relation to the provision of the advice.

Taxation Issues

- Financial counselling fees are “otherwise deductible” and are not reported on the employee’s payment summary as a fringe benefit.
- Goods and Services Tax applies to financial counselling fees.
- Fringe Benefits Tax does not apply.

Substantiation Submit the original receipt/tax invoice and a claim for reimbursement of expense incurred.

Employee Declaration A completed ‘Expense Payment Fringe Benefit Declaration’ must be submitted to Maxxia on each occasion that a reimbursement claim is made.

Form of Payment Reimbursement to the employee where the original receipt/tax invoice and a completed claim form has been forwarded to Maxxia.

Package Cost Cost of the financial counselling fees.

Additional Information Not applicable

Appendix 23:

MEAL ENTERTAINMENT EXPENSES

DESCRIPTION An employee may salary package the cost of eligible meal entertainment expenses at a restaurant, cafe, hotel, professional caterer, and fast food outlets (excluding takeaway). Employees use a Maxxia ANZ Meal Entertainment Payment Card.

The meal entertainment benefit is restricted to employees of employers subject to the \$17,000 FBT capping limits.

What are the Restrictions?

- Cash advances are not permitted.
- The Card can only be used within Australia.
- The credit limit on the Card must not be exceeded.
- Additional funds cannot be credited to the Card.
- The Card cannot be used at Automatic Teller Machines, nor can it be used to make internet payments.
- The card cannot be used at 'fast food' outlets.

What purchases are not allowed?

The following purchases are not considered meal entertainment and cannot be purchased with the Card, and cannot be claimed as a reimbursement:

- Purchases of alcohol and other items from Liquor Shops.
- Purchases from grocery shopping/supermarkets.
- Purchase of takeaway meals. All purchases must be consumed on the premises.
- Entertainment items alone, such as movie and theatre tickets.
- Hotel and similar accommodation.
- Purchases from on-site canteens.
- Purchases from bakeries.
- Membership fees to sporting clubs or similar associations.

Taxation Issues

- The meal entertainment expenses are not reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax will apply to meal entertainment expenses.
- Fringe Benefits Tax does not apply to meal entertainment expenses when salary packaged with the \$17,000 FBT capping limit.

Substantiation

Where an employee is claiming reimbursement of meal entertainment expenses that were not incurred on the card, the following rules apply:

- An original receipted tax invoice must be provided for each meal entertainment expense claimed. Photocopies will not be accepted.
- The total claim for reimbursement must exceed \$100.
- Each individual claim for payment must be \$10 or more.
- Each tax invoice can only be submitted once.
- Reimbursements will be made by EFT transfer to the employee's nominated bank account.
- When using the Maxxia ANZ Meal Entertainment Payment Card, receipts must be maintained for all meal entertainment transactions.

Employee Not required.

Declaration

Form of Payment

- Where the Card cannot be used for payment, an employee may submit a claim for reimbursement. Only eligible meal entertainment expenses will be reimbursed.
 - Reimbursements will be made by EFT transfer to your nominated bank account.
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Overseas Payments

- The Card can only be used within Australia.
 - If meal entertainment expenses are incurred outside Australia, payment should be made with a personal credit card and a reimbursement claim form submitted to Maxxia.
 - A copy of the credit card statement must be provided which lists the transaction and the currency conversion into Australian dollars.
 - Reimbursement will be made up to the amount shown on the credit card statement in Australian currency.
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Package Cost

Cost of the meal entertainment expenses.

Additional Information

The employee must be able to support their claim for reimbursement by being able to demonstrate, as and when required by Maxxia, that they personally paid for the meal entertainment expense and did not receive any other form of payment or contribution from a third party or parties.

When using the Card, the employee must keep all meal entertainment receipts for FBT substantiation purposes.

Appendix 24:

PORTABLE ELECTRONIC DEVICES – MOBILE PHONES AND ACCOUNTS

DESCRIPTION An employee may salary package the cost of a mobile telephone and associated call costs where the mobile phone is used primarily for business purposes.
The mobile telephone must be a portable telephone and operate externally and independently of an employee's home telephone.

What is Allowed?

- The cost of the mobile telephone plus associated call costs.
- Mobile telephone accessories such as a carry pouch or hands free kit may also be included.
- Only one (1) mobile phone can be salary packaged in an FBT year.

Taxation Issues

- One (1) mobile phone per FBT year is an exempt fringe benefit and is not reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax applies to mobile phones and accounts.
- Fringe Benefits Tax does not apply.
- To obtain the FBT exemption for a mobile phone it must be used primarily for business purposes.

Substantiation Submit the original receipt/tax invoice and a claim for reimbursement of expense incurred.

Employee Declaration Where the employer has agreed to continue to make a mobile phone an available benefit after the May 2008 Federal Budget the employee must complete the 'Salary Packaging Claim Form for Work Related Items'.

Form of Payment Reimbursement to employee where the original receipt/tax invoice and a completed claim form has been forwarded to Maxxia.

Package Cost Cost of the mobile phone, call costs, and any accessories.

Additional Information Not applicable

Appendix 25: PROFESSIONAL MEMBERSHIPS AND SUBSCRIPTIONS

DESCRIPTION A staff member may salary package the cost of professional memberships and/or annual subscriptions for work related journals, magazines and similar publications.

A professional association is defined as an organisation with the sole purpose of enhancing the interests of the members of a particular profession, trade or occupation.

What is Allowed?

- Payment of the annual membership fees to a work related professional association.
- Payment of an annual subscription for a work related journal, magazine, newsletter or similar publication.

Taxation Issues

- The cost of a professional membership, or a work related annual subscription is not reported on the staff member's payment summary as a fringe benefit.
- Goods and Services Tax applies to the cost of professional memberships and annual subscriptions to work related journals, magazines and similar publications.
- Fringe Benefits Tax does not apply.

Substantiation Submit the original receipt/tax invoice and a claim for reimbursement of expense incurred.

Employee Declaration A completed 'Expense Payment Fringe Benefit Declaration' must be submitted to Maxxia on each occasion that a reimbursement claim is made.

Form of Payment Reimbursement to staff where the original receipt/tax invoice and a completed claim form has been forwarded to Maxxia.

Package Cost Cost of the professional membership and annual subscription to work related journals, magazines and similar publications.

Additional Information Not applicable

Appendix 26: SELF EDUCATION EXPENSES

DESCRIPTION A staff member may salary package the cost of work related self education expenses.

What is Allowed?

- The cost of a prescribed course of education including any textbooks or equipment relevant to the course of study.
- Registration fees incurred in relation to work related conferences and/or seminars.
- Payments to the Higher Education Loan Program (HELP) cannot be included under self education expenses.

Taxation Issues

- Where the self education expenses are work related they are not reported on the employee's payment summary as a fringe benefit.
- Goods and Services Tax does not apply to most self education expenses.
- Fringe Benefits Tax does not apply where the self education expenses are work related.

Substantiation Submit the original receipt/tax invoice and a claim for reimbursement of expense incurred.

Employee Declaration A completed 'Expense Payment Fringe Benefit Declaration' must be submitted to Maxxia on each occasion that a reimbursement claim is made.

Form of Payment Reimbursement to the employee where the original receipt/tax invoice and a completed claim form has been forwarded to Maxxia.

Package Cost Cost of the allowable expenses incurred in relation to self education.

Additional Information Not applicable

Appendix 27: VENUE HIRE

DESCRIPTION	An employee may salary package the cost of hiring venues or facilities by the employee for the provision of entertainment and/or recreation. Meal entertainment expenses do not form part of the Venue Hire benefit.
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What is Allowed?	The following type of expenses will generally qualify as Venue Hire: <ul style="list-style-type: none">• Holiday accommodation, including hotels, motels and other similar units of accommodation;• Hire of a reception centre, function room or marquee;• A corporate box; and• Boats or planes where the boat or plane has been hired in its entirety.
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What is Not Allowed	The following types of expenses do not qualify as Venue Hire: <ul style="list-style-type: none">• Travel, including air fares, to the holiday destination;• Meals (including meal entertainment) and other incidental costs at the holiday destination;• Golf club or similar memberships; and• Purchase of holiday homes or time share accommodation. <p>NOTE: You cannot use your Salary Packaging Payment Card or the Meal Entertainment Payment Card to pay for Venue Hire.</p>
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Taxation Issues	<ul style="list-style-type: none">• Venue Hire expenses are exempt from FBT and are not reported on the employee's payment summary as a fringe benefit.• Venue Hire is salary packaged in addition to the \$17,000 FBT capping threshold.• Goods and Services Tax applies to Venue Hire expenses within Australia.• Fringe Benefits Tax does not apply.
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Substantiation	<ul style="list-style-type: none">• Submit the original receipt/tax invoice and a claim for reimbursement of expense incurred.• Overseas Venue Hire expenses will require both an original receipt and copy of the credit card statement showing the Australian dollar amount of the expense.
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Employee Declaration	Not applicable.
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Form of Payment	Reimbursement to employee where the original receipt/tax invoice and a completed claim form has been forwarded to Maxxia.
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Package Cost	Cost of the Venue Hire.
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Additional Information	Not applicable.
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