



FLEXIBLE REMUNERATION PACKAGING MANUAL

For Continuous and Fixed Term Employees



FLEXIBLE REMUNERATION PACKAGING MANUAL

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INTRODUCTION

This manual introduces Murdoch University employees to the University's Flexible Remuneration Packaging Program (commonly known as Salary Packaging) and provides information on the Benefits available for negotiation. Employees may only Package up to a maximum of 50% of their remuneration ie Salary. Employees who wish to package above 50% must seek financial advice prior to submitting their application and evidence must be provided.

Employees may be able to improve their remuneration position by transferring the payment of certain expenses to the University. This transfer is regarded as Salary Sacrifice, whereby the University pays expenses on behalf of the employee.

All associated costs of the Flexible Remuneration Packaging Program will be met by the employee.

Salary Packaging may not be suitable for some employees due to their financial circumstances. Therefore, it is recommended that employees seek independent financial advice before committing to the Program.

Please note that participation in the Program is subject to the University's approval.

UNIVERSITY DISCLAIMER

Whilst every care has been taken to ensure the accuracy of information contained in this guide, it is not possible to provide complete information.

The university strongly urges all staff contemplating salary packaging to seek **independent** financial planning advice. No person should rely on the contents of this document without first obtaining advice.

The document is provided to interested staff on the understanding that Murdoch University is not responsible for the results of action taken on the basis of information in this document nor for any error or omission in this document.

Murdoch University hereby expressly disclaims all and any liability and responsibility to any reader of this document in respect of anything done or omitted to be done (or the consequences thereof) by any person in reliance upon the whole or any part of this document.

1.0 DEFINITIONS

Benefits

Any non-cash remuneration and cash payment made or expected to be made on behalf of employees, and any cash payment made or expected to be made to employees by way of reimbursement of expenses incurred or expected to be incurred by employees.

Financial Consultant

An independent and accredited Financial Advisor

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Flexible Remuneration

See Salary Packaging.

Fringe Benefits

See Benefits.

Fringe Benefits Tax (FBT)

A tax payable by the University to the Commonwealth on certain Fringe Benefits.

Flexible Remuneration Packaging Schedule

The Schedule once accepted by the University, formalises an employee's participation in the Flexible Remuneration Packaging Program. It enables the University to provide an employee with a combination of Salary and Benefits.

“Otherwise Deductible Rule”

The taxable value of an employer provided Benefit that is reduced by the same amount as the amount an employee would have been able to claim as a personal income tax deduction had the employee paid for the Benefit.

Package

Remuneration by way of Salary and Benefits that an employee has negotiated with the University. Where an employee is remunerated by reference to more than one Salary classification, the package is determined by reference to the pro-rated aggregate of the Salaries assigned to the employee's substantive positions.

Package Commencement Date

The date an employee's Salary and Benefits commence. It is always the first day of the University's pay cycle.

PAYG (Pay As You Go)

The system of the collection and payment of income tax.

Reportable Fringe Benefits (RFB's)

The grossed-up taxable value of fringe benefits that is reported on Payment Summaries (formerly known as Group Certificates).

Reimbursement

A refund of particular expenses paid by employees and claimed from their Package.

Salary

Remuneration by way of regular, periodical cash payments subject to PAYG tax.

Salary Packaging

The ability of employees to negotiate their remuneration as a mix of Salary and Benefits.

Salary Sacrifice

Part of an employee's Salary set aside to cover the payment of Benefits. The components of Salary Sacrifice are:

- (a) The Benefits payable,
- (b) The FBT and GST payable, where applicable,
- (c) All other government taxes, levies and/or duties, and
- (d) All Program administrative costs and charges.

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Tax Invoice

An invoice to support claims for:

- (a) Input tax credits for GST included in the price of acquisitions made in the course of business, and
- (b) Reimbursements from an employee's package.

Total Employment Cost (TEC)

The University's annual budgeted cost, as determined from time to time by the University, of providing an employee's total remuneration as Salary.

2.0 TAXATION ISSUES

2.1 Australian Taxation Office (ATO)

The ATO will accept Flexible Remuneration Packaging arrangements between the University and employees providing the arrangements comply with certain criteria. Two of those criteria are that:

- (a) Employees *cannot* instruct their employer on how they are to be remunerated. Therefore, it is the University that will always decide the Salary and Benefits to be provided to employees although employees' wishes may be taken into consideration.
- (b) Flexible Remuneration Packaging arrangements are associated with remuneration for future services provided by employees. Salary already earned cannot be packaged retrospectively.

2.2 Goods and Services Tax (GST)

GST is a tax on the supply of goods and services and is currently applied at the rate of 10%. All Benefits and fees under the Program are either GST free or will receive an input tax credit, which will be passed on to employees. The current exception to this is the Third Party Insurance included in Motor Vehicle Insurance.

2.3 Fringe Benefits Tax (FBT)

FBT is a tax payable by the University on the Motor Vehicle Benefit which is concessionally treated for taxation purposes. The FBT rate is currently 48.5% and is payable on the grossed-up taxable value of Benefits provided. The gross-up rate is currently 2.1292 and the FBT year commences on April 1 and ceases on March 31.

2.4 Reportable Fringe Benefits (RFB's)

RFB's are Benefits that have a taxable value in excess of \$1,000 and appear on employees' Payment Summaries at the grossed-up taxable value. RFB's are used to determine an individual's:

- (a) Eligibility for:
 - Tax initiatives such as Family Allowance, Child Care Rebate etc
 - Tax deductions for spouse superannuation and low-income rebates

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- (b) Liability for:
- Superannuation Contributions Surcharge
 - H.E.C.S repayments
 - Medicare Levy Surcharge
 - Child Support obligations
 - Terminations Payments Surcharge

RFB's do not include Fringe Benefits that are exempt, otherwise deductible or are specifically excluded.

RFB's provided during the FBT year ending March 31 appear on Payment Summaries for the Financial Year ending June 30.

3.0 REMUNERATION AGREEMENT

3.1 Introduction

There are strict legislative requirements governing packaging arrangements that must be observed. It is mainly for these reasons that the University requires employees to formalise their Program participation before Benefits can be provided. These requirements are generally satisfied when the University accepts a request via a Flexible Remuneration Packaging Schedule to provide Salary and Benefits, as set out in the Schedule.

The University's acceptance of the Schedule formalises participation in the Program and enables the University to provide the Salary and Benefits.

3.2 Acceptance of Schedule for a Flexible Remuneration Packaging Arrangement

On acceptance of the Schedule, an Agreement is constituted between the University and an employee regulating the operation of the Program and the provision of Salary and Benefits. In summary, the Agreement recognises that:

- (a) In providing Benefits the University needs to ensure that it is protected against loss in the event an employee falls short of his or her Program obligations. Accordingly, there are provisions indemnifying the University against loss or liability.
- (b) Changes to the rate of the Goods and Services Tax, Fringe Benefits Tax, Payroll Tax and any other taxes or duties applying to Benefits, or to the manner in which all taxes and duties are calculated may vary. The University is able to alter Benefits to ensure the Total Employment Cost (TEC) established for an employee does not increase as a result of such changes.

Before applying to participate in the Program, employees should carefully read and understand the Offer of Remuneration Packaging Arrangement, a Schedule within the Enterprise Agreement.

Under the Agreement and collateral documentation, employees have a responsibility:

- (a) To seek independent, professional advice on financial matters and the suitability of Flexible Remuneration Packaging to their specific circumstances, before submitting the Schedule.

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- (b) To supply the University (depending on the Benefit) with original tax invoices and receipts, where applicable, for goods and services provided under the Program, and to make all other documentation available upon request by the University.
- (c) To keep the University indemnified against any loss or liability arising from;
 - the cessation of payments for any Benefits;
 - any variation to the terms and conditions on which their Salary and Benefits are provided to them;
 - the payment of Salary and Benefits in advance;
 - the University arranging for a third party to provide Benefits to or for their benefit;
 - the termination of the Agreement by either party for any reason, and
- (d) To pay all administrative costs and charges incidental to the provision of Salary and Benefits as determined from time to time, by the University.

Employees also agree that the University, it's officers, employees, contractors or agents cannot be held responsible should the Benefits provided prove at any time to be inappropriate to the employee's circumstances.

3.3 Terms of Agreement

The Agreement starts on the date of acceptance of the FRP Schedule and continues until:

- (a) Terminated by an employee, providing the University, in writing, a minimum of one month's notice.
- (b) Terminated by the University should an employee be guilty of any breach of the Request's Terms and Conditions, or
- (c) An employee ceases employment at the University.

Notwithstanding the above, the University may terminate an Agreement at any time should changes in legislation or the enactment of new legislation impose on the University financial or other obligations which are, in it's opinion, unacceptable to the University.

3.4 Effect of Termination of an Agreement

If an Agreement is terminated:

- (a) The obligation of the University to provide Benefits immediately ceases without claim by employees for any compensation whatsoever.
- (b) Any motor vehicle lease agreements and any novation arrangements immediately cease.
- (c) The University will require one additional Salary Sacrifice from employees.

This is standard procedure and is not negotiable.

- (d) The package is reconciled after the termination date. Any accrued but unpaid Benefit entitlements are paid to employees as Salary. Alternatively, any paid but not yet accrued Benefit entitlements arising from payments in advance are to be repaid to the University.
- (e) Monies owing to the University become due and payable upon demand whether such sums are then due to be paid or not.

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- (f) As a result of employees ceasing employment at the University, monies owing by employees will be offset against any Salary, leave and other remuneration that may then be due and payable to employees.

Murdoch University reserves the right to recover all monies owing to the University by employees and former employees.

4.0 SUBSTANTIATION

Substantiation refers to a contract, agreement, tax invoice, receipt, declaration or any other evidence that enables the University to determine the:

- Nature of the Benefits being provided,
- Allowable reimbursements to employees,
- Input tax credits payable to the University,
- GST payable, if applicable, and
- Taxable FBT value of the Benefit.

All original substantiation concerning an employee's Flexible Remuneration Packaging arrangements and the Benefits provided must be kept for a period of **at least five years** from the date of transaction. Employees have a responsibility to ensure that all such original substantiation is maintained, and where applicable or if requested, copies passed on to the University or Fleet Companies.

5.0 REIMBURSEMENTS

Some expenses are paid directly by employees during the duration of their package. Employees may claim these expenses from their package but can only claim up to the packaged amount of each Benefit.

Employees must provide copies of tax invoices to the University or the relevant Fleet Companies (depending on the Benefit). Copies must be sent to the University or the Fleet Companies with an Expense Reimbursement Claim Form. Employees must maintain tax invoices in accordance with the Substantiation Rules.

Faxes will not be accepted. Please send copies not originals.

Amounts claimed through the University will be reimbursed via the employee's payslip.

Amounts claimed through the Fleet Companies will be reimbursed by cheque and sent to an employee's home address.

Expenses that may be reimbursed include:

- Fuel and Oil (Fleet Company)
- Motor Vehicle Registration (where applicable) (Fleet Company)
- Motor Vehicle Repairs (up to a maximum of \$200) (Fleet Company)
- Professional Expenses (the University)

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6.0 EMPLOYEE ENTITLEMENTS

6.1 Leave with Pay

Benefits continue to be paid during periods of paid leave at full rates of pay, with annual or long service leave being calculated and paid on the reduced Salary. Employees taking long service leave at “**half pay**” must notify the Flexible Remuneration Packaging Office in writing of their intention to do so, one month in advance of the leave commencing. Leave at half pay is managed on a case by case basis and must be approved by the Senior FRP Officer. If approval is not granted, employees will need to terminate their packaging arrangement with the University.

Employees may re-enter the Program once they have returned to work at full rates of pay and the University have accepted a new Flexible Remuneration Packaging Schedule.

6.2 Leave without Pay

Planned Unpaid Leave

Where planned unpaid leave is approved, employees will need to terminate their packaging arrangement with the University before they go on leave. Employees must give the following written notification to the Flexible Remuneration Packaging Office:

- (a) Six months before leave commences if Motor Vehicle Benefits are packaged, and
- (b) One month before leave commences if Motor Vehicle Benefits are not packaged.

Employees are advised to plan well in advance for unpaid leave, particularly where motor vehicles are concerned, as there are financial and taxation issues that need to be addressed.

Employees may re-enter the Program once they have returned to work at full rates of pay and the University have accepted a new Flexible Remuneration Packaging Schedule.

Unplanned Unpaid Leave

The impact of loss of income due to accident or prolonged illness are important issues employees ought to consider when arranging their financial affairs, particularly where debt and other financial commitments are present, for example Motor Vehicle Benefits.

If leave is unpaid, employees cannot continue with their Flexible Remuneration Packaging arrangements due to the loss of income derived as University employees. The University will terminate the Flexible Remuneration Packaging Agreement with employees and accordingly, all obligations of the University to provide Benefits will cease immediately without claim by employees for any compensation whatsoever.

Employees will be liable for all associated costs and/or penalties of termination. These costs and/or penalties may be particularly severe for employees with Motor Vehicles Benefits and may include the following:

- (a) An Early Return Penalty due if the motor vehicle is to be returned earlier than agreed with the Fleet Company.
- (b) An increased FBT liability if employees have not kept up with their budgeted statutory rate at the time of termination.

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- (c) A penalty if employees do not hold the Motor Vehicles for two years or travel 40,000kms.

Employees may apply in writing to re-enter the program once they have returned to work at full pay. Re-entry is at the discretion of the Senior Flexible Remuneration Packaging Officer.

Employees must seek the advice of a Financial Consultant if they are taking leave at less than full pay and have a Motor Vehicle packaged.

6.3 Purchased Leave

Purchased Leave is available for employees who are participating in the Flexible Remuneration Packaging scheme. Purchased leave will only commence however, when an employee begins a new package or re-packages.

6.4 Secondments

Employees accepting secondment normally cannot salary package or continue to salary package. Please contact the Senior Flexible Remuneration Packaging Officer to discuss this further.

7.0 FLEXIBLE REMUNERATION PACKAGING PROCEDURES FOR FIRST TIME OR RENEGOTIATED PACKAGES

Employees, new to salary packaging or renegotiating their package must meet certain requirements before they can commence the program. Employees must have:

- (a) At least a one year contract if packaging Benefits other than a Motor Vehicle and at least a two year contract if packaging a Motor Vehicle,
- (b) the contract must be of a fixed term or continuous/permanent nature as defined in the respective Collective Workplace Agreement
- (c) Read the Flexible Remuneration Packaging Manual,
- (d) The employee has sought independent financial advice

If an employee has met these requirements then:

- The employee completes a Flexible Remuneration Packaging Schedule and any related documentation or forms dependent on the benefits being packaged (refer to the Schedule if any additional forms required). All forms are submitted to the Flexible Remuneration Packaging Office.
- The package is established and copies of all documentation supplied to the employee. The first Salary Sacrifice will be deducted in the pay as indicated as per the Schedule.

For Motor Vehicles:

- The Flexible Remuneration Packaging Office will prepare two copies of an Offer of Remuneration Packaging Arrangement, and a Motor Vehicle Agreement. The Flexible Remuneration Packaging Office will then contact the employee to sign the documentation and associated paperwork. Once

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the documentation has been signed, you will receive a copy of the Schedule(s) and Package Confirmation Report detailing the Benefits that you have packaged.

- If you are packaging Motor Vehicle Benefits, the Flexible Remuneration Packaging Office will order the Motor Vehicle once the documentation has been signed.
- The Flexible Remuneration Packaging Office will contact you to confirm the delivery details in the week prior to delivery, or if delivery is delayed.
- A Motor Vehicle Insurance Declaration (which is supplied to you when you have signed the documentation mentioned above) must be completed and signed by you at the time of delivery of the Motor Vehicle. The Declaration must be given to the Flexible Remuneration Packaging Office immediately, otherwise your Motor Vehicle Insurance will not be validated.
- Fuel Cards will be available from the Flexible Remuneration Packaging Office after you have taken delivery of the Motor Vehicle, and have provided the Flexible Remuneration Packaging Office with the Motor Vehicle Insurance Declaration mentioned above. *Insurance Packs will be provided upon delivery of the Motor Vehicle.*
- The first Salary Sacrifice will be deducted in the pay as indicated as per the Schedule.

8.0 BENEFITS

FBT Exempt Benefits

MURDOCH GOODS AND FACILITIES

- Bookshop
- Veterinary Hospital Services and Goods
- Campus Car Parking
- Child Care Centre
- Gym

MOTOR VEHICLE RUNNING COSTS

- Fuel Cards
- Insurance
- Lease Payments
- Registration

NOTEBOOK COMPUTER

PROFESSIONAL EXPENSES

- Income Protection Insurance Premiums
- Professional Memberships

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SALARY PACKAGING FEES

SUPERANNUATION

- Voluntary Contributions (Unisuper)
- Private

Concessional FBT Benefits

LEASED MOTOR VEHICLES

The following Benefits are exempt from FBT when packaged because they are specifically excluded or “otherwise deductible”.

8.1 MURDOCH GOODS AND FACILITIES

Bookshop (package item must be renewed annually)

Employees may package this Benefit up to the value of \$1000 in an FBT year (combined total) for use through University affiliated services. This includes any goods or services provided by the Murdoch University Veterinary Hospital and the Bookshop.

Veterinary Hospital Services and Goods (package item must be renewed annually)

Employees may package this Benefit up to the value of \$1000 in an FBT year (combined total) for use through University affiliated services. This includes any goods or services provided by the Bookshop and Murdoch University Veterinary Hospital.

Campus Car Parking

This is available only to employees wishing to pay for campus car parking via deductions from salary. All zones may be packaged. Employees must complete an application from the Parking Office. The application is forwarded to Payroll so that deductions may commence from salary. The Flexible Remuneration Packaging Office will then make the necessary arrangements.

Child Care (package item must be renewed annually)

Employees should consult with staff at Child Care with regard to placements and fees. Packaging this Benefit does not automatically guarantee a placement. Employees should contact the appropriate government agency with regard to eligibility and payment of the Child Care Rebate.

It is the responsibility of employees to determine the amount to be packaged for this Benefit prior to meeting with a Financial Consultant. The Flexible Remuneration Packaging Office are unable to assist employees in this matter.

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Gym (package item must be renewed annually)

Employees may package the Annual Membership. For further information on memberships, employees should contact Murdoch Gym.

8.2 PROFESSIONAL EXPENSES (package item must be renewed annually)

Income Protection Insurance Premiums

Income Protection Insurance provides clients with a regular income in the event of their absence from work due to prolonged periods of illness or injury. Income Protection Insurance premiums are generally exempt from FBT.

Packaging Requirements

- Employees should discuss this Benefit with a Financial Consultant **prior** to packaging.
- Employees must provide the University with the necessary substantiation.
- Employees must immediately notify the University of any changes to their policy.
- Employees should not claim these expenses as tax deductions.

Income Protection Policies that are capital in nature (ie allow for lump sum payments to clients) cannot be packaged.

Professional Memberships (package item must be renewed annually)

This Benefit may be packaged provided the fees are not already paid for by the University and are “otherwise deductible”.

Professional Memberships include annual fees paid to a:

- (a) Professional Association, or
- (b) Registered Trade Union.

When packaged, these expenses are exempt from FBT provided:

- They are relevant and incidental to the production of employees’ assessable income,
- Employees are entitled to a once only deduction,
- Employees provide the University with the necessary substantiation,
- Employees should not claim these expenses as tax deductions

Subscriptions to more than one association or trade union may be packaged.

Packaging Requirements

- Union fees are paid fortnightly

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- Other association fees are paid by employees who may claim reimbursement from their package.

8.3 FINANCIAL COUNSELLORS FEE (package item must be renewed annually)

Employees are able to package the fee charged by a Financial Counsellor.

- Employees must pay the Financial Counsellor for this Benefit and then claim reimbursement from their. The amount being claimed via the Package must equal that invoiced or receipted from the Financial Counsellor. A copy of the invoice or receipt must be provided to the FRP Office in order for reimbursement via the package to occur.

Please note: the amount being packaged must relate to the service provided by a Financial Counsellor for purposes of reviewing the employees financial matters for the benefits being requested.

8.4 FLEXIBLE REMUNERATION PACKAGING FEES

This Benefit may be packaged and includes the following fees:

- (a) Financial Counselling Fee

When packaged, these expenses are exempt from FBT provided:

- They are incurred in the course of earning assessable income.

8.5 SUPERANNUATION

Whether packaging superannuation contributions is beneficial for employees is a complex issue and will depend on individual circumstances and retirement needs.

All employees' circumstances are different and the legislation governing superannuation is complicated. Therefore, the following information is intended as a brief guide only.

Packaging superannuation contributions means that the University makes the payments via Salary Sacrifice on behalf of employees, without FBT or the deduction of PAYG tax applying. However, if packaged, these contributions are deemed as employer superannuation contributions.

This arrangement can lead to personal taxation savings and hence, increased nett pay. However, the following should be noted:

- (a) Salary Sacrifice contributions are generally subject to a 15% contributions tax while non-Salary Sacrifice contributions are not.
- (b) The Unisuper Defined Benefit/Investment Choice Plan (DBP/ICP) allows members to package the 15% contributions tax while the Unisuper Award Plus Plan (APP) deducts this tax from contributions.
- (c) At retirement, Salary Sacrifice contributions may be subject to personal taxation.
- (d) Salary Sacrifice contributions are assessed for *Reasonable Benefit Limit* purposes while non-Salary Sacrifice contributions are not.

Under the Superannuation Guarantee Charge Act 1992, there are set annual limits to the superannuation contributions that Murdoch University can make on behalf of

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employees. These limits are dependent on the age of employees (maxima being indexed annually) and are as follows:

Age	Maximum Contributions (2004/2005)
to 35	\$ 13,934
35 - 50	\$ 38,704
50 and above	\$ 95,980

In addition to the contributions tax, Murdoch University's superannuation contributions **may** be subject to a superannuation surcharge (indexed annually). For the financial year 2004/2005, the surcharge only applies if the sum of your taxable income (from all sources) **PLUS** employer superannuation contributions is greater than \$ 99,710. The surcharge starts at this level and increases following a formula to a maximum of 12.5% at an upper level of \$ 121,075.

Employees are required to retain their respective membership to Unisuper and may package additional monies into Unisuper APP or Unisuper ICP. Should employees choose the latter, they must opt for one of four investment strategies. Please contact your Human Resource Officer for a brochure on voluntary contributions.

However, employees may also package additional monies into other superannuation funds. If so, then employees need to choose a superannuation fund that:

- (a) Is a complying fund for the purposes of the Commonwealth Superannuation Guarantee (Administration) Act 1992; and
- (b) Will accept contributions from the University.

If the superannuation fund is an excluded fund ie a fund with less than five members, a statement must be provided to the University by, or on behalf of the trustee, stating that the fund is:

- (a) A resident regulated superannuation fund within the meaning of the Superannuation Industry (Supervision) Act 1993, and
- (b) Not subject to a direction under Section 63 of the same Act.

Packaging Requirements

- Unisuper members will continue to have their payments made on a fortnightly basis.
- Employees who have memberships with other funds will usually have their contributions paid on a monthly basis.

Packaging superannuation contributions will not affect your superannuable entitlements.

The following table illustrates the potential savings for employees if they were to package their voluntary contributions to Unisuper.

Salary Per Annum	Savings Per Fortnight ***
\$30,000	\$ 8.60
\$35,000	\$10.80

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\$40,000	\$13.00
\$45,000	\$15.20
\$50,000	\$17.40
\$55,000	\$42.00
\$60,000	\$46.20

*** Dollar amounts in this column are net i.e. all associated fees and taxes have been deducted

9.0 EXAMPLE

Determining whether Flexible Remuneration Packaging is beneficial means comparing the Salary Sacrifice cost against the cost of receiving Salary and paying for the expenses personally. In other words, an employee needs to know the before tax cash salary that is required to pay for an expense compared to the Salary Sacrifice cost of having the University pay for the expense on the employee's behalf.

This example shows the position of an employee receiving an annual Salary of \$32,000 who wishes to negotiate for the transfer of \$3,000 of existing expenses to his/her package. For the purposes of this example, the following assumptions have been made:

- Expenses do not include Unisuper voluntary contributions
- Expenses not packaged are not subject to GST.
- Benefits packaged are subject to GST but the input tax credits will be claimed by the University.
- Benefits packaged are not subject to FBT.

Case Study	Before Packaging	After Packaging
<i>Remuneration</i>	32,000	32,000
<i>Less Exempt Benefits</i>	0	3,000
<i>Less Program Costs</i>	0	275
<i>Salary Before PAYG Tax</i>	32,000	28,725
<i>Less PAYG Tax</i>	6,552	5,512
<i>Nett Pay</i>	25,448	23,213
<i>Less expenses not packaged</i>	3,000	0
<i>Disposable Income</i>	\$22,448	\$23,213

By negotiating to have these expenses included as part of a Package, the employee would be \$765 better off in nett pay per year.

10.0 MOTOR VEHICLE PLAN

10.1 Introduction

Packaged motor vehicles may provide attractive remuneration opportunities for employees but should only be approached with an understanding of the financial implications. Therefore, employees must seek advice from a Financial Consultant if contemplating packaging Motor Vehicle Benefits.

The University's Motor Vehicle Plan gives employees access to a wide range of motor vehicles, both new and used, with flexibility to negotiate the financing method appropriate to individual needs and circumstances.

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The Motor Vehicle Plan includes the following Benefits:

- (a) Running Costs (FBT Exempt)
- Lease Payments
 - Fuel and Oil
 - Insurance
 - Registration

- (b) FBT Payable

Key Features

- Employees have effective control of the motor vehicle for their own purposes.
- Running costs and FBT are included in the package.
- Petrol cards are supplied.
- Comprehensive insurance is provided.
- All drivers must hold a current, valid and unrestricted Western Australian driver's licence.

10.2 Eligible Motor Vehicles

For the purposes of the Motor Vehicle Plan, a motor vehicle (including a four wheel drive vehicle) is:

- (a) A motor car, station wagon, panel van, utility truck or similar vehicle, or any other road vehicles designed to carry a load of less than one tonne or fewer than nine passengers.
- (b) Panel vans or utility trucks may qualify where they are a derivative of a motor vehicle. Dual cab vehicles will generally not qualify as they are not a derivative of a motor vehicle and have a carrying capacity of more than one tonne.

Motorcycles or similar vehicles are excluded, as they are not considered motor vehicles for FBT purposes.

In all cases, the University reserves the right to determine the eligibility of motor vehicles qualifying for entry under the Plan.

10.3 Motor Vehicle Agreement

In providing Motor Vehicle Benefits to employees, the University needs to ensure it is protected against loss in the event employees fall short of the Motor Vehicle Plan obligations. Accordingly, there are provisions in the Motor Vehicle Agreement indemnifying the University against loss or liability. Therefore, employees should read and understand the Motor Vehicle Agreement before making a commitment.

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10.4 Fringe Benefits Tax (FBT)

Motor Vehicle FBT is calculated using the Statutory Formula method. The formula for calculating the Taxable Value of motor vehicles is:

$$\text{Taxable Value} = A \times B \times C / D - E$$

Where:

A = The base value of the motor vehicle. This includes the cost price (including GST) accessories and dealer charges but excludes stamp duties, insurance and registration costs.

B = Statutory Fraction.

C = The number of days during the FBT year that the motor vehicle was used or available for use by the employee.

D = The number of days in the FBT year.

E = Recipient Contribution. **Please note that the University does not currently accept recipient contributions from employees. However, recipient contributions will be introduced sometime in the future.**

The distance travelled for each statutory fraction is as follows:

Annual Distance Travelled (kms)	Statutory Fraction (%)	Daily Travel Rate (kms)***
0 to 14,999	26	NA
15,000 to 24,999	20	42
25,000 to 40,000	11	69
40,001 and above	7	110

*** Leap year and rounding have been taken into account

The formula for calculating the FBT payable is:

$$\text{FBT Payable} = \text{Taxable Value} \times \text{Gross-Up} \times \text{FBT Rate}$$

where:

$$\text{Gross-Up} = 2.0647$$

$$\text{FBT Rate} = 46.50\%$$

Additional Information

- At the University's discretion, FBT payable will be reduced for days that the motor vehicle is unavailable to the employee for repairs and detailing services to restore the motor vehicle to its original condition.

Employees must provide the necessary documentation.

- Actual FBT costs are pro-rated on a time basis for motor vehicles not held for a full FBT year.
- Changes to FBT and in statutory charges are passed on to employees as part of the overall cost of providing Motor Vehicle Benefits.
- If the liability for FBT is higher than originally budgeted by employees (due to inaccurate budgeting or otherwise), the additional FBT costs will be recovered from employees. Likewise, if the liability for FBT is lower than originally budgeted, the savings will be passed on to employees.

If employees fall short of the budgeted distance travelled by just one kilometre, they will incur an increased FBT liability.

10.5 Leasing Arrangements

The University has contracted the following two Fleet Companies to provide Motor Vehicle Benefits to employees:

1. Easifleet Management, and
2. LeasePlan

FLEXIBLE REMUNERATION PACKAGING MANUAL

Both companies provide:

- Novated Lease

Please refer to their brochures for further information.

Employees must discuss the options available with a Financial Consultant before making a financial commitment.

10.6 Fuel Cards

Fuel cards are supplied to all employees who package a motor vehicle, regardless of the type of leasing arrangements involved. Should a service station not accept the cards, employees will have to pay for the fuel and/or oil and then claim reimbursement from their package.

Employees must provide the original tax invoices to the relevant Fleet Company to claim reimbursement for Motor Vehicle Benefits.

Fuel Cards will be sent to the Flexible Remuneration Packaging Office and will be available to employees **after** delivery of the motor vehicle. Employees must sign for the fuel cards upon receipt.

Employees should note that they must supply an odometer reading when making a purchase.

Fuel cards can only be used for the purchase of fuel and oil for salary packaged motor vehicles. FBT will be charged on any non-fuel/oil purchases or purchases in relation to a non-salary packaged motor vehicle.

10.7 Motor Vehicle Insurance

Under the Motor Vehicle Plan, all salary packaged motor vehicles are comprehensively insured for the duration of the lease term. Insurance cover is provided by SGIO or LeasePlan and employees **cannot** negotiate motor vehicle insurance with another organisation.

10.8 Parking Fines and Traffic Infringements

Responsibility for the payment of parking fines and traffic infringements rests solely with the employee and must be paid in a timely manner in accordance with the applicable fine or infringement.