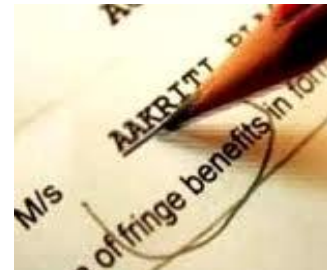


# Plant & Associates

## Salary packaging: What's included and what are the benefits?

Salary sacrifice is an arrangement with your employer providing benefits from your pre-tax income which results in adjustments to your future take home salary. This arrangement can provide effective tax solutions depending on factors varying with each individual.



It is becoming more popular for extra super contributions to be salary sacrificed especially as this is Fringe Benefit Tax exempt. Other non-exempt FBT items salary packaged are benefits provided in respect to your employment which are usually rights, privileges and services available as per examples provided.

You need to be aware of some things to look out for such as the new income tests applied when assessing your eligibility for tax offsets, surcharges levied and child maintenance income assessment. Any reportable fringe benefits as well as reportable super contributions sacrificed are now all taken into account. You will also need to consider the advantages that you will receive from salary packaging based on factors such as your income tax bracket and your personal financial goals and the taxation effects on your arrangement especially with super contribution payments.

Motor vehicles are one of the most common salary sacrificed items. These are usually under a novated lease agreement where you receive the benefits by payment of the lease and operating costs from your pre-tax income. The example provided illustrates the tax advantages which are usually the case for most individuals. By making employee contributions from after-tax dollars, this further enhances the tax benefits for the tax payer.

Running costs of the vehicle are usually integrated into your salary package arrangements and equity build up is acquired during the lease term as you are utilizing your pre-tax income. However, each individual arrangement will vary. Seek advice from your accountant or financial adviser prior to salary packaging. \*note recent changes to the FBT rates may make salary sacrifice less appealing. Seek financial advice first.

### What type of benefits can be salary sacrificed?

- Novated leasing of a motor vehicle
- Superannuation
- Meal entertainment
- Education expenses
- Home mortgage repayments
- Utility payments
- Work related travel
- Private travel
- Membership fees
- Remote location

|  | Salary only     | Salary sacrifice with after-tax contributions |
|--|-----------------|---|
| <b>David's Annual Salary</b>                             | \$87,200        | \$87,200                                      |
| <b>Lease + Operating costs (salary packaged pre-tax)</b> | \$ -            | - \$7600                                      |
| <b>Fringe Benefits Tax</b>                               | \$0             | \$0   |
| <b>Administration Fee (eg. RemServ)</b>                  | \$0             | -\$285  |
| <b>David's taxable income</b>                            | \$87,200        | \$79,315                                      |
| <b>Less PAYG Tax (inc, Medicare Levy) for 2011 FY</b>    | \$20,399        | \$17,491                                      |
| <b>Net cash salary</b>                                   | \$66,801        | \$61,824                                      |
| <b>Less post tax contribution</b>                        | \$0             | \$4,400                                       |
| <b>Take home wages</b>                                   | \$66,801        | \$57,424                                      |
| <b>Less vehicle operating costs</b>                      | -\$12,000       | \$0   |
| <b>David's net salary</b>                                | <b>\$54,801</b> | <b>\$57,424</b>                               |
| <b>Estimated annual benefit</b>                          | <b>\$0</b>      | <b>\$2,623</b>                                |
| <b>Est. fortnightly benefit</b>                          | <b>\$0</b>      | <b>\$101</b>                                  |



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