

Salary Packaging Guidelines

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Short description	Guidelines on the CSU Salary Packaging Scheme
Relevant to	All employees
Approved by	These Guidelines have been approved by the Chief Financial Officer in accordance with the Guideline on Delegations and Authorisations - Delegation Schedule 1, GOV10.
Responsible officer	Manager, Remuneration and Benefits
Responsible office	Finance
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Related University documents	CSU Enterprise Agreement
Related legislation	Fringe Benefits Tax, PAYG
Key words	Salary packaging, Salary Sacrifice

1. PURPOSE

1.1 These guidelines describe how the Salary Packaging Scheme at CSU is administered. The University recognises that, subject to applicable legislation in place at any time, salary packaging arrangements may provide employees with greater financial flexibility to meet their individual needs.

1.2 The objectives of these guidelines is to provide:

- information concerning the key principles of salary packaging;
- a framework for the implementation and conduct of the Scheme; and
- guidelines for employees in regard to participation in the Scheme

2. ELIGIBILITY

2.1 Participation in the Scheme is voluntary. All employees of the University are eligible to participate in the Scheme, except for the following categories of employees:

- casual employees (except for superannuation purposes when agreed to by the University in exceptional circumstances); and
- Employees engaged on a fixed-term appointment for duration of less than twelve months.

2.2 There are a variety of complex financial considerations involved in deciding to commit to a salary packaging arrangement. The University strongly suggests that employees seek financial advice from an independent, licensed financial advisor before proceeding with any salary packaging arrangement.

2.3 As a precondition to participation in the Scheme, an employee will be required to certify that he or she has sought or had the opportunity to seek independent financial advice regarding the consequences of entering into a salary packaging agreement.

3. APPLICATION

3.1 Salary packaging allows an employee to receive part of his or her salary in a form other than take home pay. It involves the employer paying for certain benefits and expenses on an employee's behalf from their pre-tax salary, rather than the employee paying for them with their after-tax salary. The result is that the taxable salary of a participating employee is reduced and hence his or her PAYG tax liability may be reduced. However, the savings achieved depend on an employee's personal financial circumstances and the benefit items included in the package.

- 3.2 Employees should note that the fortnightly taxation benefit that may be gained by salary packaging any item will exclude an employee from gaining the benefit of the full purchase amount as a tax deduction at the end of the financial year.
- 3.3 Salary packaging arrangements are subject to applicable legislation, including the *Income Tax Assessment Acts 1936 and 1997*, *Fringe Benefits Tax Assessment Act 1986*, *Superannuation Contributions Tax (Assessment and Collection) Act 1997* and the *New Tax System (Family Assistance) Acts 1999*. The legislative provisions regulating salary packaging arrangements are subject to change. The University will apply any legislative changes applicable to the CSU salary packaging scheme as soon as they are passed by the Government.
- 3.4 The University will, at its own discretion, determine which benefits may be salary packaged, and the arrangements that will apply. Only items that are FBT exempt (with the exception of Novated Leases), as varied from time to time by Legislation, will be available for salary packaging. The University will endeavour to provide advance notice of any change to the benefits and arrangements available. Where advance warning may not be possible, for example if there are legislative changes which have immediate or retrospective effect, notification will be sent as soon as practicable.
- 3.5 The University will not provide financial advice to employees. However, the University strongly recommends that employees seek their own independent financial advice before entering into any salary packaging arrangements. Charles Sturt University will not take responsibility for decisions made by employees or reimburse employees if they commit to salary packaging based on a wrong decision or incur any debts.
- 3.6 Salary packaged superannuation and reportable fringe benefits tax amounts are reported on an employees' payment summary. These amounts will be counted as assessable income for most Government surcharges and income tests including but not limited to:
- Child support obligations;
 - Centrelink payments;
 - HELP and SFSS payments;
 - Medicare levy surcharge
 - Other tax offsets eg senior Australian tax offset, dependant tax offsets, pensioner tax offset; and
 - Superannuation co-contribution

If an employee has any of these benefits/obligations it is recommended that they seek independent financial advice to ensure that they understand how salary packaging will affect their individual circumstances. More information is available from the following organisations:

[Tax Office](#)

[Centrelink](#)

[Child support agency](#)

4. BENEFITS AVAILABLE TO BE PACKAGED

4.1 The benefits set out below are available to be packaged under the CSU Salary Packaging Scheme:

- payment of fees for child care at the CSU Children's Centre in Albury and Wagga and the Wagga Campus pre-school operated by the University;
- employee contributions to super funds including UniSuper, SASS and SSS;
- Additional contributions to a complying superannuation fund pursuant to relevant legislation and for which the Trust Deeds of such schemes allow additional contributions to be made. The contributions must be able to be remitted to the fund in a manner which is consistent with the current remittance procedures used by CSU to process superannuation payments (EFT);
- an amount equal to the fortnightly deduction made from an employee's salary to repay the total cost incurred in purchasing the University's corporate uniform;
- motor vehicles under a novated lease agreement (administered via a third party provider);
- Self-education expenses that qualify as FBT exempt;
- memberships to professional associations; and
- financial advice from a licensed, registered financial advisor
- electronic portable devices purchased primarily for work purposes

4.2 The range of benefits available to be packaged may be varied or suspended at any time in accordance with clause 3.4 of these guidelines.

5. CHILD CARE FEES

5.1 An employee may package those child care fees incurred at the CSU Children's Centres located at the Albury and Wagga Wagga campuses and the Pre-School located at the Wagga Wagga campus. The packaging of child care fees incurred at these centres is FBT exempt.

5.2 Employees should note that the packaging of childcare fees does affect an employee's entitlement to a child care benefit. Staff are urged to seek financial advice and refer to the information on the Department of Human Services website - <http://www.humanservices.gov.au/customer/services/centrelink/child-care-benefit>

5.3 An application by an employee who chooses to package child care fees shall only proceed after enrolment of the employee's child (or children) has been accepted.

- 5.4 Only childcare fees may be packaged. An employee will be responsible for the direct payment of all other costs associated with childcare
- 5.5 The minimum fortnightly deduction amount shall be no less than the charge for one full day. Any excess payments made under these arrangements which require a refund must be processed through the University's payroll and taxed accordingly. Direct refunds will not be available through the Children's Centre or Pre-School.

6. SUPERANNUATION

- 6.1 All employees of the University who are eligible to participate in this Scheme are a member of one of the following superannuation funds:
- UniSuper;
 - the State Superannuation Scheme ("SSS"); or
 - the State Authorities Superannuation Scheme ("SASS").
- 6.2 Arrangements regarding the packaging of superannuation will vary in accordance with the superannuation fund of which an employee is a member. These arrangements are set out below at subclauses 6.5 and 6.6 of these guidelines.
- 6.3 Employees should note that due to preservation requirements, all employee contributions made to a superannuation fund, including salary packaged contributions, since 1 July 1999, are fully preserved until the applicable preservation age.
- 6.4 An employee who chooses to package voluntary contributions to a complying superannuation fund is responsible for maintaining their compulsory employee contribution to fund of which he or she is a member, at the appropriate rate.

6.5 Members of UniSuper

- 6.5.1 Employees who are members of UniSuper may choose to package their employee superannuation contributions and, in addition, elect to package voluntary superannuation contributions.
- 6.5.2 UniSuper members have the option to convert their existing employee contributions to pre-tax member contributions. The converted contributions are then considered to be University sponsored benefits and a participating employee's PAYG liability is reduced accordingly.
- 6.5.3 Whilst salary package contributions to UniSuper are FBT exempt, they are considered to be employer sponsored benefits and as such, attract a 15% contributions tax. To compensate for the contributions tax and to maintain an employee's compulsory superannuation contribution at the correct rate, the pre-tax rate will include an extra 15% to allow for the contributions tax. For example the standard rate of 7% will become 8.25% when deducted from pre-tax salary.

- 6.5.4 Unisuper members who have elected to reduce their contributions by utilising Unisuper's contribution flexibility arrangements can also have these amounts deducted pre-tax. The rate deducted from pre-tax salary will be increased by 15% to allow for the contributions tax. For further information on contribution flexibility please refer to Unisuper's website. http://www.unisuper.com.au/superannuation/cont_flexibility.cfm
- 6.5.5 Where an employee elects to package voluntary superannuation contributions in excess of their compulsory contribution, such deductions shall also attract a 15% contributions tax. This tax will be levied by Unisuper upon receipt of the contributions.
- 6.5.6 Whilst UniSuper does not levy an administration fee for packaged compulsory superannuation contributions, a general administration fee applies to an employee's superannuation account. This fee is administered by UniSuper and payment of this fee is the responsibility of the employee.

6.6 **Members of SSS and SASS**

- 6.6.1 Employees who are members of the State Superannuation Schemes (SASS and SSS) are eligible to salary package their compulsory employee superannuation contributions to those funds.
- 6.6.2 Whilst salary package contributions to SASS and SSS are FBT exempt, they are considered to be employer sponsored benefits and as such, attract a 15% contributions tax. To compensate for the contributions tax and to maintain an employee's compulsory superannuation contribution at the correct rate, the pre-tax rate will include an extra 15% to allow for the contributions tax. For example the rate of 9% will become 10.58% when deducted from pre-tax salary.
- 6.6.3 An employee who is a member of either SSS or SASS may elect to salary package voluntary contributions to Unisuper. Such contributions shall be in addition to an employee's compulsory contribution to the state superannuation scheme of which he or she is a member. As the State Funds are closed, SASS and SSS cannot accept additional contributions above a member's compulsory contribution rate.

6.7 **Taxation of Superannuation**

- 6.7.1 Superannuation contributions paid under salary packaging arrangements are treated differently for taxation purposes to those deducted after PAYG tax. Any liability incurred under such taxation arrangements shall be the responsibility of the employee.
- 6.7.2 Employees are urged to obtain financial advice regarding contribution caps which are applicable to employer and employee salary sacrificed superannuation contributions. More information about contribution caps can be obtained from your superannuation fund or from the ATO at the following link: [ATO contributions caps](#)
- 6.7.3 Further information regarding the taxation of superannuation can be obtained from the relevant superannuation fund.

7. CORPORATE UNIFORM

- 7.1 An employee may package the purchase cost of the University's corporate uniform.
- 7.2 The amount packaged shall be equal to the fortnightly deduction made from an employee's salary to repay the total cost incurred in purchasing the corporate uniform. Information about the corporate uniform is available at the following link: <http://www.csu.edu.au/division/finserv/staff/uniform>

8. MOTOR VEHICLES

- 8.1 An employee may apply to salary package the fortnightly lease payment for a motor vehicle under a budgeted fully maintained novated lease agreement.
- 8.2 A novated lease is a three party agreement between the employee, CSU and the nominated leasing company. The employee enters into a finance lease with the lease provider and a novation agreement is used to transfer some of the lease obligations to CSU. This arrangement enables the employee to lease a fully maintained vehicle of their choice. Once the novation is in place, CSU will deduct fortnightly payments from an employee's salary and remit these payments to the lease provider. The employee must abide by the terms and conditions of their lease and they are liable for the vehicle and its usage.
- 8.3 CSU requires employees to complete a Novated Lease Salary Packaging Agreement and the leasing provider requires the employee to sign an Employee Undertaking, Acknowledgement and Indemnity Declaration. These documents outline the employee's responsibilities in undertaking a novated lease arrangement. The novated lease arrangement will not commence until all applicable documentation is completed.
- 8.4 Employees must be aware that entering into a sale agreement to purchase a vehicle is a legally binding contract. Any fees incurred if an employee decides to cancel a vehicle order will be borne by the employee.
- 8.5 The nominated leasing company will provide drivers with a mechanism to purchase fuel and pay for maintenance under a novated lease agreement. The novated lease company reserves the right to cancel the fuel and maintenance card if the card has been used fraudulently or the employees account balance is unacceptable and the employee does not agree to re-cost to recover the outstanding sum.
- 8.6 The nominated leasing provider will establish a running cost account for each novated lease vehicle. If an employee's budgeted salary deductions are less than actual expenditure, the employee is required to re-cost to increase his or her salary deductions for the vehicle, If an employee refuses or ignores requests to re-cost, CSU reserves the right to terminate the novation agreement and payment of the monthly lease rental and ongoing running costs of the vehicle will become the responsibility of the employee. Any excessive balance upon reconciliation of the lease will become immediately payable in accordance with clause 8.17-8.18.

- 8.7 The following items cannot be included or reimbursed as part of the expenses for a novated lease:
- Traffic Infringements;
 - Parking Fines;
 - E-tag expenses and tolls;
 - After market capital items added to the car such as roof racks or tow bars.
- 8.8 It is a condition of the lease agreement that all novated lease vehicles are comprehensively insured at all times. Employees have the option to source their own comprehensive insurance or utilise the insurance offered by the novated lease company. Where an employee chooses to source their own insurance, the onus is on the employee to ensure that the vehicle is comprehensively insured at all times and CSU or the novated leasing company will not take any responsibility if the employee allows the vehicle to become uninsured.
- 8.9 A novated lease vehicle will be registered in the employee's name. It is a condition of the novated lease agreement that all vehicles are registered at all times. CSU or the novated lease company will not take any responsibility if the employee allows the vehicle to become unregistered.
- 8.10 Vehicles are for 100% private use. Inter campus travel is permitted within the limitations of the CSU travel policy.
- 8.11 The employee is liable for any Fringe Benefits Tax (FBT) associated with salary packaging a vehicle. It is the employee's responsibility to provide a closing odometer reading at the end of each FBT year to the leasing company and at the end of the novated lease. Every completed FBT year (1st April- 31st March) and/ or at the end of a novated lease arrangement, FBT will be reconciled. This calculation is based on actual FBT liability versus the provision outlined in the lease arrangement. Any shortfall will be the responsibility of the employee.
- 8.12 If an employee's novated lease vehicle is unavailable for FBT purposes, they are required to advise the days unavailable in writing to the Manager, Remuneration and Benefits outline the nature of the reason the vehicle is unavailable and provide a declaration stating that the car is secured and is unavailable for their use. During this time, neither the employee nor an associate may have custody or control over the vehicle.
- 8.13 Where an employee ceases employment with the University, the employee remains responsible to the nominated financier for all payments that are outstanding under the novated lease. CSU will no longer have any obligations under the novated lease agreement.
- 8.14 Termination of the novated lease agreement for any reason will result in the employee's vehicle running costs accounts being reconciled. When a lease is terminated for any reason the employee must:
- Provide a final odometer reading for the vehicle to the leasing company to finalise the accounts associated with the operating costs, finance costs and any FBT liability. Failure to provide a final odometer reading will result in any FBT liability being calculated at the highest rate.

- Return all fuel/maintenance cards associated with the vehicle to the leasing company.
 - Organise payment of the residual value.
- 8.15 Once all required documentation is completed, a reconciliation of the vehicle running costs for the term of the lease is prepared. This will result in either settlement credit or debit. Employees are responsible for any costs incurred after the termination date of the lease.
- 8.16 Where a terminated employee incurs a deficit upon reconciliation of the novated lease running costs any balance owing will be deducted from an employee's termination payment. If an employee has insufficient funds in their termination payment to settle the outstanding deficit, the debt will be payable immediately and a debtors invoice will be raised to this effect.
- 8.17 Where a continuing employee incurs a deficit upon reconciliation of the novated leases running costs, the employee will be contacted by the Remuneration Office to facilitate repayment. Any outstanding deficit will be required to be settled within 30 days of the termination reconciliation being received by CSU from the lease provider.
- 8.18 Where an employee proceeds on a period of Leave without Pay they must contact the Remuneration Office to organise an alternative method of paying the fortnightly lease deductions during the period of unpaid leave. Refer to clause 13.4 of these Guidelines.
- 8.19 Leasing represents a financial commitment and involves some risks and responsibilities that employees must be fully aware of and understand before entering into a lease agreement. As any liability for the vehicle rests with the employee, all staff are urged to seek independent financial advice before entering into a novated lease agreement. CSU will not be responsible for any charges associated with an employee's decision to enter into a novated lease agreement.
- 8.20 The University reserves the right to review and change the nominated Novated Lease provider at any time.
- 8.21 Further details in regard to the salary packaging of a motor vehicle under the provisions of these Guidelines are available from the University's motor vehicle financier. Details of the current Novated Lease provider are available on the [salary packaging website](#).

9. SELF – EDUCATION EXPENSES

- 9.1 An employee may salary package the course fees involved in work related self-education that qualify as FBT exempt. To qualify as FBT exempt, the following requirements apply:
- 9.1.1 At the time the expense is incurred, there is a direct connection between the self-education and an employee's current work activities that enables the employee to maintain or improve the skill(s) or specific knowledge upon which the employee's income earning activities are based; or

- 9.1.2 There is a direct connection between the self-education and an employee's current work activities because it can be shown that the employee's study leads to, or is likely to lead to, increased income from the employee's current work activities.
- 9.2 Self-education costs incurred in study undertaken to gain a new job, or to open up a new income earning activity, or related to a particular profession, occupation or field of employment in which an employee is not currently working cannot be packaged as self-education expenses.
- 9.3 Payments to the Higher Education Contribution Scheme (HECS) are not FBT exempt and cannot form part of a salary packaging agreement.

10. PROFESSIONAL MEMBERSHIPS

- 10.1 Employees may salary package the cost of annual membership, excluding subscriptions, to an FBT exempt work related professional association.
- 10.2 To qualify as FBT exempt, the annual membership must be of a professional association that is relevant and incidental to the employee's profession, occupation or field of employment.
- 10.3 An employee is required to provide to the University original documentation that evidences payment of the annual membership and complete the relevant form.

11. FINANCIAL ADVICE

- 11.1 Employees may salary package the cost of financial advice which is incurred in gaining or producing an assessable income.
- 11.2 To be eligible to be salary packaged, the advice must be provided by a registered tax agent.
- 11.3 An employee is required to provide the University with an original paid tax invoice which clearly specifies the advice provided by the tax agent.
- 11.4 The expense must be in the staff members name and be incurred in the current Financial Year.

12. ELECTRONIC PORTABLE DEVICES

- 12.1 Employees may salary package the cost of FBT exempt portable electronic devices.
- 12.2 Eligible devices are tablets (ipads), laptops and smart phones.
- 12.3 To be eligible to be salary packaged, the employee declares the device has been purchased primarily for work purposes.
- 12.4 Claims cannot exceed one eligible portable device with identical function per FBT year (1 April – 31 March).

12.5 The invoice/receipt must be in the staff members name in the current FBT year.

13. EFFECT OF VOLUNTARY SALARY PACKAGING ON EMPLOYEE ENTITLEMENTS

- 13.1 Existing employee entitlements such as paid sick leave, annual leave, long service leave, maternity and adoption leave, annual leave loading and any other applicable allowances, will not be affected by salary packaging. All forms of paid leave, overtime, compulsory superannuation contributions and employer superannuation contributions will continue to be calculated on an employee's ordinary rate of salary.
- 13.2 The University shall maintain its employer superannuation contributions and arrangements on the gross salary.
- 13.3 An employee who takes unpaid or reduced paid leave from the University shall be responsible for maintaining, adjusting or terminating their voluntary salary packaging arrangements.
- 13.4 When proceeding on Leave without Pay (LWOP), an employee must contact the Remuneration Office to discuss their options regarding their salary package whilst on unpaid leave. In most cases the packaging arrangement will be ceased during the period of LWOP. Arrangements for novated lease payments are particularly significant during periods of unpaid leave. Where the University maintains lease payments to the lease provider during the period of LWOP, it will seek to recover these costs from the employee. If the employee does not make alternative arrangements to cover their novated lease payments during the period of leave without pay, the University will terminate the agreement with the Lease Provider. Employees will be liable for all costs and penalties associated with the termination.
- 13.5 Employees may re-enter into a salary packaging arrangement once they have returned to work at full pay and the University accepts a new salary packaging arrangement.

14. APPLICATION TO PARTICIPATE IN SCHEME

- 14.1 To facilitate participation in the Scheme, an employee shall be required to:
- 14.2 certify that he or she has sought or had the opportunity to seek independent financial advice in regard to the implications of entering a salary packaging agreement; and
- 14.3 Complete and sign the appropriate documentation directing and authorising the University to make payment of packaged benefits and expenses on their behalf.
- 14.4 Employees must forward complete original documentation to the Remuneration Office, Building 9, Division of Finance, Wagga Wagga Campus. An employee's Salary Packaging Agreement will not take effect until all relevant documentation has been appropriately completed.

- 14.5 An employee's Salary Packaging Agreement shall take effect from the first full pay period commencing after the date of receipt by the Remuneration Office of all completed documentation. Agreements will not be retrospective, except in the case of novated lease payments in certain circumstances.

15. METHOD OF PAYMENT

- 15.1 At the direction of a participating employee, the University will deduct salary packaged benefits and expenses from their gross fortnightly salary. Such deductions shall be remitted directly to the nominated recipient/s.
- 15.2 The University will receipt payment of packaged childcare fees to the appropriate child care facility each payday.

16. ADMINISTRATION FEE

- 16.1 The University reserves the right to introduce the charging of a fee to administer an employee's Salary Packaging Agreement. Any such fees would be separate from those payable by an employee under a salary packaging agreement with a third party.

17. TERMINATION OR CHANGE OF SALARY PACKAGING AGREEMENT

- 17.1 With the exception of Novated Lease arrangements, an employee may direct the University to terminate or change their Salary Packaging Agreement. In doing so, an employee shall provide the University with a minimum of two (2) weeks written notice.
- 17.2 Termination or change to an employee's Salary Packaging Agreement shall take effect from the first full pay period commencing after the date of receipt by the Remuneration Office of an employee's authorisation to terminate or change their salary packaging agreement.
- 17.3 Employees who have salary packaged a novated lease vehicle should note that irrespective of a direction to the University to terminate the salary packaging of the fortnightly lease payment, the employee remains responsible to the nominated financier for all payments that are outstanding under the novation agreement.

18. REPORTING ARRANGEMENTS

- 18.1 From the commencement of an employee's Salary Packaging Agreement, salary packaged items are detailed on the employee's payslip.
- 18.2 In the case of packaged superannuation contributions, the University will forward a remittance advice to the applicable superannuation fund, and such payments will be reflected on the member statement issued by the superannuation fund and will count as reportable super contributions as per paragraph 3.6.

18.3 Fringe Benefits Tax and reportable superannuation contributions will be reported on an employee's PAYG Payment summary.

19. **DISCLAIMER**

19.1 Whilst the University has made, and will continue to make, all reasonable endeavours to provide employees of the University with accurate information with respect to the Salary Packaging Scheme, the University disclaims all liability with respect to the financial decisions and arrangements made and entered into by an employee under the Scheme.

19.2 The information contained in these Guidelines is intended to be used by employees of the University as a general guide only with respect to the potential financial advantages or disadvantages of the Scheme. These Guidelines are not to be relied upon as a substitute for independent financial or legal advice.

19.3 Salary packaging arrangements are subject to a range of complex legislative provisions. The Scheme will be subject to all applicable legislation that may be in force at any time.

19.4 The University reserves the right to alter or amend the provisions of the Scheme. The circumstances in which the University will amend the Scheme shall include, but not be limited to, the following:

19.4.1 to comply with applicable legislation;

19.4.2 where the existing range of benefits available under the Scheme is to be extended; and

19.4.3 In any circumstance where the University considers it necessary to alter administrative arrangements pertaining to the Scheme.

19.5 In effecting payment to a third party of packaged employment benefits under the Scheme, the action of the University will not in any way imply a transfer of liability to the University in regard to any agreement made between a participating employee and a third party.

20. **Table of amendments**

Version number	Date	Short description of amendment
1.2	Nov 2016	Guidelines updated to include portable electronic devices (item 13).