

SALARY PACKAGING PROCEDURE

SCOPE

This procedure applies to continuing and fixed term staff employed by the University on its Australian campuses. Casual and sessional staff are eligible to salary package superannuation only.

PROCEDURE STATEMENT

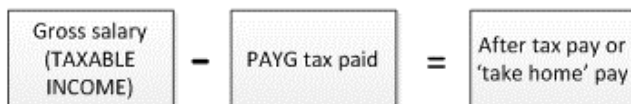
Monash University recognises the importance of offering flexible remuneration planning to staff. Salary packaging (also referred to as salary sacrificing) is one way to provide staff with the flexibility to request a combination of cash salary and benefits to suit their individual and personal needs, and to increase their disposable income.

The purpose of this procedure is to provide key information regarding salary packaging benefits and applications to staff.

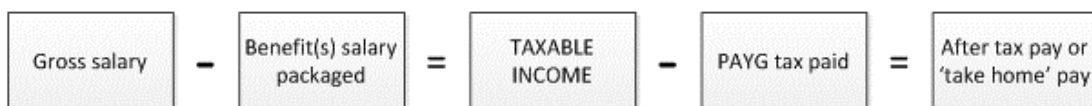
1. How salary packaging works

- 1.1 Under a salary packaging arrangement staff can request for the University to provide certain benefits (as outlined in this procedure).
- 1.2 The University will pay for these benefits on behalf of the staff member or reimburse the cost of them, instead of providing gross salary with PAYG tax deducted. In return, the staff member will agree to 'sacrifice' or forego the cost to the University of providing the benefit.
- 1.3 Employer provided benefits which are provided as an alternative form of remuneration (i.e. by way of fringe benefits) are not assessable under the PAYG system, thus may provide a tax advantage for the staff member.

Standard salary structure



Remuneration structure with salary packaging



- 1.4 Salary packaging will not change the staff member's gross salary or their terms and conditions of employment.
- 1.5 A staff member's pre salary-packaged gross salary will continue to be used to determine calculations for the following entitlements:
 - employer contributions to superannuation;
 - payment of leave entitlements on termination;
 - severance payments;
 - loadings, allowances and deductions, which are calculated as a percentage of salary;
 - overtime and shift penalties; and
 - redundancy or early retirement benefits.
- 1.6 Packages will commence from the beginning of the next available pay period.
- 1.7 At present, the University offers benefits to staff that are either FBT exempt items or motor vehicles, which are concessional taxed.

1.8 Benefits that staff claim as an income tax deduction when preparing an annual income tax return are not available for salary packaging (with some noted exceptions).

Item	Details	How to apply
Car parking permit	<p>Staff can salary package PAYU car parking or vPermit car parking for:</p> <ul style="list-style-type: none"> • Caulfield, Clayton, Parkville and Peninsula campuses; • Alfred Hospital, Monash Medical Centre and Box Hill Hospital; <p>For PAYG car parking, staff must use CelloPark to pay for any parking fees incurred on a monthly cycle. Following this, staff will receive the salary tax benefit and GST expense reimbursement for that previous month's parking, in the next available pay period.</p> <ul style="list-style-type: none"> • For vPermit car parking, staff can select the salary sacrifice option, when purchasing a 30-day parking permit. • For further information, refer to car parking FAQs. <p>There is no administration fee for salary sacrificing a parking permit</p>	<ul style="list-style-type: none"> • Staff must select the option of salary packing during the online purchasing process for campus-based permits. • Staff can apply for non campus-based permits via the following form: Salary package parking.
Child care	<p>Staff may salary package child care fees from the following child care centres:</p> <ul style="list-style-type: none"> • Caulfield - Monash Caulfield Child Care Association Inc; • Peninsula - Windermere Early Learning Centre • Clayton - Monash Children's Centre Co-op Ltd; and • Clayton - Monash Community Family Co-Operative. <p>The University will sacrifice the cost of the child care fees from the staff member's gross salary in equal fortnightly amounts and allocate the cost directly to the relevant child care centre. GST will not be applicable. Please note under a salary sacrifice arrangement the University is liable for payment of fees to the child care centre therefore there will be no entitlement to Child Care Benefits or the Child Care Rebate from the Department of Human Services.</p> <p>Further information is available in the Expectant and New Parents Guide.</p>	<ul style="list-style-type: none"> • Staff should enrol the child with the child care centre. • Staff must complete and lodge the following form: Salary package childcare fees [Online].
Mobile phone	<p>Staff can salary package one mobile phone, used predominantly for business purposes, each FBT year. Packaging must be (or commence) in the same FBT year/Tax year as the purchase was made. Retrospective purchases will not normally be packageable.</p> <p>The University will reimburse GST to the staff member in full, and sacrifice the GST exclusive cost of the phone from his/her gross salary over a number of pay periods.</p>	<ul style="list-style-type: none"> • Staff must purchase the mobile phone and obtain a dated tax invoice in their name (where possible). • Staff must apply for salary packaging immediately after the purchase has been made. • Staff should attach the invoice to the following completed form: Salary packaging application - Other Benefits and submit it to Payroll Services for processing.
Monash Sport membership	<p>The fees for annual membership at Monash Sport Caulfield, Clayton and Peninsula may be packaged. Memberships include access to a range of facilities and services including full access to the fitness centre, group fitness classes and aquatic facilities.</p> <p>The University will sacrifice membership fees from a staff member's gross salary in equal, ongoing amounts over the year and allocate the cost directly to the relevant provider.</p>	<ul style="list-style-type: none"> • Staff should organise membership in person at Monash Sport and complete and lodge the following form: Salary Packaging Monash Sport membership [Online] • Monash Sport will advise Payroll Services for processing.

Item	Details	How to apply
<p>Motor Vehicle (Novated Lease)</p>	<p>Leasing represents a significant financial commitment, therefore staff should obtain advice from an independent financial adviser prior to entering into a novated lease arrangement.</p> <p>A novated lease is a variation to a standard finance lease. Instead of entering into a lease directly with a bank, staff enter into a lease arrangement with either one of the University's car salary packaging scheme providers and then transfer the obligation of the lease repayments to the University.</p> <p>The University will deduct the lease payments from the staff member's gross salary and make the lease payments to the lease provider on the staff member's behalf, while they remains a staff member of the University.</p> <p>Staff intending to apply for a novated lease must familiarise themselves with the University's Novated Lease Procedure</p>	<ul style="list-style-type: none"> • Staff should contact either one of these providers to ask questions and organize details. • Custom Fleet or nlc • The lease provider will provide details to Monash HR payroll for processing. • In addition to the administration fee of \$5.10 per fortnight, the University will deduct \$12.50 per motor vehicle per fortnight. • The lease provider may apply additional administration charges.
<p>A portable electronic device, as defined by the ATO, is a device that:</p> <ul style="list-style-type: none"> • is easily portable and designed for use away from an office environment; • is small and light; • can operate without an external power supply; and • is designed as a complete unit. <p>Examples include a calculator, tablets, laptop and portable printer.</p>	<p>Staff can salary package portable electronic devices that are used primarily for work purposes.</p> <p>Staff can salary package more than one device per FBT year, however the items cannot have a substantially identical function, unless the item is a replacement item.</p> <p>Staff may include business computer software, primarily for work purposes, installed at the date of purchase or afterwards, as a packaged item.</p> <p>Network cards, carry bags, modems, zip drives and microphones are not FBT exempt and therefore these items cannot be packaged unless they are purchased as a package deal.</p> <p>Packaging must be (or commence) in the same FBT year/tax year as the purchase was made.</p> <p>Where staff purchase and salary package a work-related item, the depreciation claim previously available will no longer available for that item.</p> <p>The University will reimburse GST* to the staff member in full, and deduct and reimburse the GST exclusive cost of the item from the staff member's gross salary over the next 3 months (6 pay fortnights).</p> <p>*on provision of a valid tax invoice</p>	<ul style="list-style-type: none"> • A staff member should purchase the item and obtain a dated and valid tax invoice in their name, clearly indicating that it is a portable item. Items that cannot be packaged should not be included on the invoice - staff should ask for a separate tax invoice for these. • Staff must submit a valid tax invoice to receive GST reimbursement for the purchase. If a valid tax invoice is not received, staff will not receive reimbursement on the GST of the purchase. Only the cost of the item (exclusive of GST) will be processed for salary packaging. • Staff should attach the tax invoice to the completed form: Salary packaging application - Other Benefits • Staff must apply for salary packaging immediately after the purchase is made. Retrospective purchases will not normally be packageable.
<p>Airline memberships</p>	<p>Staff may salary package Virgin Australia Lounge membership and Qantas Club 1 year, 2 year and lifetime memberships.</p> <p>The University will reimburse the GST to the staff member in full, and deduct and reimburse the GST exclusive cost of the membership from the staff member's gross salary in the same pay period.</p>	<ul style="list-style-type: none"> • Staff must follow instructions for application/ renewal on the travel benefits staff intranet page. • Staff should pay for the membership and obtain a dated tax invoice in their name. • Staff should attach the tax invoice to the completed form: Salary packaging application - Other Benefits and submit it to Payroll Services for processing.

Item	Details	How to apply
Superannuation – Regular member and voluntary contributions	<p>UniSuper members have the option to convert their employee contributions (standard contribution 7% of gross salary) to pre-tax member contributions (standard contribution 8.25% pre-tax). The advantage to the staff member is that "take home pay" is increased as a result of a reduction in income tax liability.</p> <p>Additional voluntary contributions can also be made, however, it should be noted that ATO concessional superannuation contributions limits apply. Refer also to section 5. Legislative impact on salary packaging below.</p> <p>A staff member can obtain details of the concessional contributions relating to their service with the University for the current financial year by contacting the Superannuation Office on 9902 9585 or 9902 9497. The Superannuation Office will provide information to assist the staff member and their financial adviser to implement an appropriate salary packaging arrangement.</p> <p>The University will take no responsibility if a decision to salary package into superannuation results in a staff member exceeding concessional contribution caps.</p>	<p>Staff must complete the form: Salary Packaging Superannuation (All staff Online).</p>
Superannuation – additional lump sum payments	<p>A staff member may package additional lump sum payments to UniSuper such as performance bonuses or above engagement profile payments (in part or total) into superannuation provided they have made prior arrangements for this to take place. This request must be made by the staff member before they become entitled to any such payment. This is an ATO requirement and must be done before the commencement of any review or determination that may result in such a payment.</p> <p>Staff should refer to Superannuation – regular and voluntary contributions (above) and section 5. Legislative impact on salary packaging (below) for information relating to ATO concessional superannuation contribution limits.</p>	<ul style="list-style-type: none"> • Staff must complete the Salary Packaging Superannuation (All staff Online) prior to being advised that they are eligible to receive a lump sum payment, and submit it to HR Operations for processing. • An administration fee of \$5.10 is deducted per additional lump sum payment.

2. Financial advice

- 2.1 Care has been taken to ensure the accuracy of the information contained in this procedure, however it is not the University's intention to provide comprehensive information with respect to salary packaging. Individual circumstances vary and thus affect the benefits or otherwise of participating in salary packaging arrangements. Accordingly, the University strongly urges all staff planning to participate in the salary packaging process to seek independent financial planning advice. No person should rely on the contents of this procedure without first obtaining such advice.
- 2.2 The University is not responsible for the results of action taken on the basis of information contained herein nor for any error or omission in this publication. The University hereby expressly disclaims all and any liability and responsibility to any reader of this procedure 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 the information contained in this procedure.

3. Items available for salary packaging

- 3.1 The University will deduct a flat rate administration fee of \$5.10 from a staff member's gross salary per fortnight in order to salary package the following standard benefits:
- Airline memberships
 - Child Care
 - Portable electronic devices
 - Mobile phones
 - Monash Sport memberships
 - Motor Vehicle (novated lease)
 - Superannuation (for UniSuper and Vic Super ESS Super members only)

- 3.2 The University will decide the salary and benefits available to staff and may vary benefits available, and review and adjust the associated administration fee at any time.
- 3.3 Continuing and fixed term staff on contracts greater than 12 months are eligible to salary package the items listed in the table above. The University may allow staff with contracts of less than 12 months to salary package, depending on the items requested to be packaged.
- 3.4 Casual and sessional staff covered by an enterprise agreement are eligible to salary package voluntary superannuation contributions as outlined in the table below.

Item	Details	How to apply and fees
Superannuation : voluntary contributions into UniSuper Accumulation Account	Staff may salary sacrifice their entire salary or a percentage of their salary into superannuation. Staff should refer to Superannuation – regular contributions (above) and section 5. Legislative impact on salary packaging (below) for information relating to ATO concessional superannuation contribution limits.	Staff must complete the Salary Packaging Superannuation (All staff [Online]) and submit it to Payroll Services for processing.

4. Changing or terminating the package

- 4.1 Staff may elect to cease salary packaging at any time.
- 4.2 The salary packaging year runs from the 1 April to 31 March, consistent with the FBT year.
- 4.3 If a staff member leaves the University during a year in which they have salary packaged, the staff member's entitlement to receive benefits stops and their package is ruled off and reconciled at the termination date.
- 4.4 The University will off-set monies owing against any salary, leave and other remuneration that may be due and payable to a staff member at the termination date. The University reserves the right to take legal action to recover all monies owing by staff members or former staff members of the University.
- 4.5 Where packaging involves a third party, such as child care centres, NLC and Monash Sport, Payroll Services may require written advice from the provider in addition to written advice from the staff member to cease salary packaging arrangements.

5. Legislative impact on salary packaging

- 5.1 Salary packaging arrangements are a complex area of remuneration management and the University must comply with the requirements of the ATO, relevant State and Federal taxation legislation and regulations associated with salary packaging. To ensure effective compliance with these bodies, the University policy and procedures have been established. Should there be any legislative changes in relation to salary packaging, the University reserves the right to make alterations to the policy and/or procedures.

ATO requirements

- 5.2 Staff cannot claim an income tax deduction on any benefits that are packaged. Staff are required to observe all standards regarding salary packaging. The standards are set by the Australian Taxation Office (ATO) and require complete proof of expenditure and adherence to the staff member's nominated flexible remuneration. Failure to observe the standards can result in ATO penalties.

Fringe Benefits Tax (FBT)

- 5.3 It should be noted that, with the exception of motor vehicles, all of the benefits which may be salary packaged by University staff are exempt from FBT and as such these benefits will have a 'nil' taxable value for FBT purposes.
- 5.4 Unlike some not-for-profit organisations, the University is not considered a public benevolent institution (PBI) as defined by the ATO, and is therefore restricted in the range of benefits that can be offered to staff without attracting an FBT liability for the University.
- 5.5 The cost of a staff member's remuneration package should be no more than the total cost of employment prior to salary packaging occurring. In the event of any new tax or increase in taxation paid by the University, including FBT or any state tax equivalent, the University will pass on such costs to the staff member in the same manner as motor vehicles.

FBT Reporting on Payment Summaries

- 5.6 Fringe benefits provided to staff (whether or not salary packaged) are required to be reported on a staff member's Payment Summary where the aggregate taxable value of fringe benefits provided exceeds \$2,000 per FBT year. The grossed-up value (i.e. multiplied by 1.8695) will be required to be shown on a staff member's Payment Summary. This amount will not be taxable to the staff member, but it will be taken into account for the purposes of determining the application of certain surcharges, levies and Government entitlements such as, the additional Medicare levy etc.

- 5.7 Reportable Employer Superannuation Contributions (RESC) Reporting on Payment Summaries
- 5.8 Reportable Employer Superannuation Contributions are salary packaged superannuation contributions which are shown on a staff member's Payment Summary. This amount of RESC will be taken into account for the purposes of determining the application of certain surcharges, levies and government entitlements including (but not limited to) the additional Medicare levy.

Goods and Services Tax (GST)

- 5.9 The key impact of GST on University staff who salary package is that the University will generally be entitled to claim a GST input tax credit in respect of benefits which are salary packaged. In this regard, the amount which a staff member is required to salary sacrifice in respect of a particular benefit will, in most cases, be the GST-exclusive value of that benefit. Further information is provided throughout this procedure in relation to each of the benefits which may be salary packaged.

Concessional Superannuation Contributions

- 5.10 Concessional contributions are superannuation contributions made from pre-tax income and include employer contributions, pre-tax member and additional voluntary salary sacrifice contributions. These contributions are taxed at 15% when received by a complying superannuation fund.
- 5.11 The concessional contributions cap \$25,000p.a. (indexed) from the commencement of the 2017/18 financial year (regardless of age)
- 5.12 When an individual exceeds their annual concessional contributions cap in a financial year, the excess contributions will be subject to tax at their marginal rates.

DEFINITIONS

ATO	The Australian Taxation Office.
Benefits	Any non-cash benefit and cash payment (other than salary) made (or expected to be made) for the benefit of the staff member and cash payment made (or expected to be made) to the staff member by way of reimbursement of expenses incurred by the staff member.
Fringe Benefits Tax (FBT)	Tax payable by the University to the Commonwealth Government on some categories of benefits provided to staff.
FBT year	Runs from 1 April to 31 March.
Gross salary	Salary before tax.
PAYG	'Pay As You Go' income tax.
Remuneration	Means salary plus benefits.
Salary	Payment for time worked that is paid by way of regular periodic cash payments and subject to PAYG tax.
Salary packaging	Provided for under the Relevant Workplace Agreement. It refers to any arrangements made by the University to provide benefits in lieu of salary payments. Salary packaging arrangements must comply with relevant taxation legislation and rulings as varied from time to time.
Salary packaging commencement date	The effective date that the staff member's request for salary packaging commences.
Staff	A person employed by the University and eligible to apply for salary packaging.
Taxable income	Income that an employer is required to withhold from tax.

GOVERNANCE

Parent policy	Pay, benefits and entitlements
Supporting schedules	N/A
Associated procedures	<ul style="list-style-type: none"> • Novated Lease • Superannuation <p>Procedure forms</p> <ul style="list-style-type: none"> • Salary package parking • Salary package childcare fees [online] • Salary packaging application - Other benefits • Salary Packaging Monash Sport membership [online] • Salary Packaging Superannuation (All staff) [online]
Legislation mandating compliance	N/A
Category	Operational
Approval	Chief Human Resources Officer as delegate of the Chief Operating Officer
Endorsement	Director, Workplace Relations
Procedure owner	Director, Recruitment, Remuneration & Global Mobility
Date effective	8 January 2020
Review date	3 February 2021
Version	9.1 (<i>administrative amendments effective on 23 February 2021</i>)
Content enquiries	ask.monash or phone Monash HR on (03) 990 20400